

EXHIBIT C

AREA DEVELOPMENT AGREEMENT

CORNER BAKERY CAFE AREA DEVELOPMENT AGREEMENT

Developer

Effective Date of Agreement

Development Area

**CORNER BAKERY CAFE AREA DEVELOPMENT AGREEMENT
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CORNER BAKERY CAFE AREA DEVELOPMENT AGREEMENT

This Area Development Agreement ("Agreement") is made as of this _____ day of _____ ("Effective Date") between CBC Restaurant Corporation ("CBC," "we" or "us"), a Delaware corporation, and _____ ("you" or "your"), a _____.

RECITALS

CBC, as the result of the expenditure of time, skill, effort and money, has developed and owns a unique and distinctive system ("System") relating to the establishment and operation of bakery cafe style restaurants that operate under the name Corner Bakery Cafe[®] ("Corner Bakery Cafes").

The distinguishing characteristics of the System include, without limitation: uniform and distinctive exterior and interior design and layout, including specially designed décor and furnishings; special recipes and menu items; procedures and techniques for food and beverage preparation and service; automated management information and control systems for inventory controls, cash controls and sales analysis; technical assistance and training through course instruction and manuals; and advertising and promotional programs. We may change, improve and further develop the System from time to time.

We identify the System by means of the "Corner Bakery Cafe[®]" name and mark and certain other names, marks, logos, insignias, slogans, emblems, symbols, designs and indicia of origin (collectively, "Marks") that we have designated, or may in the future designate, for use with the System. We and/or our affiliates may modify the Marks used to identify the System, including the principal Marks, from time to time.

We continue to develop and use (and control the use of) the Marks in order to identify to the public the source of services and products marketed under the Marks and the System and to represent the System's high standards of quality, appearance and service.

You would like the opportunity, subject to the terms and conditions of this Agreement, to develop franchised Corner Bakery Cafes ("Franchised Cafes") within the limited geographic territory described in attached Appendix A ("Development Area").

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

We are willing to grant to you the opportunity to develop Franchised Cafes in the Development Area, subject to the terms and conditions of this Agreement.

NOW THEREFORE, in consideration of our grant to you of the right to develop Franchised Cafes in the Development Area during the term of this Agreement ("Development Term"), as well as the mutual covenants, agreements and obligations set forth below, and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties agree as follows:

1. GRANT OF DEVELOPMENT RIGHTS

A. Grant and Development Area. We hereby grant to you, subject to the terms, conditions, provisions and limitations of this Agreement, the right to develop Franchised Cafes within the Development Area during the Development Term. The Development Term begins on the date this Agreement is signed by us and terminates on the date that the last Franchised Cafe is required to be opened pursuant to the Development Schedule in attached Appendix B, unless terminated at an earlier date pursuant to Section 11. There is no renewal term for this Agreement. Each Franchised Cafe shall be located in the Development Area at a specific location accepted by us.

B. Development Rights Only. This Agreement is not a license or franchise agreement. It does not give you any right to operate, or license others to operate, Corner Bakery Cafes or to use, or license others to use, the System. For each Franchised Cafe that you develop and open pursuant to the terms of this Agreement, you must sign a Franchise Agreement in accordance with Section 4.F. and operate the Franchised Cafe in accordance with that Agreement.

C. Limited Exclusivity. Nothing in this Agreement shall prohibit us from: (1) operating, and/or licensing others to operate, restaurants identified in whole or in part by the Marks and/or utilizing the System in the Development Area that are located in gas stations or convenience stores; transportation facilities, including airports, train stations, subways and rail and bus stations; military bases and government offices; sports facilities, including stadiums and arenas; amusement parks, zoos and convention centers; car and truck rest stops and travel centers; educational facilities; recreational theme parks; hospitals; business or industrial foodservice venues; venues in which foodservice is or may be provided by a master concessionaire or contract foodservice provider; Indian reservations; casinos; or any similar captive market location not reasonably available to you; (2) awarding national, regional or local licenses to third parties to sell products under the Marks in foodservice facilities primarily identified by the third party's trademark; (3) merchandising and distributing products identified by the Marks in the Development Area through any method or channel of distribution other than through the operation of a restaurant or catering services; (4) selling and distributing products identified by the Marks in the Development Area to restaurants other than restaurants identified by the Marks, provided those restaurants are not licensed to use the Marks in connection with their retail sales; (5) selling products and services through other channels of distribution, including the Internet, wholesale, mail order and catalog; (6) operating, and/or licensing others to operate, during the term of this Agreement, restaurants identified in whole or in part by the Marks at any location outside of the Development Area; (7) operating, and/or licensing others to operate, after this Agreement terminates or expires, restaurants identified in whole or in part by the Marks at any location, including locations inside the Development Area; (8) operating, and/or licensing others to operate, at any location including locations inside the Development Area, during or after the term of this Agreement, any type of restaurant other than a restaurant identified in whole or in part by the Marks; (9) developing and/or owning other franchise systems for the same or similar products and services using trade names and trademarks other than the Marks; and (10) purchasing, being purchased by, merging or combining with, businesses that we deem to offer direct competition to Corner Bakery Cafes. The restrictions contained in this Section 1.C. do not apply to Corner Bakery Cafes in operation, under lease or construction or other commitment to open in the Development Area as of the Effective Date of this Agreement.

D. Forms of Agreement. You acknowledge that we intend to enter into agreements with other developers and franchisees that may contain provisions, conditions and obligations that differ from those contained in this Agreement. The existence of different forms of agreement and the fact that we and other developers and franchisees may have different rights and obligations do not affect the duties of the parties to this Agreement to comply with the terms of this Agreement.

2. DEVELOPMENT SCHEDULE

A. Development Obligations. During the Development Term, you must develop, open and continuously operate in the Development Area the number of Franchised Cafes specified in the Development Schedule. For each Franchised Cafe developed pursuant to this Agreement, you must obtain our written acceptance for a site for that Franchised Cafe by the applicable date listed in the Development Schedule ("Site Acceptance Date") and open that Franchised Cafe by the applicable date listed in the Development Schedule ("Opening Date"). You acknowledge that strict compliance with the Development Schedule (including each Site Acceptance Date and Opening Date) is essential to this Agreement and that your failure to comply with the Development Schedule (including any Site Acceptance Date or any Opening Date) shall constitute a material, non-curable breach of this Agreement permitting us to terminate this Agreement by giving written notice of termination to you without giving you an opportunity to cure. **TIME IS OF THE ESSENCE.**

B. Effect of Sale of Franchised Cafe. If, during the Development Term, you sell (and we approve the sale of) a Franchised Cafe developed pursuant to this Agreement and you are not in default of the Franchise Agreement for that Franchised Cafe, we will continue to count that Corner Bakery Cafe as a Franchised Cafe under the Development Schedule, provided that the restaurant continues to be operated pursuant to a franchise agreement with CBC or our affiliates.

C. Execution of Franchise Agreements by Affiliated Entities. At your request, the Franchise Agreement for any Franchised Cafe in the Development Area may be signed by a corporation, a limited liability company or general or limited partnership formed by you to develop and operate the Franchised Cafe ("Affiliated Entity"), provided all of the following conditions are met: **(1)** you, your Development Partner (defined in Section 6.G.) or your Continuity Group (defined in Section 6.F.) owns at least 66% of the voting securities of a corporate Affiliated Entity, at least 66% of the membership interests in a limited liability company Affiliated Entity or all of the general partnership interests of a partnership Affiliated Entity; **(2)** the Affiliated Entity conducts no business other than the operation of the Franchised Cafe; **(3)** you, your Development Partner, your Continuity Group and all holders of a legal or beneficial interest in you of 10% or more ("Owner(s)") agree to assume full and unconditional liability for, and agree to perform, all obligations, covenants and agreements contained in the Franchise Agreement; and **(4)** all owners of voting securities of a corporate Affiliated Entity, membership interests of a limited liability company Affiliated Entity or partnership interests of a partnership Affiliated Entity possess a good moral character, as determined by us in our sole discretion, and you provide to us all reasonably requested information to permit us to make such a determination.

3. FEES

A. Development Fee. Simultaneously with your execution of this Agreement, you shall pay to us a development fee equal to \$10,000 for each Franchised Cafe that you have agreed to develop in the Development Area during the Development Term ("Development Fee"). The total amount of the Development Fee paid by you is set forth in Appendix B. You acknowledge and agree that the Development Fee: (1) is fully earned by us when paid by you; (2) is not refundable in consideration of administrative and other expenses incurred by us and for the development opportunities lost or deferred as a result of the rights granted to you in this Agreement; and (3) is not credited against any other fees to be paid to us.

B. Initial Franchise Fees. In addition to the Development Fee, when you sign each Franchise Agreement for a Franchised Cafe developed pursuant to this Agreement, you must pay to us an initial franchise fee ("Initial Franchise Fee") in the amount set forth in Appendix B.

4. DEVELOPMENT PROCEDURES

A. Your Responsibility. You assume all cost, liability, expense, and responsibility for locating, obtaining, and developing sites for Franchised Cafes and for constructing, equipping, and operating Franchised Cafes in accordance with our standards at sites that we have accepted. You should not make any binding commitments to acquire any interest in any site until we have accepted that site in writing.

B. Site Selection Assistance. We may provide the following site selection assistance to you within the Development Area: (1) our site selection criteria and, as you may request, a reasonable amount of consultation with respect thereto; and (2) such on-site evaluation as we may deem advisable as part of our evaluation of your request for acceptance of a site.

C. Site Application

(1) You must submit a site application to us that contains the information we reasonably require for each proposed site that you reasonably believe conforms to our site selection criteria ("Site Application"). Each Site Application shall include, among other things, financial pro formas, a description of the proposed site, a market feasibility study for the proposed site, a letter of intent (or other written confirmation demonstrating your ability to acquire the proposed site) and a summary of how the site meets our site selection criteria. We may change our site selection criteria from time to time, which may include demographic characteristics, traffic count and patterns, parking, character of the neighborhood, competition from other businesses in the area, the proximity to other businesses (including restaurants operated or franchised by CBC or our affiliates), the nature of other businesses in proximity to the site and other commercial characteristics (including the purchase price, rental obligations and other lease terms for the proposed site) and the size, appearance, other physical characteristics, and a site plan of the premises.

(2) You acknowledge that, in order to preserve and enhance the reputation and goodwill of all Corner Bakery Cafes and the goodwill of the Marks, each Corner Bakery Cafe must be properly developed, operated and maintained. Accordingly, you agree that we may refuse to accept a site for a proposed Franchised Cafe unless you demonstrate sufficient financial capabilities, in our sole judgment, applying standards consistent with criteria we use to

establish Corner Bakery Cafes in other comparable market areas, to properly develop, operate and maintain the proposed Franchised Cafe. To this end, you shall furnish to us such financial statements and other information regarding you or your Affiliated Entity and the development and operation of the proposed Franchised Cafe, including, without limitation, investment and financing plans for the proposed Franchised Cafe, as we reasonably may require.

D. Site Acceptance

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

(2) You agree that our acceptance of a site for any Franchised Cafe and any information communicated to you regarding our site selection criteria for Corner Bakery Cafes does not constitute a warranty or representation of any kind, express or implied, as to the suitability of any site for a Franchised Cafe or for any other purpose. Our acceptance of a site is not a representation or a promise by us that a Franchised Cafe at the site will achieve a certain sales volume or a certain level of profitability. Similarly, our acceptance of one or more sites and our refusal to accept other sites is not a representation or a promise that the site will have a higher sales volume or be more profitable than a site which we did not accept.

(3) You agree that your decision to develop and operate a Franchised Cafe at any site is based solely on your own independent investigation of the suitability of that site for a Franchised Cafe. We assume no liability or responsibility for: (a) evaluation of the soil of any site for hazardous substances; (b) inspection of any structure at any site for asbestos or other toxic or hazardous materials; (c) compliance with the Americans with Disabilities Act ("ADA"); or (d) compliance with any other applicable law. It is your sole responsibility to obtain satisfactory evidence and/or assurances that the proposed sites (and any structures thereon) are free from environmental contamination and in compliance with the requirements of the ADA.

E. Acquisition of the Authorized Site. Within 30 days after we accept a proposed site for any Franchised Cafe ("Authorized Site"), you must submit to us a copy of the proposed sublease, lease, or purchase contract for that site for our approval. You agree that any lease, sublease or purchase contract for any Authorized Site must, in form and substance, be satisfactory to us and contain provisions required by us as set forth in the Franchise Agreement. The lease, sublease or purchase contract shall not contain any covenants or other obligations that would prevent you from performing your obligations under the Franchise Agreement. Our approval of the lease, sublease or purchase contract does not constitute a warranty or representation of any kind, express or implied, as to its fairness or suitability or as to your ability to comply with its terms, and we do not assume any liability or responsibility to you or to any third parties due to such approval. You must deliver a copy to us of the fully signed lease, sublease or purchase contract within 5 days after its execution. You may not sign a Franchise Agreement or begin construction of a Franchised Cafe for an Authorized Site until you have delivered a copy of the fully signed lease, sublease or purchase contract to us.

F. Execution of Franchise Agreements. After we receive a copy of the fully signed lease, sublease or purchase contract for an Authorized Site, we will prepare and forward to you a Franchise Agreement for the Authorized Site. The form of Franchise Agreement for your first Franchised Cafe shall be the form included in the applicable Franchise Offering Circular as of the date of this Agreement. The form of Franchise Agreement for subsequent Franchised Cafes that you develop pursuant to this Agreement shall be our then-current standard form in general use at the time we provide notice to you that we have accepted the proposed site. Within 10 business days after you receive the Franchise Agreement (or such longer period as required by applicable law), you must sign and return the Franchise Agreement to us along with the Initial Franchise Fee. We will sign the Franchise Agreement and return a fully-executed original of the Franchise Agreement to you before you commence construction of the Franchised Cafe.

G. Development Training. You must complete, to our satisfaction, any development training we specify. You also may attend any optional development training offered by us from time to time, subject to payment of a tuition fee as established by us from time to time. You will be required to pay all travel, living and other expenses that you or your employees incur while attending development training and optional development training.

H. Legal Compliance. You must comply with the requirements of all applicable federal, state, and local laws, rules, and regulations. You must timely obtain any and all permits, certificates, or licenses necessary for the full and proper conduct of the business contemplated under this Agreement. This obligation is in addition to the obligation to comply with all laws and obtain all licenses and permits that are imposed on the franchisee under the Franchise Agreement. To the extent that the requirements of these laws are in conflict with the terms of this Agreement or other instructions of ours, you must: **(1)** comply with these laws; and **(2)** immediately provide written notice to us describing the nature of any such conflict.

5. INSURANCE

A. Procurement of Insurance. You are responsible for all loss or damage arising from or related to your development and operation of each Franchised Cafe, and for all demands or claims with respect to any loss, liability, personal injury, death, property damage, or expense whatsoever occurring in connection with the development and/or operation of each Franchised Cafe. You shall maintain in full force and effect throughout the Development Term that insurance which you determine is necessary or appropriate for liabilities caused by or occurring in connection with the development or operation of each Franchised Cafe, which shall include, at a minimum, insurance policies of the kinds, and in the amounts, required by Section 5.B. We, and any entity with an insurable interest designated by us, shall be an additional insured in such policies to the extent each has an insurable interest.

B. Minimum Insurance Requirements. All insurance policies shall be written by an insurance company or companies satisfactory to us, in compliance with the standards, specifications, coverages and limits set forth in the Manual or otherwise provided to you in writing. We may reasonably increase the minimum coverage required and/or require different or additional kinds of insurance to reflect inflation, identification of new risks, changes in law or standards of liability, higher damage awards or other relevant changes in circumstances. We will provide to you written notice of such modifications and upon receipt, you shall take prompt action to secure the additional coverage or higher policy limits. These policies shall include, at a minimum, the following for each Franchised Cafe:

(1) Commercial General Liability Insurance, including broad form contractual liability, broad-form property damage, personal injury, completed operations, products liability, and fire damage coverage, in the amount of \$2,000,000 per occurrence for bodily injury and property damage and \$3,000,000 general aggregate;

(2) "All Risk" Property Insurance, including fire and extended coverage insurance (including vandalism and malicious mischief insurance, earthquake insurance and flood insurance where applicable) for the Franchised Cafe in an amount not less than the full replacement value thereof;

(3) Worker's Compensation Insurance and such other insurance as may be required by statute or rule of the state or locality in which the Franchised Cafe will be located. This coverage shall also be in effect for all of your employees who participate in any of our training programs;

(4) Business Interruption and Extra Expense Insurance, including rental payment continuation for a minimum of 12 months, loss of profits and other extra expenses experienced during the recovery from property loss;

(5) Plate Glass Insurance for replacement of glass from breakage;

(6) Employer's Liability Insurance in the amount of \$100,000 per person, \$500,000 in the aggregate and \$100,000 for occupational disease;

(7) Food Borne Illness and Trade Name Restoration Policy in the amount of \$250,000 per Franchised Cafe; and

(8) Builder's All Risk Insurance in connection with any construction, renovation, refurbishment or remodeling of the Franchised Cafe and in connection with any new construction, or substantial renovation, refurbishment or remodeling of the Franchised Cafe, performance and completion bonds in forms and amounts, and written by a carrier or carriers, reasonably satisfactory to us. You must also obtain a certificate of liability insurance naming you and CBC from any general contractor who performs work at any of your Franchised Cafes.

C. Policy Requirements. The following general requirements shall apply to each insurance policy that you are required to maintain under this Agreement:

(1) Each insurance policy shall be specifically endorsed to provide that the coverages shall be primary and that any insurance carried by any additional insured shall be excess and non-contributory.

(2) No insurance policy shall contain a provision that in any way limits or reduces coverage for you in the event of a claim by CBC or our affiliates.

(3) Each insurance policy shall extend to, and provide indemnity for, all obligations and liabilities of you to third parties and all other items for which you are required to indemnify us under this Agreement.

(4) Each insurance policy shall be written by an insurance company that has received and maintains at least an "A-" rating by the latest edition of Best's Insurance Rating Service.

(5) No insurance policy shall provide for a deductible amount that exceeds \$5,000, unless otherwise approved in writing by us, and your co-insurance under any insurance policy shall be 80% or greater.

D. Evidence of Insurance. No later than 30 days after we sign this Agreement, and on each insurance policy renewal date thereafter, you must submit to us evidence of satisfactory insurance and proof of payment. The evidence of insurance shall include a statement by the insurer that the policy or policies will not be canceled or materially altered without at least 30 days' prior written notice to us. Upon our request, you must provide to us copies of any policies and policy amendments and riders.

E. No Representations. You acknowledge that no requirement for insurance contained in this Agreement constitutes advice or a representation by us that only such policies, in such amounts, are necessary to protect you from losses in connection with your business under this Agreement. Maintenance of this insurance, and the performance by you of your obligations under this Section 5, shall not relieve you of liability under the indemnification provisions of this Agreement.

F. Our Right to Procure Insurance. If you fail to obtain or maintain at least the insurance required by this Section 5, as revised from time to time pursuant to the Manual or otherwise in writing, we may obtain such insurance and charge its cost to you. Upon your receipt of an invoice from us, you must immediately reimburse us for all out-of-pocket costs incurred by us in obtaining such insurance on your behalf.

6. YOUR ORGANIZATION AND MANAGEMENT

A. Organization Documents. You must be a legal entity such as a business corporation, partnership, limited liability company or other legal entity formed and used for the purpose of developing and holding franchises to operate Franchised Cafes. You and each of your Owners represent, warrant and agree that: (1) you are duly organized and validly existing under the laws of the state of your organization; (2) you are duly qualified to transact business in the states included in the Development Area; (3) execution of this Agreement and the development and operation of the Franchised Cafes is permitted by your governing documents; and (4) unless waived in writing by us, your governing documents shall at all times provide that your activities are restricted to those necessary solely for the development, ownership and operation of Franchised Cafes in accordance with this Agreement and in accordance with any other agreements entered into with CBC or our affiliates.

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

C. Ownership Interests

(1) If you are a corporation, limited liability company or partnership, all interests in you are owned as set forth in attached Appendix C. In addition, if you are a corporation, you shall maintain a current list of all owners of record and all beneficial owners of any class of voting securities of the corporation (and the number of shares owned by each). If you are a limited liability company, you shall maintain a current list of all members (and the percentage membership interest of each member). If you are a partnership, you shall maintain a current list of all owners of an interest in the partnership (and the percentage ownership of each owner). You shall comply with the requirements of Section 8 prior to any change in ownership interests and shall sign addenda to Appendix C as changes occur in order to ensure the information contained in Appendix C is true, accurate and complete at all times.

(2) The requirements of this Section 6.C. shall apply only to your Continuity Group (defined in Section 6.F.) if, as of the date of the first franchise-related agreement between you and us and/or one of our affiliates, you were a publicly-held entity (*i.e.*, an entity that has a class of securities traded on a recognized securities exchange or quoted on the inter-dealer quotation sheets known as the "pink sheets"). If you become a publicly-held entity after that date, you shall thereafter be required to sign addenda to Appendix C only with respect to changes in ownership interests of the Continuity Group.

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

E. Personal Guaranty

(1) All members of the Continuity Group and your Development Partner shall jointly and severally personally guarantee your payment and performance under this Agreement and shall personally bind themselves to the terms of this Agreement pursuant to the attached Personal Guaranty. Unless you are a publicly-held entity, all of your officers, directors and Owners shall also jointly and severally guarantee your payment and performance under this Agreement and bind themselves to the terms of this Agreement pursuant to the attached Personal Guaranty. Notwithstanding the foregoing, we reserve the right, in our sole discretion, to waive the requirement that some or all of the previously described individuals sign the attached Personal Guaranty. We reserve the right to require any guarantor to provide personal financial statements to us from time to time.

(2) With respect to your Owners, you acknowledge that, unless otherwise agreed to in writing by us, it is our intent to have individuals (and not corporations, limited liability companies or other entities) sign the Personal Guaranty. Accordingly, if any Owner is not an individual, we shall have the right to have the Personal Guaranty signed by individuals who have only an indirect ownership interest in you. (By way of example, if an Owner is a corporation, we have the right to require that the Personal Guaranty be signed by individuals who have an ownership interest in that corporation.)

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

F. Continuity Group

If you are a corporation, limited liability company or partnership, Appendix C lists those persons whom, you and we have designated as your "Continuity Group." In the event of any change in the Continuity Group or in the ownership interests of any member of the Continuity Group, you shall sign addenda to Appendix C to reflect the change. If you are a corporation, the Continuity Group shall at all times own at least 66% of your voting securities; if you are a limited liability company, the Continuity Group shall at all times own at least 66% of your membership interests; and if you are a partnership, the Continuity Group shall at all times have at least a 66% interest in the operating profits and losses and at least a 66% ownership interest in you.

G. Development Partner

(1) You must designate an individual who has been approved by us to serve as your Development Partner. The Development Partner, as of the date of this Agreement, is identified in Appendix C. The Development Partner shall be the person with whom we communicate as to your development of the Franchised Cafes. The Development Partner shall meet all of the following qualifications:

(2) The Development Partner must own and control, or have the right to own and control (subject to terms and conditions reasonably acceptable to us), not less than a 10% interest in your equity and voting rights. This Section 6.G.(2) shall not apply if you were a publicly-held entity or a wholly-owned subsidiary of a publicly-held entity as of the date of the first franchise-related agreement between you and us.

(3) The Development Partner, at all times, shall be a member of the Continuity Group and, at a minimum, have full control over and devote his or her best efforts to supervising the day-to-day development of your Franchised Cafes. You agree to provide us with an executed copy of any arrangement, agreement or contract, and all amendments thereto, between you and your Development Partner.

(4) The Development Partner, if requested by us, must successfully complete any development training we require.

(5) The Development Partner must maintain his/her primary residence within a reasonable driving distance of the Development Area.

(6) We must have approved the Development Partner and not have later withdrawn that approval.

(7) If the Development Partner no longer qualifies as such, you must designate another qualified person to act as the Development Partner within 30 days after the date the prior Development Partner ceases to be qualified. Your designee must satisfy the criteria set forth in this Section 6.G., be approved by us, and sign a Personal Guaranty in our favor.

7. TRANSFERS BY US

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

8. TRANSFERS BY YOU

A. Our Prior Written Consent Required. You understand and acknowledge that the rights and duties set forth in this Agreement are personal to you and your Owners and that we have entered into this Agreement in reliance on your and your Owners' business skill, financial capacity, personal character, experience and demonstrated or purported ability in developing and operating high quality foodservice operations. Accordingly, neither you, your Owners, nor any immediate or remote successor to any part of your interest in this Agreement, shall sell, assign, transfer, convey, give away, pledge, mortgage, or otherwise encumber any interest in you, your Owners, this Agreement, or any other assets pertaining to your operations under this Agreement (collectively "Transfer") without first obtaining our prior written consent. Except as otherwise provided in this Agreement, any purported Transfer, by operation of law or otherwise, not having our prior written consent shall be null and void and shall constitute a material breach of this Agreement, for which we may terminate this Agreement without providing you an opportunity to cure the breach. We may withhold our consent to any Transfer, without consideration of the factors listed in Section 8.B., if you do not propose to Transfer to the proposed transferee the same interest in all agreements (including any Franchise Agreements) that relate to your operations in the Development Area.

B. Transfer Considerations. You shall advise us in writing of any proposed Transfer and submit (or cause the proposed transferee to submit) a franchise application for the proposed transferee, a copy of all contracts and all other agreements or proposals, and all other information requested by us, relating to the proposed Transfer. If we do not exercise our right of first refusal as described in Section 8.J., the decision as to whether or not to consent to a proposed Transfer shall be made by us in our sole discretion and shall include numerous factors deemed relevant by us. These factors may include, but will not be limited to, the following:

(1) you and your Owners and affiliates must be in compliance with the provisions of this Agreement and all other agreements with us and our affiliates;

(2) all of your accrued monetary obligations to us and our affiliates (whether arising under this Agreement, any Franchise Agreement or otherwise) and all other outstanding obligations related to the Franchised Cafes (including, but not limited to, bills from suppliers, taxes, judgments and any required governmental reports, returns, affidavits or bonds) have been satisfied or, in our reasonable judgment, adequately provided for. We may require you to place a reasonable sum of money in escrow to ensure that all of these obligations are satisfied;

(3) the proposed transferee must be an entity, and its owners must provide to us on a timely basis all information that we request; the proposed transferee must meet our then-current criteria for new developers and be approved by us and the proposed transferee's owners must be individuals who are of good character and reputation, who have sufficient business experience, aptitude and financial resources to meet your development obligations under this Agreement and your obligations under the other agreements relating to the Development Area that are proposed to be transferred;

(4) the proposed transferee's Development Partner and any other personnel that we designate must complete any training program we specify and pay all fees in connection with such training;

(5) you and all guarantors of your obligations must execute a general release and a covenant not to sue, in a form satisfactory to us, of any and all claims against us and our affiliates and our respective past and present officers, directors, shareholders, agents and employees, in their corporate and individual capacities, including, without limitation, claims arising under federal, state and local laws, rules and ordinances, and claims arising out of, or relating to, this Agreement, any other agreements between you and us or our affiliates, and all other Franchised Cafes that you operate.

(6) the sales price shall not be so high, in our reasonable judgment, as to jeopardize the ability of the proposed transferee to develop, maintain, operate and promote the Franchised Cafes and meet financial obligations to us, third party suppliers and creditors. Our decision with respect to a proposed Transfer shall not create any liability on our part: (a) to the proposed transferee, if we consent to the Transfer and the proposed transferee experiences financial difficulties; or (b) to you or the proposed transferee, if we disapprove the Transfer pursuant to this Section 8. We, without any liability to you or the proposed transferee, have the right, in our sole discretion, to communicate with, and counsel, you and the proposed transferee regarding any aspect of the proposed Transfer.

(7) if you (or any of your Owners or affiliates) finance any part of the sale price of the transferred interest, you and/or your Owners or affiliates must agree that all obligations of the proposed transferee and any security interests reserved by you, your Owners, and/or your affiliates in the assets transferred, will be subordinate to the proposed transferee's obligations to pay all amounts due to us and our affiliates and to comply otherwise with this Agreement and any other agreements relating to the Development Area that are signed by the proposed transferee; and

(8) you and your Owners must sign a non-competition covenant, in form and substance satisfactory to us, in favor of us and the proposed transferee agreeing that, for a period of 2 years, starting on the effective date of the Transfer, you and your Owners will not directly or indirectly, such as through members of their immediate families (including a spouse, parent, sibling, or child, whether natural or adopted), own any legal or beneficial interest in, or

render services or give advice to any Competitive Business as defined in Section 10.C.(2)(c) within a 10 mile radius of any Corner Bakery Cafe or within any area that is within a Development Area or Protected Area, as those terms are defined in any Corner Bakery Cafe Area Development Agreement or Franchise Agreement; and

(9) you and your Owners must sign such other documents and do such other things as we may reasonably require to protect our rights under this Agreement.

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

(1) the transferee and its owners must enter into an assignment agreement and any amendments to this Agreement that we require and agree to be bound by all of the provisions of this Agreement for the remainder of the Development Term or, at our option, sign our then-current standard form of Area Development Agreement for a development term that expires on the last day of the Development Term.

(2) the transferee's owners must sign a personal guaranty of the transferee's obligations;

(3) you or the transferee must pay us a Transfer fee equal to \$7,500 for each Franchised Cafe that remains to be developed under the Development Schedule, plus our costs associated with evaluating the Transfer; and

(4) your Owners shall, at our request, sign a written guaranty pursuant to which your Owners shall remain personally liable for all obligations to us incurred before the effective date of the Transfer and for a period of 1 year following the effective date of the Transfer.

D. Effect of our Consent. Our consent to a Transfer does not constitute: (1) a representation as to the fairness of the terms of any agreement or arrangement between you or your Owners and the transferee or as to the prospects of the transferee's success in developing Franchised Cafes; or (2) a release of you and your Owners, a waiver of any claims against you or your Owners or a waiver of our right to demand the transferee's compliance with this Agreement. Our consent to any Transfer shall apply only to the specific Transfer being proposed and shall not constitute consent to, or have any bearing on, any other proposed Transfer. Our consent to a Transfer will not create any liability on our part to the transferee, if the transferee experiences financial difficulties and our refusal to consent to a Transfer will not create any liability on our part to you, your Owners, or the transferee, if our refusal is pursuant to this Section 8. We, without incurring any liability to you or the transferee, have the right, in our sole discretion, to communicate with, and counsel, you (and your Owners) and the transferee (and its owners) and either party's representatives regarding any proposed Transfer.

E. Permitted Transfers. Notwithstanding the provisions of Section 8.B., we agree that certain Transfers shall be permitted without our prior written approval, provided all of the following conditions are satisfied:

(1) The Transfer is a transfer of:

(a) a minority percentage of ownership interests in you if, after the Transfer, the Continuity Group owns at least 66% of your voting securities if you are a corporation; the Continuity Group owns at least 66% of the membership interests in you if you are a limited liability company; or the Continuity Group owns at least a 66% interest in your operating profits and losses as well as at least a 51% ownership interest in you if you are a partnership.

(b) ownership interests in you following the death or permanent disability of any of your Owners or your Development Partner, provided that the Transfer is to the parent, sibling, spouse or children of that person or to a member of the Continuity Group. Such Transfer shall be completed within a reasonable time, not to exceed 6 months from the date of death or permanent disability. Failure to complete the Transfer within this period of time will constitute a breach of this Agreement. A person shall be deemed to have a "permanent disability" if his personal, active participation in the development of the Franchised Cafes is for any reason curtailed for a continuous period of 6 months.

(2) You provide to us written notice of your intent to undertake the Transfer at least 30 days prior to the effective date of the Transfer, together with documents demonstrating that the Transfer meets the requirements of this Section 8.E.

(3) At the time of your notice to us, you shall not be in default of this Agreement or any other agreements between you and CBC or our affiliates.

F. Transfers for Convenience of Ownership. If you are a partnership, neither our right of first refusal described in Section 8.J. nor our right to collect a Transfer fee as provided by Section 8.C.(3) shall apply to any Transfer of this Agreement to a corporation (or limited liability company) formed for the convenience of ownership. Our consent to the Transfer will be conditioned on the following: (1) the corporation (or limited liability company) must be newly organized; (2) prior to the Transfer, we must receive a copy of the documents specified in Section 6.B., and the transferee shall comply with the remaining provisions of Section 6; and (3) each partner shall have the same proportionate ownership interest in the corporation (or the limited liability company) as prior to the Transfer.

G. Grant of Security Interest. You shall not grant any security interest in your business, any Franchised Cafe, any Authorized Site or the assets used in the operation or development of the Franchised Cafes without our prior written consent, which will not be unreasonably withheld. Our consent may be conditioned, in our sole discretion, on the written agreement by the secured party that, in the event of a default by you under any agreement related to the security interest, we shall have the right and option (but not the obligation) to purchase the rights of the secured party upon payment of all sums then due to the secured party.

H. Offerings by You. Securities or partnership interests in you may be sold, by private or public offering, only with our prior written consent (whether or not our consent is required under any other provision of this Agreement), which consent shall not be unreasonably withheld. In addition to the requirements of Section 8.B., prior to the time that any public offering or private placement of securities or partnership interests in you is made available to potential investors, you, at your expense, shall deliver to us a copy of the offering documents. You, at your expense, also shall deliver to us an opinion of your legal counsel and an opinion of one other legal counsel selected by us (both of which shall be addressed to us and in a form

acceptable to us) that the offering documents properly use the Marks and accurately describe your relationship with us and/or our affiliates. The indemnification provisions of Section 14 shall also include any losses or expenses incurred by us and/or our affiliates in connection with any statements made by or on behalf of you in any public offering or private placement of your securities.

I. **Changes in Ownership of Voting Securities.** If you were a publicly-held entity as of the Effective Date, Section 8.B. shall be applicable to Transfers of ownership interests in you only if the proposed Transfer would result in: **(1)** 50% or more of your voting securities being held by different shareholders than as of the Effective Date; **(2)** any change in ownership of your voting securities whereby any existing shareholder acquires an additional 10% or more of your voting securities; or **(3)** any change in the membership of the Continuity Group (unless such change is a permitted transfer pursuant to Section 8.E.).

J. **Our Right of First Refusal**

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

(2) We have the right, exercisable by notice delivered to you or your Owners within 30 days after our receipt of a complete and accurate copy of such offer (or such later time if we decide to Verify The Transaction as described in Section 8.J.(3)), to purchase such interest for the price and on the terms and conditions contained in such offer, provided that: **(a)** we may substitute cash for any form of payment proposed in such offer; **(b)** our credit shall be deemed equal to the credit of any proposed purchaser; **(c)** we shall not be obligated to pay any finder's or broker's fees; and **(d)** we will have not less than 90 days from the date we exercise the right to close on the transaction. We have the right to investigate and analyze the business, assets and liabilities and all other matters we deem necessary or desirable in order to make an informed investment decision with respect to the fairness of the terms of the proposed transaction. We may conduct such investigation and analysis in any manner we deem reasonably appropriate, and you and your Owners must cooperate fully with us.

(3) We reserve the right to test the *bona fide*, arms-length, price, terms and conditions of the proposed transaction ("Verify The Transaction") by any means we deem desirable, including, but not limited to, having an appraisal performed on the business, inviting third party purchasers to bid on the business, and verifying the financial ability of the proposed purchaser to consummate the transaction. If we Verify The Transaction, we shall have at least 60 days from the date that we notify you of our intent to Verify The Transaction to do so, and our notice that we have decided to exercise our right of first refusal shall not be due until 30 days after the verification has been completed.

(4) If we exercise our right of first refusal, we are entitled to set off any monies owed by you to us and purchase such interest, subject to all representations, warranties, closing documents and indemnities as we reasonably may require, provided that if we exercise our option as a result of a written offer reflected in a fully-negotiated, definitive agreement with the proposed purchaser, we will not be entitled to any additional representations, warranties, closing documents or indemnities that will have a materially adverse effect on your rights and obligations under the definitive agreement.

(5) Our failure to exercise our right of first refusal shall not constitute approval of the proposed Transfer nor a waiver of any other provision of this Section 8 with respect to a proposed Transfer. If we do not exercise our right of first refusal, you or your Owners may complete the sale to such offeror pursuant to and on the exact terms of such offer, subject to our consent to the Transfer as provided in Section 8.B., provided that if the sale to such offeror is not completed within 100 days after delivery of such offer to us, or if there is a material change in the terms of the offer, you must promptly notify us, and we will have an additional right of first refusal (on the terms of the revised offer, if any, and otherwise as set forth herein) during the 30-day period following your notification of the expiration of the 100-day period or the material change to the terms of the offer.

9. GENERAL RELEASE

You (on behalf of yourself and your parent, subsidiaries and affiliates) and all guarantors of your obligations under this Agreement (collectively, "Releasers") 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, 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 Releaser 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 Releaser and us or our parent, subsidiaries or affiliates, the sale of any franchise to any Releaser, the development and operation of the Franchised Cafes and the development and operation of all other restaurants operated by any Releaser that are franchised by us or our parent, subsidiaries or affiliates.

10. COVENANTS

A. **Best Efforts.** During the Development Term, you and your Development Partner shall devote your best efforts to the development of the Franchised Cafes in the Development Area.

B. **Confidentiality**

(1) Pursuant to this Agreement, you will have access to our proprietary and confidential information relating to the development, management and operation of Corner Bakery Cafes ("Confidential Information"), which may include the following: (a) ingredients, recipes and methods of preparation and presentation of authorized food products; (b) site selection criteria for Corner Bakery Cafes and plans and specifications for the development of Corner Bakery Cafes; (c) sales, marketing and advertising programs and techniques for Corner Bakery Cafes; (d) identity of suppliers and knowledge of specifications, processes, procedures

and equipment, contract terms, and pricing for authorized food products, materials, supplies and equipment; **(e)** knowledge of operating results and financial performance of Corner Bakery Cafes, other than Franchised Cafes you own; **(f)** methods of inventory control, storage, product handling, training and management relating to Corner Bakery Cafes; **(g)** computer systems and software programs used or useful in Corner Bakery Cafes; and **(h)** any information that we provide you that is labeled proprietary or confidential.

(2) You acknowledge and agree that: **(a)** we own all right, title and interest in and to the System; **(b)** the System consists of trade secrets, Confidential Information and know-how that gives us and our affiliates a competitive advantage; **(c)** we and our affiliates have taken all measures necessary to protect the trade secrets, Confidential Information and know-how comprising the System; **(d)** all material or other information now or hereafter provided or disclosed to you regarding the System is disclosed in confidence; **(e)** you have no right to disclose any part of the System to anyone who is not an employee of yours; **(f)** you will disclose to your employees only those parts of the System that an employee needs to know; **(g)** you will have a system in place to ensure that your employees keep confidential our trade secrets and Confidential Information, and, if requested by us, you shall obtain from those of your employees designated by us an executed Confidential Disclosure Agreement in the form prescribed by us; **(h)** you will not acquire any interest in the System; and **(i)** your use or duplication of the System or any part of the System in any other business would constitute an unfair method of competition, for which we would be entitled to all legal and equitable remedies, including injunctive relief, without posting a bond.

(3) You shall not, during the Development Term or at any time thereafter, communicate or disclose any trade secrets, Confidential Information or know-how of the System to any unauthorized person, or do or perform, directly or indirectly, any other acts injurious or prejudicial to any of the Marks or the System. Any and all information, knowledge, know-how and techniques, including all drawings, materials, equipment, specifications, recipes, techniques and other data that we or our affiliates designate as Confidential Information, shall be deemed Confidential Information for purposes of this Agreement.

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

C. Restrictions

(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 established by us and acquired by you under this Agreement are of substantial and material value; **(c)** in developing the System, we and our affiliates have made and continue to make substantial investments of time, technical and commercial research, and money; **(d)** we would be unable to adequately protect the System and its trade secrets and

Confidential Information against unauthorized use or disclosure and would be unable to adequately encourage a free exchange of ideas and information among Corner Bakery Cafes if franchisees and developers were permitted to hold interests in Competitive Businesses; and (e) restrictions on your right to hold interests in, or perform services for, competitive businesses will not hinder your activities.

(2) Accordingly, you covenant and agree that, during the Development Term and for a continuous period of 2 years following the expiration, termination or Transfer of this Agreement, you shall not directly, indirectly, for yourself, or through, on behalf of, or in conjunction with, any person, firm, partnership, corporation, or other entity or in manner whatsoever:

(a) Divert or attempt to divert any actual or potential business or customer of Corner Bakery Cafes to any competitor or otherwise take any action injurious or prejudicial to the goodwill associated with the Marks and the System.

(b) Employ or seek to employ any person who is then employed by us or by any other Corner Bakery Cafe franchisee or developer, or otherwise directly or indirectly induce such person to leave his or her employment. In addition to any other rights and remedies available to us under this Agreement, in the event of a violation of this Section 10.C.(2)(b), we may elect, in our sole discretion, to require you to pay to us (or such other Corner Bakery Cafe developer or franchisee, as the case may be) an amount equal to 3 times the annual salary of the person(s) involved in such violation, plus an amount equal to our costs and attorney's fees incurred in connection with such violation.

(c) Own, maintain, develop, operate, engage in, franchise or license, make loans to, or have any interest in or render services or give advice to any "Competitive Business" that is defined as any business in the casual dining market or fast-casual segment of the restaurant industry that (i) has as a primary menu item any of the following menu items: artisan baked breads; salads; sandwiches; soups; or baked goods; or (ii) whose method of operation or trade dress is similar to that employed in the System.

(3) During the Development Term, there is no geographical limitation on these restrictions. Following the expiration or earlier termination of this Agreement, these restrictions shall apply within the Development Area and within 10 miles of any then-existing Corner Bakery Cafe, except as otherwise approved in writing by us. These restrictions shall not apply to your existing restaurant or foodservice operations, if any, which are identified in Appendix B, nor shall it apply to other restaurants operated by you that are franchised by CBC or our affiliates.

(4) If any part of these restrictions is found to be unreasonable in time or distance, each month of time or mile of distance may be deemed a separate unit so that the time or distance may be reduced by appropriate order of the court to that deemed reasonable. If, at any time during the 2-year period following expiration or earlier termination of this Agreement, you fail to comply with your obligations under this Section 10.C., that period of noncompliance will not be credited toward your satisfaction of the 2-year obligation.

(5) You further covenant and agree that, for a period of 2 years following the expiration, termination or Transfer of this Agreement, 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 any Authorized Site to any person, firm, partnership, corporation, or other entity which you know, or have reason to know, intends to operate a Competitive Business at that Authorized Site. You, by the terms of any conveyance selling, assigning, leasing or transferring your interest in any Authorized Site, shall include these restrictive covenants as are necessary to ensure that a Competitive Business that would violate Section 10.C.(2)(c) or 10.C.(5) is not operated at that Authorized Site for this 2-year period, and you shall take all steps necessary to ensure that these restrictive covenants become a matter of public record.

D. Modification. We shall have the right, in our sole discretion, to reduce the scope of any covenant in this Section 10 effective immediately upon your receipt of written notice, and you agree that you shall comply forthwith with any covenant as so modified, which shall be fully enforceable notwithstanding the provisions of Section 10.

E. Execution of Covenants by Third Parties. At our request, you shall require and obtain the execution of covenants similar to those set forth in this Section 10 (including covenants applicable upon the termination of an individual's relationship with you) from all guarantors of your obligations. Every covenant required by this Section 10.E. shall be in a form satisfactory to us, including, without limitation, specific identification of CBC as a third party beneficiary of such covenants with the independent right to enforce them. Failure by you to obtain execution of a covenant required by this Section 10.E. shall constitute a material breach of this Agreement.

F. Survival. The terms of this Section 10 shall survive the termination, expiration, or any Transfer of this Agreement. The parties agree this Section 10 shall be construed as independent of any other provision of this Agreement. If any part of this Section 10 is found to be unreasonable in time or distance, each month of time or mile of distance may be deemed a separate unit so that the time or distance may be reduced by appropriate order of the court to that deemed reasonable. If, at any time during the 2-year period following expiration, termination or Transfer of this Agreement, you fail to comply with your obligations under this Section 10, that period of noncompliance will not be credited toward your satisfaction of the 2-year obligation.

G. Applicability. The covenants and restrictions contained in this Section 10 shall apply to you and all guarantors of your obligations. With respect to your guarantors, these restrictions shall apply for a 2-year period after any guarantor ceases to be an officer, director, Owner or member of the Continuity Group. The existence of any claim that you or any of your guarantors may have against CBC or our affiliates, whether or not arising from this Agreement, shall not constitute a defense to the enforcement by us of the covenants in this Section 10. The preceding sentence, however, does not constitute a waiver of any such claim.

11. DEFAULT AND TERMINATION

A. Material Obligations. You acknowledge and agree that each obligation described in this Agreement is a material and essential obligation of yours; that nonperformance of any obligation will adversely and substantially affect us and the System; and that the exercise by us of the rights and remedies set forth in this Section 11 are appropriate and reasonable.

B. Termination Without Cure Period. In addition to the grounds for termination that may be stated elsewhere in this Agreement, we may terminate this Agreement and the rights granted to you by this Agreement, upon written notice to you without an opportunity to cure upon the occurrence of any of the following events:

(1) You fail to comply with the Development Schedule, including any Site Approval Date or any Opening Deadline.

(2) At any time during the Development Term, you fail to have open and operating the minimum number of Franchised Cafes required by the Development Schedule.

(3) You begin construction of any Franchised Cafe before you have received a fully-executed Franchise Agreement for that location.

(4) You are insolvent or unable to pay your creditors (including us); you file a petition in bankruptcy, an arrangement for the benefit of creditors or a petition for reorganization; there is filed against you a petition in bankruptcy, an arrangement for the benefit of creditors or petition for reorganization, which is not dismissed within 60 days of the filing; you make an assignment for the benefit of creditors; or a receiver or trustee is appointed for you and not dismissed within 60 days of the appointment.

(5) Execution is levied against your business or property; suit to foreclose any lien or mortgage against the premises or equipment of any Franchised Cafe is instituted against you and is not dismissed within 60 days; or the real or personal property of any Franchised Cafe shall be sold after levy thereupon by any sheriff, marshal or constable.

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

(7) There is a material breach by you of any covenant or obligation under Section 10.

(8) Any Transfer that requires our prior written consent occurs without your having obtained that prior written consent.

(9) We discover that you made a material misrepresentation in or omitted a material fact from the information that you provided to us in connection with our decision to enter into this Agreement.

(10) You make any material misrepresentation in your dealings with us or fail to disclose any material facts to us.

(11) You, the Development Partner, any member of the Continuity Group, or any Owner engages in conduct that is deleterious or reflects unfavorably on us, the System, the Marks, and/or the goodwill associated therewith, including, without limitation, conduct which exhibits a disregard for the physical and mental well-being of employees, customers, our representatives, the public at large (e.g., battery, assault, sexual harassment, discrimination, and other forms of threatening, outrageous, or socially unacceptable behavior).

(12) There is a material breach by you of any representation or warranty set forth in Sections 21.G. or 22.G.-K.

(13) Any assets, property, or interests of yours or your Owners are blocked under any law, ordinance, or regulation relating to terrorist activities, or you or any Owner violate any such law, ordinance or regulation.

(14) You, your Development Partner, any member of the Continuity Group, or any Owner: (a) remain in default beyond the applicable cure period under any other agreement with CBC or our affiliates (provided that, if the default is not by you, we shall provide to you written notice of the default and a 30-day period to cure the default); (b) remain in default beyond the applicable cure period under any real estate lease, equipment lease, or financing instrument relating to any Franchised Cafe; (c) remain in default beyond the applicable cure period under any contract with any vendor or supplier to any Franchised Cafe; or (d) fail to pay when due any taxes or assessments relating to any Franchised Cafe or its employees, unless you are actively prosecuting or defending the claim or suit in a court of competent jurisdiction or by appropriate government administrative procedure or by arbitration or mediation conducted by a recognized alternative dispute resolution organization.

(15) Except as specifically provided for in Sections 11.B.(1) – (14), you fail or refuse to comply with any provision of this Agreement or any requirement of the System and do not correct the failure or refusal within 30 days (10 days for monetary defaults) after receiving written notice of default. Except for monetary defaults, if the default cannot be corrected within 30 days, you shall have such additional time to correct the default as reasonably required (not to exceed 90 days), provided that you begin taking the actions necessary to correct the default during the 30-day cure period and diligently and in good faith pursue those actions to completion. You will be in default under this Section 11.B.(15) for any failure to comply materially with any of the requirements imposed by this Agreement or otherwise in writing, or to carry out the terms of this Agreement in good faith. If you have received 2 or more notices of default within the previous 12 months, we shall be entitled to send you a notice of termination upon your next default in that 12-month period under this Section 11.B. without providing you an opportunity to remedy that default.

C. **Statutory Limitations.** If any valid, applicable law or regulation of a competent governmental authority with jurisdiction over this Agreement requires a notice or cure period prior to termination longer than set forth in this Section, this Agreement will be deemed amended to conform to the minimum notice or cure period required by the applicable law or regulation.

12. OBLIGATIONS ON TERMINATION OR EXPIRATION

A. **Your Obligations.** Upon termination or expiration of this Agreement:

(1) You have no further right to develop or open Franchised Cafes in the Development Area, except that you may complete and open a Franchised Cafe for which a Franchise Agreement has been fully executed. Termination or expiration of this Agreement shall not affect your right to continue to operate Franchised Cafes that were open and operating as of the date this Agreement terminated or expired.

(2) Your limited exclusive rights in the Development Area shall immediately terminate, and we may operate or license others to operate restaurants identified in whole or in part by the Marks anywhere in the Development Area.

(3) You must promptly return to us the Manual, any copies of the Manual and all other materials and information furnished by CBC or our affiliates, except materials and information furnished with respect to a Franchised Cafe which is open and operating pursuant to an effective Franchise Agreement.

(4) You and all persons and entities subject to the covenants contained in Section 10 shall continue to abide by those covenants and shall not, directly or indirectly, take any action that violates those covenants.

(5) You immediately must pay us and our affiliates all sums due and owing pursuant to this Agreement.

(6) We will retain the Development Fee.

B. Evidence of Compliance. You shall furnish to us, within 30 days after the effective date of termination or expiration, evidence (certified to be true, correct and complete, by an officer or Owner) satisfactory to us of your compliance with Section 12.A.

C. Other Business Operations. You shall not, except with respect to a Corner Bakery Cafe franchised by CBC or our affiliates that is then open and operating pursuant to an effective Franchise Agreement: (1) operate or do business under any name or in any manner that might tend to give the public the impression that you are connected in any way with CBC or our affiliates or have any right to use the System or the Marks; (2) make, use or avail yourself of any of the materials or information furnished or disclosed by CBC or our affiliates under this Agreement or disclose or reveal any such materials or information or any portion thereof to anyone else; or (3) assist anyone not licensed by CBC or our affiliates to construct or equip a foodservice outlet substantially similar to a Corner Bakery Cafe.

D. Survival. The terms of this Section 12 shall survive the termination or expiration of this Agreement. You shall pay to us all damages, costs and expenses, including reasonable attorneys' fees, incurred by us subsequent to the termination or expiration of this Agreement in obtaining injunctive or other relief for the enforcement of any provisions of this Section 12.

13. RELATIONSHIP OF THE PARTIES

A. This Agreement does not create a fiduciary or other special relationship between the parties. No agency, employment, or partnership is created or implied by the terms of this Agreement, and you are not and shall not hold yourself out as agent, legal representative, partner, subsidiary, joint venturer or employee of CBC or our affiliates. You shall have no right or power to, and shall not, bind or obligate CBC or our affiliates in any way or manner, nor represent that you have any right to do so. You shall not issue any press releases without our prior written approval.

B. You are an independent contractor, and you are solely responsible for all aspects of the development and operation of the Franchised Cafes, subject only to the conditions and covenants established by this Agreement. Without limiting the generality of the foregoing, you

acknowledge that we have no responsibility to ensure that the Franchised Cafes are developed and operated in compliance with all applicable laws, ordinances and regulations and that we shall have no liability in the event the development or operation of any Franchised Cafe violates any law, ordinance or regulation.

C. The sole relationship between you and us is a commercial, arms' length business relationship, and, except as provided in Section 14, there are no third party beneficiaries to this Agreement. Your business is, and shall be kept, totally separate and apart from any that may be operated by us. In all public records, in relationships with other persons, and on letterheads and business forms, you shall indicate that you are solely a developer of CBC.

14. INDEMNIFICATION

A. You and your Owners shall, at all times, indemnify, defend (with counsel reasonably acceptable to us), and hold harmless (to the fullest extent permitted by law) us and our affiliates, and our respective successors, assigns, past and present stockholders, directors, officers, employees, agents and representatives (collectively, "Indemnitees") from and against all "losses and expenses" (as defined below) incurred in connection with any action, suit, proceeding, claim, demand, investigation, inquiry (formal or informal), judgment or appeal thereof by or against Indemnitees or any settlement thereof (whether or not a formal proceeding or action had been instituted), arising out of or resulting from or connected with your activities under this Agreement, excluding our gross negligence or willful misconduct. You promptly shall give us written notice of any such action, suit, proceeding, claim, demand, inquiry or investigation filed or instituted against you and, upon request, shall furnish us with copies of any documents from such matters as we may request.

B. At your expense and risk, we may elect to assume (but under no circumstances will we be obligated to undertake) the defense and/or settlement of any action, suit, proceeding, claim, demand, investigation, inquiry, judgment or appeal thereof subject to this Section 14. Such an undertaking shall, in no manner or form, diminish your obligation to indemnify and hold harmless us and Indemnitees. We shall not be obligated to seek recoveries from third parties or otherwise mitigate losses.

C. As used in this Section, the phrase "losses and expenses" shall include, but not be limited to: all losses; compensatory, exemplary and punitive damages; fines; charges; costs; expenses; lost profits; reasonable attorneys' fees; expert witness fees; court costs; settlement amounts; judgments; compensation for damages to our reputation and goodwill; costs of or resulting from delays; financing; costs of advertising material and media time/space and the costs of changing, substituting or replacing the same; and any and all expenses of recall, refunds, compensation, public notices and other such amounts incurred in connection with the matters described.

15. CONSENTS, APPROVALS AND WAIVERS

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

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

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

16. NOTICES

No notice, demand, request or other communication to the parties shall be binding upon the parties, unless the notice is in writing, refers specifically to this Agreement and is addressed to: **(A)** if to you, is addressed to you at the notice address set forth in Appendix B; and **(B)** if to us, is addressed to Corner Bakery Corporation at: 12700 Park Central Drive, Suite 1300, Dallas, Texas 75251 (Attn: General Counsel) (Facsimile: (972) 534-1708). Any party may designate a new address for notices by giving written notice of the new address pursuant to this Section. Notices shall be effective upon receipt (or first rejection) and may be: **(1)** delivered personally; **(2)** transmitted by facsimile or electronic mail to the number(s) set forth above (or in Appendix B) with electronic confirmation of receipt; **(3)** mailed in the United States mail, postage prepaid, certified mail, return receipt requested; or **(4)** mailed via overnight courier.

17. FORCE MAJEURE

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

18. ENTIRE AGREEMENT

We and you acknowledge that each element of this Agreement is essential and material and that, except as otherwise provided in this Agreement, the parties shall deal with each other in good faith. This Agreement, the Manual, the documents referred to in this Agreement, and the attachments to this Agreement, constitute the entire, full and complete agreement between the parties concerning the matters covered in this Agreement, and supersede any and all prior or contemporaneous negotiations, discussions, understandings or agreements. There are no other representations, inducements, promises, agreements, arrangements, or undertakings, oral or written, between the parties relating to the matters covered by this Agreement other than those set forth in this Agreement, the Manual, the documents referred to in this Agreement, and the attachments to this Agreement. No obligations or duties that contradict or are inconsistent with the express terms of this Agreement may be implied into this Agreement. Except as expressly set forth in this Agreement, no amendment, change or variance from this Agreement shall be binding on either party unless mutually agreed to by the parties and signed in writing.

19. DISPUTE RESOLUTION

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

B. Choice of Law. This Agreement and any claim or controversy arising out of, or relating to, rights and obligations of the parties under this Agreement and any other claim or controversy between the parties shall be governed by and construed in accordance with the laws of the State of Texas without regard to conflicts of laws principles. Nothing in this Section is intended, or shall be deemed, to make any Texas law regulating the offer or sale of franchises or the franchise relationship applicable to this Agreement if such law would not otherwise be applicable.

C. Choice of Forum. The parties agree that, to the extent any disputes cannot be resolved directly between them, you shall file any suit against us only in the federal or state court having jurisdiction where our principal offices are located at the time suit is filed. We may file suit in the federal or state court located in the jurisdiction where our principal offices are located at the time suit is filed or in the jurisdiction where you reside or do business or where the Development Area or any Franchised Cafe is or was located or where the claim arose. You consent to the personal jurisdiction of those courts over you and to venue in those courts.

D. Limitations of Actions. Except for payments owed by one party to the other, and unless prohibited by applicable law, any legal action or proceeding (including the offer and sale of a franchise to you) brought or instituted with respect to any dispute arising from or related to this Agreement or with respect to any breach of the terms of this Agreement must be brought or instituted within a period of 2 years after the initial occurrence of any act or omission that is the basis of the legal action or proceeding, whenever discovered.

E. Place of Execution of Agreement. The parties acknowledge that: (1) this Agreement was executed in Dallas County, Texas; and (2) performance of certain obligations by you and your Owners under this Agreement, including payment of monetary sums due under this Agreement, shall occur at our principal offices in Dallas, Texas.

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

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

H. Waiver of Punitive Damages and Jury Trial. To the fullest extent permitted by law, the parties waive any right to, or claim for, any punitive or exemplary damages against the other party. The parties also agree that, in the event of a dispute between them, the party making a claim will be limited to recovery of actual damages, if any. In addition, the parties irrevocably waive trial by jury in any action, proceeding, and/or counterclaim brought by either party.

20. SEVERABILITY AND CONSTRUCTION

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

B. Modification to Scope of Covenants by Law. You expressly agree to be bound by any promise or covenant imposing the maximum duty permitted by law that is subsumed within the terms of any provision of this Agreement, as though it were separately articulated in and made a part of this Agreement, that may result from striking from any of the provisions of this Agreement any portion or portions which a court may hold to be unreasonable and unenforceable in a final decision to which we are a party, or from reducing the scope of any promise or covenant to the extent required to comply with such a court order.

C. Our Discretion. Whenever we have expressly reserved in this Agreement a right and/or discretion to take or withhold an action, or to grant or decline to grant you a right to take or withhold an action, except as otherwise expressly and specifically provided in this

Agreement, we may make such decision or exercise our right and/or discretion on the basis of our judgment of what is in our best interests. This also applies if we are deemed to have a right and/or discretion. Our judgment of what is in the best interests of the System, at the time our decision is made or our right or discretion is exercised, can be made without regard to whether: (1) other reasonable alternative decisions or actions, or even arguably preferable alternative decisions or actions, could have been made by us; (2) our decision or the action taken promotes our financial or other individual interest; (3) our decision or the action taken applies differently to you and one or more other franchisees or our company-owned or affiliate-owned operations; or (4) our decision or the action taken is adverse to your interests. We will have no liability to you for any such decision or action. We and you intend that the exercise of CBC's right or discretion will not be subject to limitation or review. If applicable law implies a covenant of good faith and fair dealing in this Agreement, we and you agree that such covenant will not imply any rights or obligations that are inconsistent with a fair construction of the terms of this Agreement and that this Agreement grants us the right to make decisions, take actions and/or refrain from taking actions not inconsistent with your rights and obligations under this Agreement.

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

21. MISCELLANEOUS

A. **Gender and Number.** All references to gender and number shall be construed to include such other gender and number as the context may require.

B. **Captions.** All captions in this Agreement are intended solely for the convenience of the parties and none shall be deemed to affect the meaning or construction of any provision of this Agreement.

C. **Counterparts.** This Agreement may be executed in counterparts, and each copy so executed and delivered shall be deemed an original.

D. **References.** Each reference in this Agreement to a corporation or partnership shall be deemed to also refer to a limited liability company and any other entity or organization similar thereto. Each reference to the organizational documents, owners, directors, and officers of a corporation in this Agreement shall be deemed to refer to the functional equivalents of such organizational documents, owners, directors, and officers, as applicable, in the case of a limited liability company or any other entity or organization similar thereto.

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

F. **Injunctive Relief.** You recognize that your failure to comply with the terms of this Agreement, including, but not limited to, the failure to fully comply with all post-termination obligations, is likely to cause irreparable harm to us, our affiliates and the System. Therefore, you agree that, in the event of a breach or threatened breach of any of the terms of this Agreement by you, we shall be entitled to injunctive relief (both preliminary and permanent)

restraining that breach and/or to specific performance without showing or proving actual damages and without posting any bond or security. Any equitable remedies sought by us shall be in addition to, and not in lieu of, all remedies and rights that we otherwise may have arising under applicable law or by virtue of any breach of this Agreement.

G. Terrorist Acts. You acknowledge that under applicable U.S. law, including, without limitation, Executive Order 13224, signed on September 23, 2001 ("Order"), we are prohibited from engaging in any transaction with any person engaged in, or with a person aiding any person engaged in, acts of terrorism, as defined in the Order. Accordingly, you represent and warrant to us that, as of the date of this Agreement, neither you nor any person holding any ownership interest in you, controlled by you, or under common control with you is designated under the Order as a person with whom business may not be transacted by us, and that you: **(1)** do not, and hereafter shall not, engage in any terrorist activity; **(2)** are not affiliated with and do not support any individual or entity engaged in, contemplating, or supporting terrorist activity; and **(3)** are not acquiring the rights granted under this Agreement with the intent to generate funds to channel to any individual or entity engaged in, contemplating, or supporting terrorist activity, or to otherwise support or further any terrorist activity.

22. REPRESENTATIONS

You represent, acknowledge and warrant to us (and you agree that these representations, acknowledgments and warranties shall survive termination of this Agreement) that:

A. Legal and Business Rights and Risks. This Agreement involves significant legal and business rights and risks. We do not guarantee your success. You have read this Agreement in its entirety, conducted an independent investigation of the business contemplated by this Agreement, have been thoroughly advised with regard to the terms and conditions of this Agreement by legal counsel or other advisors of your choosing, recognize that the nature of the business conducted by Corner Bakery Cafes may change over time, have had ample opportunity to investigate all representations made by or on our behalf, and have had ample opportunity to consult with our current and former developers and franchisees. The prospect for success of the business undertaken by you is speculative and depends to a material extent upon your personal commitment, capability and direct involvement in the day-to-day management of the business.

B. Our Acceptance of Sites. Our acceptance of one or more sites or our refusal to accept other sites is not a representation that any site will achieve a certain sales volume or a certain level of profitability, or that a site we approve will have a higher sales volume or be more profitable than a site which we did not approve. Our approval merely means that the site meets our minimum site selection criteria. Because real estate development is an art and not a precise science, you agree that our acceptance, or our refusal to accept a proposed site, whether or not a site application is completed and/or submitted to us shall not impose any liability or obligation on us. The decision to accept or reject a particular site is yours, subject to our acceptance. Preliminary approval of a proposed site by any of our representatives is not conclusive or binding, because his or her recommendation may be rejected by us.

C. Evaluation of Authorized Site. We assume no liability or responsibility for: **(1)** evaluation of an Authorized Site's soil for hazardous substances; **(2)** inspection of any evaluation of an Authorized Site's compliance with the ADA; or **(4)** evaluation of an Authorized

Site's compliance with any other law. It is your sole responsibility to obtain satisfactory evidence and/or assurances that each Authorized Site (and any structures thereon) is free from environmental contamination and is in compliance with the requirements of ADA and any other laws.

D. No Representation of Your Success. We make no express or implied warranties or representations that you will achieve any degree of success in the development or operation of the Franchised Cafes. Your success in the development and operation of the Franchised Cafes depends ultimately on your efforts and abilities and on other factors, including, but not limited to, market and other economic conditions, your financial condition and competition.

E. Our Agreements with Third Parties. We have entered, and will continue to enter, into agreements with other developers and franchisees for Corner Bakery Cafes. The manner in which we enforce our rights, and the developers' or franchisees' obligations, under any of those other agreements shall not affect our ability to enforce our rights or your obligations under this Agreement.

F. Refundability of Development Fee. The Initial Franchise Fee is not refundable for any reason.

G. Franchise Application. All information that you provided to us in connection with your franchise application and our grant to you of the opportunity to develop Corner Bakery Cafes is truthful, complete and accurate.

H. Signatories to this Agreement. The persons signing this Agreement on your behalf have full authority to enter into this Agreement and the other agreements contemplated by the parties, including the Franchise Agreements. Your execution of this Agreement or such other agreements does not and will not conflict with or interfere with, directly or indirectly, intentionally or otherwise, with the terms of any other agreement with any other third party to which you or any Owner is a party.

I. Acknowledgement of Receipt of Offering Circular. You acknowledge receipt of the Franchise Offering Circular at least 10 business days prior to execution of this Agreement or payment of any monies to us and receipt of this Agreement in the form actually executed at least 5 business days prior to the date of its execution by you.

J. Financial Performance. You have not received from CBC or our affiliates, or anyone acting on our behalf, any representation of your potential sales, expenses, income, profit or loss.

K. No Representations Other Than Offering Circular. You have not received from CBC or our affiliates, or anyone acting on our behalf, any representations other than those contained in the Franchise Offering Circular as inducements to enter this Agreement.

L. No Actual or Apparent Authority. Even though this Agreement contains provisions requiring you to develop the Franchised Cafes in compliance with the System: **(1)** we and our affiliates do not have actual or apparent authority to control the day-to-day conduct and operation of your business or employment decisions; and **(2)** you and we do not intend for CBC or our affiliates to incur any liability in connection with or arising from any aspect

of the System or your use of the System whether or not in accordance with the requirements of the Manual.

M. Limited Exclusivity. You understand that there are certain limitations to your exclusive rights in the Development Area during the Development Term and that, following termination or expiration of the Development Term, we may develop and operate, and license others to develop and operate, restaurants identified in whole or in part by the Marks at any location in the Development Area.

N. Waiver of Right to Jury Trial. In the event of a dispute between us and you, the parties have waived their right to a jury trial.

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

ATTEST:

CORNER BAKERY CORPORATION

By: _____

By: _____

Print Name: _____

Print Name: _____

Title: _____

Title: _____

Date: _____

ATTEST:

By: _____

By: _____

Print Name: _____

Print Name: _____

Title: _____

Title: _____

Date: _____

PERSONAL GUARANTY AND ASSUMPTION OF DEVELOPER'S OBLIGATIONS

In consideration of, and as an inducement to, the execution of the Corner Bakery Cafe Area Development Agreement dated as of _____ ("Agreement") by Corner Bakery Corporation ("CBC"), entered into with _____ ("Developer"), the undersigned ("Guarantors"), each of whom is an officer or director of Developer, member of Developer's Continuity Group or a direct owner of a legal or beneficial interest in Developer of 10% or more ("Owner"), hereby personally and unconditionally: **(1)** guarantee to CBC and its successors and assigns, for the Development Term and thereafter as provided in the Agreement, that Developer shall punctually pay and perform each and every undertaking, agreement and covenant set forth in the Agreement; **(2)** agree personally to be bound by the provisions of Sections 10 and 14 of the Agreement; and **(3)** agree personally to be liable for the breach of Section 10 of the Agreement.

Each Guarantor waives: **(a)** acceptance and notice of acceptance by CBC of the foregoing undertakings; **(b)** notice of demand for payment of any indebtedness or nonperformance of any obligations hereby guaranteed; **(c)** protest and notice of default to any party with respect to the indebtedness or nonperformance of any obligations hereby guaranteed; **(d)** any right he may have to require that an action be brought against Developer or any other person as a condition of liability; **(e)** all rights to payments and claims for reimbursement or subrogation that any Guarantor may have against Developer arising as a result of the execution of and performance under this Guaranty by each Guarantor; **(f)** any law or statute that requires CBC to make demand upon, assert claims against or collect from Developer or any others, foreclose any security interest, sell collateral, exhaust any remedies or take any other action against Developer or any others prior to making any demand upon, collecting from or taking any action against Guarantor with respect to this Guaranty; **(g)** any and all other notices and legal or equitable defenses to which he may be entitled; and **(h)** any and all right to have any legal action under this Guaranty decided by a jury.

Each Guarantor consents and agrees that: **(i)** his direct and immediate liability under this Guaranty shall be joint and several; **(ii)** he shall render any payment or performance required under the Agreement upon demand if Developer fails or refuses punctually to do so; **(iii)** such liability shall not be contingent or conditioned upon pursuit by CBC of any remedies against Developer or any other person; **(iv)** such liability shall not be diminished, relieved or otherwise affected by any amendment of the Agreement, any extension of time, credit or other indulgence which CBC may from time to time grant to Developer or to any other person, including, without limitation, the acceptance of any partial payment or performance or the compromise or release of any claims, none of which shall in any way modify or amend this Guaranty, which shall be continuing and irrevocable during the Development Term and for so long thereafter as there are monies or obligations owing from Developer to CBC or its affiliates under the Agreement; and **(v)** monies received from any source by CBC for application toward payment of the obligations under the Agreement and under this Guaranty may be applied in any manner or order deemed appropriate by CBC. In addition, if any of Guarantor ceases to be a member of the Continuity Group, an Owner, an officer or a director of Developer, or to own any interest in Developer prior to termination or expiration of the Agreement, that person agrees that his obligations under this Guaranty shall continue to remain in force and effect unless CBC in its sole discretion, in writing, releases that person from this Guaranty. Notwithstanding the provisions of the previous sentence, unless prohibited by applicable law, the obligations contained in Section 10.C. shall remain in force and effect for a period of 2 years after any such

release by CBC. A release by CBC of any of Guarantor shall not affect the obligations of any other Guarantor.

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

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

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

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

Section 19 of the Agreement is incorporated by reference into this Guaranty and all capitalized terms that are not defined in this Guaranty shall have the meaning given them in the Agreement.

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

GUARANTORS:

Date: _____	_____ (Seal)
	Print Name: _____
	Address: _____
Date: _____	_____ (Seal)
	Print Name: _____
	Address: _____
Date: _____	_____ (Seal)
	Print Name: _____
	Address: _____
Date: _____	_____ (Seal)
	Print Name: _____
	Address: _____

APPENDIX A DEVELOPMENT AREA

The Development Area shall be:

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

MAP OF DEVELOPMENT AREA

**APPENDIX B
DEVELOPMENT INFORMATION**

1. **Development Schedule (Section 1.A.):** You must develop and continue to operate a minimum of _____ Franchised Cafes in the Development Area, in accordance with the following schedule:

Site Acceptance Date	Opening Date	Cumulative Number of Franchised Cafes To Be Open And Operating On The Opening Date

If you demonstrate to us that the Opening Date for a particular Franchised Cafe has been delayed due to the action, or lack of action, by a governmental agency, we will proportionately extend that Opening Date. Any extension of time for the Opening Deadline of any Franchised Cafe shall not affect the Site Approval Date(s) or Opening Date(s) for the remainder of the Franchised Cafes required to be developed pursuant to this Agreement.

2. **Development Fee (Section 3.A.):** The Development Fee is \$ _____.

3. **Initial Franchise Fee (Section 3.B.):** The Initial Franchise Fee for each Franchised Cafe that you develop pursuant to this Area Development Agreement shall be \$ _____.

4. **Interests in Other Restaurants (Section 10.C.(3):** _____

5. **Your Notice Address, Facsimile Number and Email Address (Section 16):** _____

**APPENDIX C
OWNERSHIP INTERESTS**

CORPORATION

If you are a corporation, the number of authorized shares in you that have been issued is _____, and the name, address, number of shares owned (legally or beneficially) and office held by each shareholder is as follows:

Name	Address	No. of Shares	Office Held

LIMITED LIABILITY COMPANY

If you are a limited liability company, the name, address and percentage interest of each member is as follows:

Name	Address	Percentage Interest

PARTNERSHIP

If you are a partnership, the name, address and partnership interest of each partner, whether general or limited, is as follows:

Name	Address	Partnership Interest

CONTINUITY GROUP AND DEVELOPMENT PARTNER

Your Continuity Group is comprised of the following persons: _____

Your Development Partner is: _____

DEVELOPER:

By: _____
Print Name: _____
Title: _____
Date: _____