

EXHIBIT D

FRANCHISE AGREEMENT

CORNER BAKERY CAFE FRANCHISE AGREEMENT

Franchisee

Effective Date of Agreement

Franchised Location

**CORNER BAKERY CAFE FRANCHISE AGREEMENT
TABLE OF CONTENTS**

SECTION	PAGE
1. GRANT OF RIGHTS	2
2. TERM.....	3
3. DEVELOPMENT PROCEDURES	5
4. FEES.....	10
5. RECORDS AND REPORTS.....	12
6. MARKETING AND PROMOTION.....	14
7. MANUAL	19
8. MODIFICATIONS OF THE SYSTEM	20
9. TRAINING AND GUIDANCE.....	21
10. PERFORMANCE STANDARDS AND UNIFORMITY OF OPERATION.....	24
11. INSURANCE	31
12. MARKS	33
13. YOUR ORGANIZATION AND MANAGEMENT	34
14. TRANSFERS BY US.....	37
15. TRANSFERS BY YOU	38
16. GENERAL RELEASE.....	43
17. COVENANTS.....	43
18. DEFAULT AND TERMINATION	46
19. OBLIGATIONS ON TERMINATION OR EXPIRATION.....	49
20. OPTION TO PURCHASE.....	51
21. RELATIONSHIP OF THE PARTIES	53
22. INDEMNIFICATION	53
23. CONSENTS, APPROVALS AND WAIVERS	54
24. NOTICES	54
25. ENTIRE AGREEMENT.....	55
26. DISPUTE RESOLUTION.....	55
27. SEVERABILITY AND CONSTRUCTION.....	56
28. MISCELLANEOUS.....	57
29. REPRESENTATIONS	58

PERSONAL GUARANTY AND ASSUMPTION OF FRANCHISEE'S OBLIGATIONS

APPENDIX A – FRANCHISE INFORMATION

APPENDIX B – ADDENDUM TO LEASE FORM

APPENDIX C – AUTHORIZATION AGREEMENT

APPENDIX D – WEEKLY ADVERTISING OBLIGATIONS

APPENDIX E – OWNERSHIP INTERESTS

RIDER 1 – EXPIRATION OF FRANCHISE AGREEMENT

CORNER BAKERY CAFE FRANCHISE AGREEMENT

This Franchise 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(n) _____.

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 obtain a license to use the System in connection with the operation of a franchised Corner Bakery Cafe ("Franchised Cafe") at the location specified in Appendix A ("Franchised Location") and to receive training and other assistance provided by us in connection with your development and operation of the Franchised Cafe.

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

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

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

1. GRANT OF RIGHTS

A. Grant

(1) Subject to the terms and conditions of this Agreement, we hereby grant to you the right ("Franchise") to operate continuously the Franchised Cafe at the Franchised Location and to use the Marks and the System in the operation of the Franchised Cafe during the term of this Agreement. You also will be required to participate in the Corner Bakery Cafe Catering Program and provide the catering services designated by us from the Franchised Cafe to customers located within your Protected Area (as defined in Section 1.B.) subject to your obligation to follow our procedures and menu requirements, purchase all supplies, products and ingredients through our approved and designated suppliers and otherwise follow the Manual as to the catering services.

(2) You accept the obligation to operate continuously the Franchised Cafe at the Franchised Location for the term of this Agreement. You may not operate the Franchised Cafe at any location other than the Franchised Location and may not relocate the Franchised Cafe without our prior written consent, which we may withhold in our sole discretion. If we approve a relocation of the Franchised Cafe, we may charge you for all reasonable charges actually incurred by us in connection with our consideration of your relocation request. We may condition our approval, among other things, upon the payment by you of an agreed minimum royalty during the period when the Franchised Cafe is not in operation. If we approve your relocation request, within 6 months after you receive our written notice of approval, you must relocate and commence operations of the Franchised Cafe at the new site. We will not extend the term of this Agreement if you relocate the Franchised Cafe.

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

B. Protected Area. Provided you are in compliance with this Agreement, during the term of this Agreement, we and our affiliates will not operate, or license others to operate, Corner Bakery Cafes within the geographic area described on Appendix A ("Protected Area").

C. Limited Exclusivity. Nothing in this Agreement shall prohibit us from: (1) operating, and licensing others to operate, restaurants identified in whole or in part by the Marks and/or utilizing the System in the Protected Area that are located in gas stations or convenience stores; transportation facilities, including airports, train stations, subways and rail and bus stations; military bases and government offices; sports facilities, including stadiums and arenas; amusement parks, zoos 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 Protected 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 Protected 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 Protected 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 Protected Area; (8) operating, and/or licensing others to operate, at any location including locations inside the Protected Area, during or after the term of this Agreement, any type of restaurant other than a restaurant identified in whole or in part by the Marks; (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 Protected Area as of the Effective Date of this Agreement.

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

2. TERM

A. Initial Term

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

(2) Notwithstanding the foregoing, if, during the Initial Term, you, through no act or failure to act on your part (except the failure to extend the lease for the Franchised Location through the Initial Term), lose the right to possession of the Franchised Location, the Initial Term shall expire as of the date of the loss of the right to possession. However, if the right to possession is lost through no act or failure to act on your part, you may relocate the Franchised Cafe (without paying any additional initial franchise fee or transfer fee) at your expense, and the Initial Term shall not expire if: (a) we accept the new location; (b) you construct and equip a Corner Bakery Cafe at the new location in accordance with our then-current System standards and specifications; (c) a Corner Bakery Cafe at the new location is

open to the public for business within 6 months after the loss of possession of the Franchised Location; and **(d)** you reimburse us for all reasonable expenses actually incurred by us in connection with our consideration of the relocation request and evaluation of the new location. We may condition our approval of your relocation request upon, among other things, the payment by you of an agreed upon minimum royalty to us during the period in which the Franchised Cafe is not in operation.

B. Successor Franchise Agreement. Upon the expiration of the Initial Term, if you meet certain conditions, you will have the option to request the right to remain a franchisee at the Franchised Location for a successor term of 10 years ("Successor Term"). If you desire to remain a franchisee for the Successor Term, you must comply with all of the following conditions prior to and at the end of the Initial Term:

(1) You must give us written notice of your election to sign a Successor Franchise Agreement ("Renewal Notice") not less than 6 months nor more than 12 months prior to the end of the Initial Term. The date you provide such notice shall be defined as the "Renewal Notice Date." Time is of the essence regarding the Renewal Notice Date. Your failure to provide us the required notice in a timely manner constitutes a waiver by you of your option to remain a franchisee beyond the expiration of the Initial Term. The Successor Term shall commence upon the expiration of this Agreement.

(2) You must enter into an agreement with us whereby you agree, within a specified time period (not to exceed 1 year from the signing of the Successor Franchise Agreement), to remodel the Franchised Cafe, add or replace improvements, furniture, fixtures, equipment and signage and otherwise modify the Franchised Cafe to reflect the then-current standards and image of the System.

(3) As of the Renewal Notice Date and as of the expiration of this Agreement, you must not be in default under this Agreement, any other agreements with CBC or our affiliates, any real estate lease, equipment lease or financing instrument relating to the Franchised Cafe, or any agreement with any vendor or supplier to the Franchised Cafe and, for the 12 months prior to Renewal Notice Date, you must not have been in default beyond the applicable cure period under this Agreement or any other agreements with CBC or our affiliates.

(4) You shall present satisfactory evidence to us that you have the right to remain in possession of the Franchised Location for the Successor Term.

(5) You, all individuals who own an equity interest in you of at least 10% ("Owners"), and all guarantors of your obligations shall have executed 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 your operation of the Franchised Cafe and other Franchised Cafes operated by you.

(6) You shall comply with our then-current qualification and training requirements.

(7) You will be obligated to pay a successor franchise fee equal to 50% of our then-current standard initial franchise fee for a Franchised Restaurant ("Successor Franchise Fee").

(8) Within 60 days after our receipt of your Renewal Notice, we will advise you whether or not you are entitled to remain a franchisee for the Successor Term. If we intend to permit you to remain a franchisee for the Successor Term, our notice will contain preliminary information regarding actions you must take to satisfy our remodeling and training requirements. Your right to remain a franchisee for the Successor Term is subject to your full compliance with all of the terms and conditions of this Agreement through the expiration of the Initial Term, in addition to your compliance with the obligations described in our notice. If we do not intend to permit you to remain a franchisee for the Successor Term, our notice will specify the reasons for rejecting your request, and we will have the right to extend unilaterally the Initial Term of this Agreement as necessary to comply with any applicable laws.

(9) If you exercise your right to remain a franchisee for the Successor Term, we will forward to you a Successor Franchise Agreement for your signature at least 30 days prior to the expiration of the Initial Term. The form of Successor Franchise Agreement will be the form then in general use by us for Corner Bakery Cafes (modified as necessary to reflect the fact that it is a Successor Franchise Agreement) or, if we are not then granting Franchises for Corner Bakery Cafes, that form of agreement as specified by us. The form of Successor Franchise Agreement will likely differ from this Agreement, including, but not limited to, provisions relating to the royalty fees and advertising obligations. You and your Owners also must sign any personal guaranties and ancillary agreements required by the Successor Franchise Agreement. Your failure to sign the Successor Franchise Agreement and return it to us with the Successor Franchise Fee prior to the expiration of the Initial Term will be deemed an election by you not to exercise your right to remain a franchisee for the Successor Term and will result in the expiration of this Agreement and the Franchise granted by this Agreement at the end of the Initial Term. Provided you have timely complied with all of the conditions set forth in this Section 2.B., we will sign the Successor Franchise Agreement and promptly return a fully-signed original to you.

3. DEVELOPMENT PROCEDURES

A. Purchase or Lease of the Franchised Location

(1) You must lease, sublease or purchase the Franchised Location no later than the date you sign this Agreement. We have the right to approve and modify the terms of any lease, sublease or purchase contract for the Franchised Location, and you agree to deliver a copy to us for our approval before you sign it.

(2) If you propose to lease or sublease the Franchised Location, you shall provide us with a copy of the proposed lease or sublease within 30 days after we accept the site for the Franchised Location. You agree that any lease or sublease for the Franchised Location must: (a) in form and substance, be satisfactory to us; (b) include all of the provisions set forth in our Addendum to Lease Form (the current form of which is attached as Appendix B) as modified from time to time; (c) be for an aggregate term of (at least) 20 years in a combination of initial term and renewals; (d) contain terms and conditions and payments that are commercially reasonable in our opinion; and (e) include any other provisions as we may require from time to time. The lease or sublease shall not contain any covenants or other obligations

that would prevent you from performing your obligations under this Agreement. Beginning with the lease for your third franchised Corner Bakery Cafe (if applicable), we may charge you our then-current lease review fee as set forth in the Manual.

(3) You may not sign a lease, sublease or purchase contract or any modification thereof without our approval. 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.

B. Permitting/Licensing. You shall promptly begin the permitting, licensing and approval process to ensure that construction of the Franchised Cafe commences within 60 days of the date the lease or purchase of the Franchised Location is consummated. If permitting and licensing is anticipated to take longer than 60 days, you shall advise us in writing of the date on which you anticipate obtaining such permits and licenses and the reasons for the extended time period.

C. Plans and Specifications

(1) We will provide you with a space plan layout ("Space Plan") and exterior signage plan ("Signage Plan") for the first three Franchised Cafes that you develop. During the preparation of your Space Plans and Signage Plans, we will provide you and your respective architect/designer with design training and criteria so that you will be prepared to complete the Space Plan and Signage Plan on all units that you develop after your third Franchised Cafe. We will prepare the Space Plan and Signage Plan for additional Franchised Cafes developed by you for a fee as periodically specified in the Manual. You must submit all Space Plans and Signage Plans prepared by you to us electronically in Auto Cad V. 2004 software (or later) for approval. We reserve the right to make any changes to the Space Plans or Signage Plans as submitted. We shall provide approval, or approval with changes, within 10 days after we receive the Space Plans and Signage Plans.

(2) Upon completion and approval of the Space Plan and Signage Plans for the Franchised Cafe, you shall be responsible for developing construction plans and specifications and design specifications ("Plans and Specifications") by a licensed architect and engineer for building permit submittal. You shall submit to us your final Plans and Specifications for our acceptance before commencing construction of the Franchised Cafe. A licensed architect must prepare all final Plans and Specifications. All prototype and modified Plans and Specifications for the Franchised Cafe remain our sole and exclusive property, and you may claim no interest in those modified plans and specifications.

(3) You acknowledge that the design and materials used in the construction of Corner Bakery Cafes is important to us, and you agree to adhere to our design and construction specifications and to use the materials and suppliers we require. You are solely responsible for developing the Franchised Cafe, for all expenses associated with it and for compliance with the requirements of any applicable federal, state or local law, code or regulation, including those concerning the ADA or similar rules governing public accommodations for persons with disabilities. All development and any signage must be in accordance with the Space Plans, Signage Plans and Plans and Specifications we have

approved and must comply with all applicable laws, ordinances and local laws, codes, and regulations. Our review and acceptance of your Plans and Specifications is not designed to assess compliance with federal, state or local laws, codes, and regulations, including the ADA, as compliance with such laws is your sole responsibility. At our request, you must submit all revised or "as built" Plans and Specifications.

D. Restrictions on Debt

(1) In connection with the development and operation of the Franchised Cafe, including payment to us of the Initial Franchise Fee and the costs and expenses to be incurred pursuant to this Agreement, you and your Owners represent, warrant, covenant and agree that neither you nor any Owner borrowed any funds or otherwise incurred any debt to obtain any funds for the payment of any such fees, costs and expenses, except as specifically permitted in this Section 3.D. You and your Owners shall not, without our prior written consent, which we may grant or deny in our sole discretion, directly or indirectly borrow any money or incur any debt or liability (other than lease obligations for the Franchised Cafe's land and building and trade payables in the ordinary course of business) to establish, operate and maintain the Franchised Cafe, except as provided in this Section 3.D. At any point in time, debt (other than lease obligations for the Franchised Cafe's land and building and trade payables in the ordinary course of business) may not exceed 75% of the tangible net long-term assets of the Franchised Cafe, defined as the original cost of leasehold improvements, kitchen and computer equipment, furnishings, fixtures and signage, less accumulated depreciation in accordance with generally accepted accounting principles. Such debt shall have an initial amortization schedule of no more than 10 years from inception. You shall not extend, renew, refinance, modify or amend any debt or liability permitted by this Section 3.D. without our prior written consent, which consent we may grant or deny in our sole discretion.

(2) Any debt instrument with respect to the Franchised Cafe must provide to us the following protections, and any others that we from time to time require: (a) we shall be provided notice of any default of any such debt instrument simultaneous with notice being provided to you and your Owners; (b) we shall have a right of first refusal to purchase the Franchised Cafe if it is to be sold, disposed of, or otherwise transferred by the lender of such debt instrument; however, in no event shall we be required to pay more than fair market value to exercise this right; (c) we shall have the right, but not the obligation, to cure your and your Owner's default under such debt instruments; and (d) we shall have the right to operate the Franchised Cafe upon your or your Owner's default of such instrument. In the event you default on your debt and we elect to pursue any of the foregoing protections available to us, your right to cure such default shall expire as of the date we pursue any such protections notwithstanding any longer cure period set forth elsewhere in any agreement between you and us. Additionally, you shall be liable for the full amount we pay to cure your default, plus interest at the rate set forth in Section 4.D., and all costs we incur, including legal fees and appraisal fees relating to the evaluation of and exercise of any such protections.

E. Construction of the Franchised Cafe

(1) We will provide a construction orientation program for you and your general contractor for the first Franchised Cafe that you develop. The orientation shall be conducted in a manner and location deemed appropriate by us and shall review the construction standards and procedures commonly employed to construct a Corner Bakery Cafe. You may request additional construction orientation at a fee as periodically specified in the Manual.

(2) You must begin construction of the Franchised Cafe: (a) within 60 days after you have leased, subleased or purchased the Franchised Location; or (b) upon receipt of all necessary permits and licenses, provided such permits were promptly requested, whichever is later, unless we mutually agree otherwise. We reserve the right to require that you obtain our acceptance of your choice of general contractor. You must procure all applicable construction insurance in accordance with Section 11, and you must obtain lien waivers from your contractor and all subcontractors who furnish any materials or services in the construction of the Franchised Cafe.

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

F. Acquisition of Necessary Furnishings, Fixtures, Equipment and Signage

(1) You agree to use in the development and operation of the Franchised Cafe only the fixtures, furnishings, equipment signage, emblems, lettering, logos and display materials ("FFE&S") that we have approved for Corner Bakery Cafes in writing from time to time as meeting our specifications and standards for quality, design, appearance, function and performance.

(2) You agree to purchase or lease only such types, brands and models of FFE&S and supplies that we approve for Corner Bakery Cafes as meeting our standards and specifications, including standards and specifications for quality, design, warranties, appearance, function and performance. You may purchase or lease approved types, brands or models of FFE&S and supplies only from suppliers designated by us. From time to time, we may modify the list of approved types, brands, models and/or suppliers, and you may not, after receipt of notice of such modification, reorder any type, brand or model from any supplier that is no longer approved. If you propose to purchase any FFE&S or supplies of a type, brand or model, or propose to purchase from a supplier that we have not previously approved, you must notify us and submit to us such information as we may request and comply with Section 10.D.

G. Limitation of Liability. Notwithstanding our right to approve the plans and to inspect the construction work at the Franchised Cafe, we and our designees shall have no liability or obligation with respect to the Franchised Location, the design or construction of the Franchised Cafe or the FFE&S to be acquired; our rights being exercised solely for the purpose of ensuring compliance with the terms and conditions of this Agreement. Our inspections shall not be construed as any express or implied representation or warranty that the Franchised Cafe complies with any applicable laws, codes or regulations (including the ADA or any other federal,

state, or local law or ordinance regulating standards for the access to, use of, or modifications of, buildings for any persons whose disabilities are protected by law) or that the construction of the Franchised Cafe is sound or free from defects.

H. Final Inspection and Opening Date

(1) You must complete construction of the Franchised Cafe within 120 days after the start of construction, unless we agree otherwise. The requirement to complete construction of the Franchised Cafe includes obtaining all required construction and occupancy licenses, permits and approvals, developing the Franchised Location (including all outdoor features, patios, and landscaping of the Franchised Location), installing all required FFE&S, and doing all other things as may be required pursuant to this Agreement or by practical necessity to have the Franchised Cafe ready to open for business.

(2) You shall notify us in writing at least 21 days prior to the date you expect construction and/or renovation to be completed and a certificate of occupancy to be issued. If requested by us, you shall submit a copy of the certificate of occupancy to us. We reserve the right, after receiving your notice, to conduct a final inspection of the Franchised Cafe to determine if you have complied with the final plans and this Agreement. We shall not be liable for delays or loss occasioned by our inability to complete our investigation and to make a determination within this 21-day period. You shall not open the Franchised Cafe for business without our express written authorization, which will not be granted unless you have satisfied the conditions contained in Section 3.I.

(3) You may not open the Franchised Cafe for at least 14 days after the date construction is completed so that your employees may be trained in the management and operation of the Franchised Cafe as described in Section 9.C. You must open within 30 days after the date construction is completed and all necessary approvals have been obtained. Time is of the essence in the construction and opening of your Franchised Cafe, and failure to comply with all deadlines relating thereto constitutes a material breach or default of this Agreement. Any extensions of time are subject to our approval, which we may withhold at our discretion.

I. Opening of the Franchised Cafe. We will not authorize the opening of the Franchised Cafe unless all of the following conditions have been met:

(1) You are not in material default under this Agreement or any other agreements with us; you are not in default beyond the applicable cure period under any real estate lease, equipment lease or financing instrument relating to the Franchised Cafe; you are not in default beyond the applicable cure period with any vendor or supplier to the Franchised Cafe; and for the previous 6 months, you have not been in default beyond the applicable cure period under any agreement with us;

(2) We have determined that the Franchised Cafe has been constructed and/or renovated and equipped substantially in accordance with the requirements of this Agreement and that you have hired and trained a staff in accordance with the requirements of this Agreement;

(3) You, your Operating Partner (as defined in Section 13.G.) and the General Manager and Assistant Managers of the Franchised Cafe have completed our initial training program;

(4) You have paid the Initial Franchise Fee (as defined in Section 4.A.) and any other amounts then due to us;

(5) You have signed all agreements required by us, including, but not limited to, the electronic funds transfer documents described in Section 4.F.;

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

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

4. FEES

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

B. Royalty Fee

(1) You agree to pay us a continuing weekly royalty fee in the amount of 5% of Gross Sales ("Royalty Fee") for each Reporting Period as designated by us. A "Reporting Period" shall be defined as each one week period commencing on Tuesday and ending on Monday, or such other period as we shall designate from time to time.

(2) The term "Gross Sales" shall include all revenue from the sale of all services and products and all other income of every kind and nature (including stored value gift cards and gift certificates when purchased but not when redeemed, on-premise sales, off-premise sales, catering sales, and any other type of sale) related to the Franchised Cafe, whether for cash or credit and regardless of collection in the case of credit. Gross Sales shall not include: (a) any bona fide documented federal, state, or municipal sales taxes collected by you from customers and paid by you to the appropriate taxing authority; (b) the sale of food or merchandise for which refunds have been made in good faith to customers; (c) the sale of equipment used in the operation of the Franchised Cafe; (d) customer promotional discounts approved by us; and (e) employee meal discounts.

C. Marketing Expenditures. You also shall spend and/or contribute for marketing. The exact amount of the marketing fees to be spent and/or contributed by you and the allocation of the marketing expenditures as of the date of this Agreement are set forth in Section 6 and Appendix D.

D. Late Charges and Interest. Any payment or report not actually received by us on or before the date on which such payment is due shall be deemed as late. To compensate us for the increased administrative expense of handling late payments, we have the right to charge a \$500 late charge for each delinquent payment, due upon making the delinquent payment. In addition to such late charge, you shall pay interest to us on such late payment from the date it was due until paid at the rate of 18% per annum, or the maximum rate permitted by

law, whichever is less. Entitlement to such interest shall be in addition to any other remedies we may have. You agree that this section does not constitute our agreement to accept payments after they are due or a commitment by us to extend credit to you or otherwise finance the operation of the Franchised Cafe.

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

F. Payment By Pre-Authorized Bank Transfer

(1) You must participate in our electronic funds transfer program authorizing us to utilize a pre-authorized bank draft system. You agree to sign and complete the Authorization Agreement in Appendix C, and/or such other documents as we may require from time to time, to authorize and direct your bank or financial institution to pay and deposit directly to our account, and to charge to your business checking account ("Electronic Depository Transfer Account" or "EDTA"), the amount of the Initial Franchise Fee, Royalty Fee, marketing fees and contributions, and other amounts due and payable by you pursuant to this Agreement (such withdrawals shall be defined as a "Sweep").

(2) We shall have the authority to Sweep the EDTA at anytime; however, we agree not to Sweep the EDTA more frequently than once each week so long as you are not in default of this Agreement or any other agreement with CBC or our affiliates. We have the right to review your sales numbers within 3 business days following the close of a Reporting Period. As early as the first business day thereafter, we shall calculate the Royalty Fee and any marketing contributions and fees set forth in Section 6 due for that Reporting Period and Sweep such amounts and any other amounts due under this Agreement directly from the EDTA. You must pay all costs and expenses of establishing and maintaining the EDTA, including transaction fees and wire transfer fees. You agree to maintain at all times sufficient funds in the EDTA for such Sweeps. You agree not to terminate our right to withdraw funds from the designated EDTA during the term of this Agreement without our prior written consent.

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

H. Collection Costs and Expenses. You agree to pay to us on demand any and all costs and expenses incurred by us in enforcing the terms of this Agreement, including, without limitation, collecting any monies owed by you to us. These costs and expenses include,

but are not limited to, costs and commissions due a collection agency, reasonable attorneys' fees (including attorneys' fees for in-house counsel employed by CBC or our affiliates and any attorneys' fees incurred by us in bankruptcy proceedings), costs incurred in creating or replicating reports demonstrating Gross Sales of the Franchised Cafe, court costs, expert witness fees, discovery costs and reasonable attorneys' fees and costs on appeal, together with interest charges on all of the foregoing.

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

5. RECORDS AND REPORTS

A. **Recordkeeping.** You shall keep and maintain, in accordance with any procedures set forth in the Manual, complete and accurate books and records pertaining to the Franchised Cafe sufficient to report fully to us. Your books and records shall be kept and maintained using generally accepted accounting principles ("GAAP"), if you use GAAP in any of your other operations, or using other recognized accounting principles applied on a consistent basis that accurately and completely reflect your financial condition. You shall preserve all of your books, records and state and federal tax returns for at least 5 years after the later of preparation or filing (or such longer period as may be required by any governmental entity) and make them available and provide duplicate copies to us within 5 days after our written request.

B. **Periodic Reports.** You must prepare and submit to us the following reports:

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

(2) Within 15 days after the expiration of each calendar month, a report of Field Marketing expenditures (as defined in Section 6.G.) for the preceding month.

(3) Within 15 days after the expiration of each fiscal quarter, the following statements (in a form prescribed by us and which may be unaudited) related to the Franchised Cafe: (a) a quarterly profit-and-loss statement; (b) a quarterly balance sheet; and (c) a fiscal-year-to-date profit and loss statement.

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

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

(6) Within 90 days after the expiration of each fiscal year, a reviewed or audited year-end balance sheet and income statement and statement of cash flow of the Franchised Cafe for such year, reflecting all year-end adjustments and accruals. Your annual

financial statements must be signed by your treasurer or chief financial officer attesting that the financial statements fairly present your financial position and the results of operations of the Franchised Cafe during the period covered. We shall have the right, in our reasonable discretion, to require that you, at your expense, submit audited financial statements prepared by a certified public accounting firm acceptable to us for any fiscal year or any period or periods of a fiscal year.

(7) If you are or become a publicly-held entity (*i.e.*, an entity that has a class of securities traded on a recognized securities exchange or quoted on the inter-dealer quotation sheets known as the "pink sheets"), in accordance with other provisions of this Agreement, you shall send to us copies of all reports (including responses to comment letters) or schedules that you may file with the U.S. Securities and Exchange Commission (certified by your chief executive officer to be true, correct, complete and accurate) and copies of any press releases you may issue, within 3 days of the filing of those reports or schedules or the issuance of those releases.

(8) All reports shall use our then-current standard chart of accounts. The information in each report and financial statement must be complete and accurate and signed by your chief executive officer or your Operating Partner (as defined in Section 13.F.). We reserve the right to publish or disclose information that we obtain under this section in any data compilations, collections, or aggregations that we deem appropriate, in our sole discretion, so long as we do not disclose information relating to performance of your individual Franchised Cafe, unless such disclosure is required by law or order of a court. We strongly encourage you to use the reporting periods and fiscal year used by us.

C. Audit Rights

(1) We or our designated agents shall have the right at all reasonable times to inspect, audit, and copy, at our expense, the statements and reports referenced above and your books, records, and tax returns. We shall also have the right, at any time, to have an independent audit made of the statements and reports referenced above and your books, records, and tax returns. If an inspection or audit should reveal that any payments have been understated in any report to us, then you shall immediately pay to us the amount understated upon demand, in addition to interest from the date such amount was due until paid, at the rate set forth in Section 4.D. If an inspection or audit discloses an understatement in any report of 2% or more of Gross Sales for the audit period, then you shall, in addition, reimburse us for any and all costs and expenses connected with the inspection or audit (including, without limitation, travel, lodging and wage expenses and reasonable accounting and legal costs). The foregoing remedies shall be in addition to any other remedies we may have under this Agreement.

(2) If you fail to provide us on a timely basis with the records, reports and other information required by this Agreement or, upon our request, with copies of the same, we or our designee shall have access at all reasonable times (and as often as necessary) to your books and records for the purpose, among other things, of preparing the required records, reports and other information. You promptly shall reimburse us or our designee for all costs and expenses associated with our obtaining such records, reports or other information.

D. Technology Requirements for Reporting Data

(1) You agree to purchase or lease, at your expense, such computer hardware and software, required dedicated telephone and power lines, DSL or better transmission lines, modems, printers, and other computer-related accessories and peripheral equipment as we may specify for the purpose of, among other functions, recording financial and customer data and communicating with us. We may require you to use proprietary software and any other computer systems, which we may prescribe from time to time, and you agree to sign such agreements as we may require in connection with those systems. We may prescribe a specific point of sale or other computer hardware and software, which you agree to purchase. You must record all sales at the Franchised Cafe on a computerized point of sale system that is fully compatible with our computer system and that includes an information interface capability to communicate electronically with our computer system to provide us with continuous transaction level point of sale data.

(2) You must provide such assistance as may be required to connect your computer system and point of sale system with our computer system. We shall have the right to retrieve transaction level data through point of sale electronic reporting as well as time of order to time of delivery data and such other information from your computer system as we deem necessary or desirable, and you agree to fully cooperate with such efforts. You will be required to provide us with all of the data that Corner Bakery Cafes operated by us and our affiliates provide to us in a format readily usable by us. In view of the contemplated interconnection of computer systems and the necessity that such systems be compatible with each other, you agree that you will comply strictly with our standards and specifications for all items associated with your computer system.

(3) To ensure full operational efficiency and optimum communication capability among computer systems installed by all Corner Bakery Cafes, you agree, at your expense, to keep your computer systems in good maintenance and repair, and to promptly install such additions, changes, modifications, substitutions or replacements to hardware, software, telephone and power lines, and other computer-related facilities, as we direct. In the event we approve your use of a website, you agree to ensure that the website is compatible with our website(s) and capable of any linkages we may require.

6. MARKETING AND PROMOTION

A. Grand Opening Marketing. At least 60 days prior to the opening of the Franchised Cafe, you must submit a Grand Opening Required Spending Plan ("Grand Opening Plan") to us outlining your proposal for grand opening marketing and promotion of the Franchised Cafe. You shall not implement the Grand Opening Plan unless and until we have consented to the Plan in writing. You agree to modify the Grand Opening Plan as requested by us and, thereafter, no substantial changes shall be made to the Grand Opening Plan without our advance written consent. In addition to the Field Marketing expenditure requirements set forth in Section 6.G., you shall, during the period beginning 30 days before the scheduled opening of the Franchised Cafe and continuing for 18 months after the Franchised Cafe first opens for business ("Grand Opening Period"), spend at least \$15,000 to conduct grand opening marketing and promotion in authorized advertising media and for authorized expenditures (as defined in Section 6.I.) Within 30 days of each grand opening expense that you incur, you shall submit to us evidence (by invoice or sample, if applicable) of such grand opening marketing and promotional expenditures to us.

B. Marketing Contributions and Expenditures. This Section 6 describes our initial marketing, public relations and advertising programs; however, we reserve the right to modify these programs and the manner in which the marketing and advertising funds are used for such purposes from time to time, in whole or in part, as we deem necessary. You acknowledge and recognize the value of and the need to develop, enhance, and promote the System and the Marks. You also acknowledge and recognize the importance of the standardization of advertising programs to the furtherance of the goodwill and public image of the System and the Marks. During the Initial Term, you shall have a weekly advertising obligation ("WAO") in an amount not to exceed 5.5% of the Gross Sales of the Franchised Cafe as set forth in this Section 6 and Appendix D. You shall pay, at the same time and in the same manner as the Royalty Fee, that portion of the WAO as we may direct for the Production Fee in accordance with Section 6.C, to a Brand Development Fund in accordance with Section 6.D., and to a Regional Advertising Fund in accordance with Section 6.E. The remainder of the WAO shall be spent for Field Marketing in accordance with Section 6.G. Following written notice to you, we may reallocate and increase the WAO among the Production Fee, the Brand Development Fund, a Regional Advertising Fund and/or your Field Marketing expenditures.

C. Production Fee. You shall pay to us a nonrefundable and continuing Production Fee in the amount set forth in Appendix D, as subsequently modified by us, at the same time and in the same manner that you pay the Royalty Fee. The Production Fee shall be used by us to cover the costs of, among other things, creating, maintaining, administering, directing, and preparing advertising and promotional activities for the benefit of the System. Corner Bakery Cafes operated by us and our affiliates shall pay a Production Fee on the same basis as comparable franchisees. We will not be required to account separately to you for the Production Fees that we collect and expend.

D. Brand Development Fund

(1) We have the right to establish and administer the Brand Development Fund for the creation and development of advertising, marketing and public relations, research and related programs, activities and materials that we, in our sole discretion, deem appropriate. Once established, you shall pay to us a nonrefundable and continuing Brand Development Fund Fee in the amount set forth in Appendix D, as subsequently modified by us, at the same time and in the same manner that you pay the Royalty Fee. Corner Bakery Cafes owned by us and our affiliates shall contribute to the Brand Development Fund on the same basis as comparable franchisees.

(2) Payments made to the Brand Development Fund shall be used by us or our designees, in the manner we determine in our sole discretion, to develop and execute any, all, none or a combination of the following: (a) advertising ideas, concepts and general plans; (b) menu, merchandising and marketing materials; (c) marketing research and merchandising programs and strategies; (d) advertising and marketing studies, research or services; (e) public relations activities and brochures; (f) advertising strategies and campaigns, including video, audio, electronic and printed advertising materials; (g) promotional ideas, concepts and general plans; (h) design and administration of the Corner Bakery Cafe website; (i) media planning and buying services; (j) menu items and products; (k) collateral creative materials; (l) advertisements, including writing, design, illustration, filming, editing and other preparation of advertising materials; (m) employing advertising and public relations agencies; (n) media programs, including planning, strategy, negotiation, contracting, buying, verifying, modifying and trafficking the programs; (o) administration of the Brand Development Fund and technical and

professional advice in connection with the Fund; and (p) other advertising, promotional, public relations, administrative and related purposes. We may furnish you with marketing, advertising and promotional materials that we produce or have produced for a fee, plus any related administrative, shipping, handling and storage charges.

E. Regional Advertising Funds

(1) We have the right, in our sole discretion, to establish one or more regional advertising funds for Corner Bakery Cafes ("Regional Advertising Funds"). If a Regional Advertising Fund is established for a geographical area that includes the Franchised Location, you shall contribute to that Regional Advertising Fund in the amount set forth in Appendix D, as subsequently modified by us. Corner Bakery Cafes operated by us and our affiliates in an area covered by a Regional Advertising Fund shall contribute to the Regional Advertising Fund on the same basis as comparable franchisees.

(2) We or our designee shall direct all advertising, marketing, and public relations programs and activities financed by the Regional Advertising Fund, with sole discretion over the creative concepts, materials and endorsements used in those programs and activities, and the geographic, market and media placement and allocation of advertising and marketing materials. You agree that the Regional Advertising Fund may be used to pay the costs of preparing and producing such associated materials and programs as we or our designee may determine, including video, audio and written advertising materials; employing advertising agencies; sponsorship of sporting, charitable or similar events; administering regional and multi-regional advertising programs, including, without limitation, purchasing direct mail and other media advertising and employing advertising agencies to assist with these efforts; and supporting public relations, market research and other advertising, promotional and marketing activities. You agree to participate in all advertising, marketing, promotions, research and public relations programs instituted by your Regional Advertising Fund.

F. Administration of the Funds

(1) We may, as we deem appropriate, seek the advice of owners of Corner Bakery Cafes by formal or informal means with respect to the creative concepts and media used for programs financed by the Brand Development Fund and the Regional Advertising Funds (collectively "Funds"). We reserve the right to have an affiliate or a designee manage any Fund. We shall separately account for the Funds; however, we shall not be required to segregate any of the Funds from our other monies. None of the Funds shall be used to defray any of our general operating expenses. Each Fund may hire employees, either full-time or part-time, for its administration. We and our affiliates may be reimbursed by each Fund for expenses directly related to the Fund's marketing programs, including, without limitation, conducting market research, preparing advertising and marketing materials and collecting and accounting for contributions to each Fund.

(2) All disbursements from the Funds shall be made first from income and then from contributions. While our intent is to balance each Fund on an annual basis, from time to time, a Fund may run at either a surplus or deficit. We may spend in any fiscal year an amount greater or less than the aggregate contributions of all company-owned and franchised Corner Bakery Cafes to a Fund in that year. Each Fund may borrow from us or other lenders to cover deficits in that Fund, and we may cause the Fund to invest any surplus for future use by the Fund. We will prepare annually an unaudited statement of monies collected and costs

incurred by the Funds and furnish a copy to you upon your written request. We shall have the right to cause each Fund to be incorporated or operated through an entity separate from us at such time as we deem appropriate, and such successor entity shall have all of our rights and duties pursuant to this Section 6.

(3) You understand and acknowledge that the Funds are intended to enhance recognition of the Marks and patronage of Corner Bakery Cafes. We will endeavor to utilize the Funds to develop advertising and marketing materials and programs and to place advertising that will benefit the System and all Corner Bakery Cafes contributing to the respective Funds. You agree, however, that we are not liable to you, and you forever covenant not to sue us and hold us harmless from any liability or obligation to ensure that expenditures by each Fund in or affecting any geographic area (including the Franchised Location) are proportionate or equivalent to the contributions to the Brand Development Fund and any Regional Advertising Fund by Corner Bakery Cafes operating in that geographic area, or that any Corner Bakery Cafe will benefit directly or in proportion to its contribution to the Brand Development Fund or a Regional Advertising Fund from the development of advertising and marketing materials or the placement of advertising. Except as expressly provided in this Section 6, neither we nor our designee assumes any direct or indirect liability to you with respect to the maintenance, direction or administration of each Fund.

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

G. Field Marketing Expenditures

(1) You agree to spend for local advertising and promotion of the Franchised Cafe ("Field Marketing") the amount set forth in Appendix D, as subsequently modified by us. You shall furnish us with annual Field Marketing plans 60 days prior to your first grand opening and by November 1st of the previous year for each year thereafter. You shall provide documentation to us regarding all Field Marketing expenditures on the 15th day of each month.

(2) If you do not make the required Field Marketing expenditures, we may collect the funds from you and spend them on your behalf for Field Marketing. We shall provide you with not less than 30 days prior notice of any change in your required Field Marketing expenditures. Field Marketing expenditures include the following pre-approved expenditures: (a) amounts spent by you for advertising media, such as electronic, print, radio, television and outdoor, banners, posters, direct mail, grassroots premiums, event invites, and, if not provided by us at our cost, the cost of producing approved materials necessary to participate in these media; and (b) coupons and special (or promotional) offers pre-approved by us. Field

Marketing expenditures do not include amounts spent for items, in our reasonable judgment, deemed inappropriate for meeting the minimum advertising requirement, including permanent on-premises signage, menu boards, menus, occasion signage, Yellow Pages advertising, lighting, personnel salaries or administrative costs, transportation vehicles (even though such vehicles may display the Marks), and employee incentive programs.

H. Special Promotions

(1) In addition to the contribution to the Funds and meeting your Field Marketing requirements, you shall participate in product promotions, product launches and price point promotions that we establish from time to time at your expense, provided such promotions do not violate applicable law. You are required to obtain our prior written approval prior to implementing such a program that we have not mandated or provided. You shall fully participate in all programs, public relations campaigns, prize contests, special offers, and other programs, national, regional, or local in nature (including the introduction of new products, new franchises or other marketing programs directed or approved by us) that are prescribed from time to time by us. You shall be responsible for the costs of such participation, which may include a commitment by you to purchase specified quantities of inventory and supplies to support these programs. To the extent permitted by law, you will comply with any maximum price restrictions that we promulgate from time to time.

(2) We may also require you to join and participate in regional, national, or international programs designed to increase business, including multi-area customer, national customer, commercial customer, Internet, event, yellow pages, directory affinity vendor, and co-branding programs ("Multi-Area Marketing Programs"). Such programs may require your cooperation (including refraining from certain channels of marketing and distribution), participation (including payment of commissions or referral fees), and adherence to maximum pricing to the extent permitted by law. All such programs are our proprietary trade secrets. We may designate the coverage area, method and timing of payment, and any outside agencies for any Multi-Area Marketing Programs.

I. Prior Approval of Marketing Materials

(1) You agree to use in your marketing efforts the marketing materials available from us, which shall be made available to you at your expense, in the manner and frequency we require. You must submit to us for our prior approval, all marketing plans, written materials and samples of all marketing, public relations and promotional materials not prepared or previously approved by us and that vary from our standard marketing, public relations and promotional materials. If you elect to work with a marketing agency, you must obtain our written approval of such agency, which approval we may in our sole discretion withhold, before you sign any contracts or share any Confidential Information (as defined in Section 17.B.) with the agency.

(2) If purchased from a source other than CBC or our affiliates, these materials shall comply with federal and local laws and regulations and with the guidelines for marketing and promotions promulgated from time to time by us or our designee and shall be submitted to us or our designee at least 30 days prior to first use for our approval, which we may grant or withhold in our sole discretion. In no event shall your advertising contain any statement or material that, in our sole discretion, may be considered: (a) in bad taste or offensive to the public or to any group of persons; (b) defamatory of any person or an attack on

any competitor; (c) to infringe upon the use, without permission, of any other persons' trade name, trademark, service mark or identification; or (d) inconsistent with the public image of the System or the Marks.

J. Websites. You agree not to promote, offer or sell any products or services, or to use any of the Marks, relating to the Franchised Cafe through the Internet or other future technological avenues without our prior written consent, which we may withhold for any or no reason. We have no immediate plans to permit such websites or Internet use. You further agree not to have a website accessible by the public, or any part of the public, without our prior written consent, which we may withhold for any or no reason. In connection with any such consent, we may establish such requirements as we deem appropriate, including without limitation: (1) obtaining our prior written approval of any Internet domain name and home page addresses; (2) the proposed form and content (including any visible and non-visible content such as meta-tags) of any website related to the Franchised Cafe; (3) submission for our approval of all website pages, materials, and content; (4) use of all hyperlinks and other links; (5) restrictions on the use of any materials (including text, video clips, photographs, images, and sound bites) in which any third party has any ownership interest; and (6) obtaining our prior written approval of any modifications. We may designate the form and content of your website and/or require that any such website be hosted by us or a third party designated by us, using one or more websites that we own and/or control. In addition, we may require you to establish hyperlinks to our website or another website designated by us. We may charge you a fee for developing, reviewing and approving your website and/or for hosting the website. You further agree to assign to us any domain names that you obtain that we, in our sole discretion, request and you further agree to assign any and all domain names used by you in the operation and promotion of the Franchised Cafe at such time this Agreement is terminated.

K. Public and Media Relations. You agree that you will not issue any press or other media releases or other communication without our prior consent. As a franchisee of the System, you agree to only participate in internal and external communications activities that create goodwill, enhance our public image and build the Corner Bakery Cafe brand.

7. MANUAL

A. You acknowledge receipt on loan of our confidential and proprietary Manual, which contains information and knowledge that is unique, necessary and material to the System. You agree to comply fully with all mandatory standards, specifications and operating procedures and other obligations contained in the Manual. We maintain the Manual on a searchable proprietary limited access Intranet portal which we will allow you to enter to provide you access to our electronic Manual. You may print one copy of the Manual from the portal, which is allowed as a loan to you.

B. As used in this Agreement, the term "Manual" also includes one or more manuals, publications, materials, drawings, memoranda, videotapes, audio tapes, compact disks and electronic media that we from time to time may loan to you. The Manual may be supplemented or amended from time to time by letter, electronic mail, bulletin, videotapes, audio tapes, compact disks, software or other communications concerning the System to reflect changes in the image, specifications and standards relating to developing, equipping, furnishing and operating a Corner Bakery Cafe. You shall keep your copy of the Manual current and up-to-date with all additions and deletions provided by or on behalf of us and shall purchase whatever equipment and related services (including, without limitation, a video cassette

recorder, computer system, Internet service, dedicated phone line, facsimile machine, etc.) as may be necessary to receive these communications. If a dispute relating to the contents of the Manual develops, the master copy maintained by us at our principal offices shall control.

C. The Manual contains detailed standards, specifications, instructions, requirements, methods and procedures for the management and operation of the Franchised Cafe. The Manual also may relate to the (1) selection, purchase, storage, preparation, packaging, ingredients, recipes, service and sale of all products and beverages sold at the Franchised Cafe; (2) management and employee training; (3) marketing, advertising and sales promotions; (4) maintenance and repair of the Franchised Cafe building, grounds, equipment, graphics, signs, interior and exterior décor items, fixtures and furnishings; (5) employee dress attire and appearance standards; (6) menu concept and graphics; (7) accounting, bookkeeping, records retention and other business systems, procedures and operations; (8) news flashes covering important developments to the System during the most recent 8 weeks; (9) reports and other information useful for financial evaluation and planning; (10) resources, tools, including training materials, marketing resources, reference materials and promotional initiatives; and (11) contact information for Corner Bakery Cafe support centers, vendors, franchisees, and Cafe locations.

D. You agree at all times to operate the Franchised Cafe in strict conformity with the Manual; to take all measures necessary (and all security protocols we require) to limit access and insure confidentiality of the Manual, including the use of pass codes, firewalls, and other available technology; to refrain from reproducing the Manual or any part of it; and to disclose the contents of the Manual only to your employees who have a need to know. You agree to return to us the Manual loaned to you immediately upon the expiration or termination of this Agreement.

8. MODIFICATIONS OF THE SYSTEM

A. **System Modifications.** We, in our sole discretion, shall be entitled from time to time to change or modify the System, including modifications to the Manual, the menu and menu formats, the required equipment, the signage, the building and premises of the Franchised Cafe (including the trade dress, décor and color schemes), the presentation of the Marks, the adoption of new administrative forms and methods of reporting and payment of any monies owed to us (including electronic means of reporting and payment) and the adoption and use of new or modified Marks or copyrighted materials. You shall accept and use or display in the Franchised Cafe any such changes or modifications to the System as if they were a part of the System at the time this Agreement was signed, and you will make such expenditures as the changes or modifications in the System may reasonably require.

B. **Authorized Menu Items.** Within 30 days after receipt of written notice from us, you shall begin selling any newly authorized menu items and cease selling any menu items that are no longer authorized. All food, beverage and merchandise items authorized for sale at the Franchised Cafe shall be offered for sale under the specific name designated by us. We, in our sole discretion, may restrict sales of menu items to certain time periods during the day. You shall establish menu prices in your sole and absolute discretion. If you have a suggestion for a new menu item or for a change to an authorized menu item or you desire to participate in a test market program, you shall provide to us written notice prior to implementation. You shall not add or modify any menu item or participate in a test market program without first having obtained our prior written approval. You shall purchase any additional equipment and

smallwares as we deem reasonably necessary in connection with new menu items. If we require you to begin offering a new menu item which requires the purchase of additional equipment, a reasonable period of time, as determined in our sole discretion, shall be provided for the financing, purchase and installation of any such equipment before such new menu items must be offered for sale at the Franchised Cafe.

C. Renovation of the Franchised Cafe. Extensive structural changes, major remodeling and renovations, and substantial modifications to existing equipment and improvements to modernize and conform the Franchised Cafe to the current image of the System for new franchised and company Corner Bakery Cafes shall be required at our request (but not more often than every 5 years). Capital expenses necessary for the repair and maintenance of the Franchised Location are not subject to the time limitations described in the preceding sentence. Within 60 days after receipt of our written notice regarding the required modernization, you shall prepare and complete drawings and plans for the required modernization. These drawings and plans must be submitted to, and their use approved by, us prior to the commencement of work. You shall complete the required modernization within the time reasonably specified by us in our written notice.

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

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

9. TRAINING AND GUIDANCE

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

B. Initial Training Program

(1) Unless you (or your affiliates) already operate at least three Franchised Cafes and one of the Franchised Cafes has been certified as a Certified Training Cafe (as described in Section 9.E.), prior to the Opening Date, your Operating Partner, your Multi-Unit Manager (as defined in Section 13.H., if applicable), your General Manager and up to 2

Assistant Managers of the Franchised Cafe and any other person designated by us, shall attend, and become certified in, our initial training program in the operation of a Franchised Cafe. The initial training program will include classroom instruction and training at our designated training facilities, which may be a Corner Bakery Cafe operated by CBC or our affiliates, unless a Franchised Cafe operated by you has been certified as a certified training cafe in accordance with Section 9.E. We will bear all expenses for the initial training program, provided that you will be required to pay all meals, lodging, other living expenses and transportation costs incurred by your employees while attending the initial training program. We will authorize the Franchised Cafe to open only after an adequate number of your employees, as determined by us in our sole discretion, have attended and successfully completed the initial training program.

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

(3) Subsequent to the opening of the Franchised Cafe, any employee of yours who assumes any of the positions listed in Section 9.B.(1) must, within 60 days after assuming such position, attend the initial training program and receive our certification for that position. If we provide the initial training program to these additional employees, you shall pay to us a training fee at the then-current rate being charged by us to franchisees for such training, and you shall also be solely responsible for all meals, lodging and other living expenses and transportation costs incurred by your employees while attending the training.

C. Opening Assistance

(1) For your first 2 Franchised Cafes, we will provide an opening team of trainers (not to exceed 8 personnel) to assist in the opening of the Franchised Cafe and in training your employees for the period deemed necessary by us, which shall not be less than 13 days. For your third Franchised Cafe opening, we will provide opening support (not to exceed 4 personnel) for the period deemed necessary by us, which shall not be less than 13 days, and you shall provide your own opening team of trainers. We do not charge any fees for providing our opening team of trainers or opening support personnel for your first three Franchise Cafes. For your fourth and subsequent Franchised Cafe openings, you will provide your own opening team of trainers from your Certified Training Cafe unless you request our opening team of trainers or any opening support or you do not have a Certified Training Cafe. In those instances, you will be required to pay our then-current hourly rate for our opening support personnel and our opening team of trainers in addition to their meals, lodging, other living expenses and transportation costs.

(2) You shall provide us written notice 30 days in advance of the scheduled opening date, and we shall have the right to rely on that date to schedule and coordinate our personnel who will assist in the opening. You must have a certificate of occupancy, or a conditional certificate of occupancy, at least 2 days before the scheduled arrival of our employees. We may delay the scheduled arrival of our employees if we determine, in our sole discretion, that the Franchised Cafe building is not safe or not ready to begin training.

(3) If the pre-opening training date or the opening date is postponed or delayed for failure to obtain a certificate of occupancy or for any other reason and, as a direct result thereof, we incur any additional costs and expenses, you shall promptly reimburse us for those costs and expenses, plus the salaries and the fringe benefits for the opening trainers during the period of such delay. If you request, we may, depending on the availability of our personnel, make available trainers for longer than the period deemed necessary by us. You shall pay the salaries (including the cost of fringe benefits which the parties agree equal 20% of their salaries) of any trainers who remain at the Franchised Cafe longer than the period deemed necessary by us, plus their meals, lodging, other living expenses and transportation costs.

D. Additional Training. We shall have the right (which may be exercised at any time and in our sole discretion) to require that your Operating Partner, your Multi-Unit Manager, your General Manager, Assistant Managers and any other employees designated by us take and successfully complete other training courses in addition to the initial training program. We reserve the right to require you to pay a tuition fee as established by us from time to time for these additional training programs within 30 days of receipt of an invoice from us. You will be required to pay all meals, lodging, other living expenses and transportation costs incurred by your employees while attending the training.

E. Training by You

(1) You shall conduct such initial and continuing training programs for your employees as we may require from time to time, including those training programs required in order for your employees to be certified for the position(s) for which each employee was hired, as described in Section 9.B.(1)

(2) If you operate 3 or more Franchised Cafes, within 90 days after you open your third Franchised Cafe, you must establish one of your Cafes as a Certified Training Cafe at which your trainers will offer the initial training program to your employees and opening training for future Franchised Cafes that you develop. We must certify the Franchised Cafe as a Certified Training Cafe before you may begin training there. We may periodically visit the Certified Training Cafe to ensure that it continues to meet our standards. Failure of one of the Franchised Cafes to qualify (or continue to qualify) as a Certified Training Cafe shall constitute a default of this Agreement. In that event, your General Manager, Assistant Managers and any other employees of that Franchised Cafe designated by us must attend and successfully complete our initial training program at a training facility designated by us, which may be a Corner Bakery Cafe operated by CBC or our affiliates. You will be required to pay a tuition fee for your employees who attend the training program in addition to paying all meals, lodging, other living expenses and transportation costs incurred by your employees while attending the training program.

F. Post-Opening Assistance. We periodically, as we deem appropriate, shall advise and consult with you in connection with the operation of the Franchised Cafe. We, as we deem appropriate, shall provide to you our knowledge and expertise regarding the System and pertinent new developments, techniques and improvements in the areas of restaurant design, management, food and beverage preparation, sales promotion, service concepts, employee recruiting, selection and training, purchasing and inventory control, and such other matters as we deem appropriate. We may provide these services through visits by our representatives to the Franchised Cafe or your offices, the distribution of printed, filmed or electronic information, meetings or seminars, telephone communications, email communications or other

communications. We periodically shall inspect the Franchised Cafe and its operations to assist your operations and ensure compliance with the System. At your request, we may provide special assistance at the Franchised Cafe for which you will be required to pay our per diem fees and charges we may establish from time to time.

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

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

10. PERFORMANCE STANDARDS AND UNIFORMITY OF OPERATION

A. Operation of the Franchised Cafe. During the term of this Agreement, you shall operate the Franchised Cafe in strict conformity with the System and the Manual (and such other methods, standards and specifications as we may from time to time prescribe in the Manual or otherwise in writing). You acknowledge that every detail of the Franchised Cafe is important to you, us, and other franchisees in order to develop and maintain high operating standards, to increase the demand for the services and products sold by all Corner Bakery Cafes, and to protect our reputation and goodwill. Furthermore, you agree:

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

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

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

(4) To purchase and install, at your expense, all FFE&S, computer software and hardware, and décor items as we may reasonably direct from time to time in the Manual or otherwise in writing; and to refrain from installing or permitting to be installed on or about the Franchised Cafe premises, without our prior written consent, any FFE&S, computer software

and hardware, décor, games, vending machines or other items not previously approved as meeting our standards and specifications.

(5) To sell or offer for sale products and services only at the Franchised Cafe or through the Corner Bakery Cafe Catering Program in the Protected Area.

(6) To permit us to poll your point of sale and other related computer systems (regardless of the location at the Franchised Cafe, your offices, or other locations) for the purpose of compiling Gross Sales and other relevant data.

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

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

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

B. Specifications and Standards. You agree to comply with all mandatory specifications, standards and operating procedures, as modified from time to time (whether contained in the Manual or any other written communication), relating to the appearance, function, cleanliness or operation of a Corner Bakery Cafe, including: (1) type, quality, taste, weight, dimensions, ingredients, uniformity, and manner of preparation, packaging and sale of food products and beverages; (2) sale procedures and customer service; (3) advertising and promotional programs; (4) qualifications, appearance and dress of employees; (5) safety, maintenance, appearance, cleanliness, sanitation, standards of service and operation of the Franchised Cafe; (6) days and hours of operation; (7) bookkeeping, accounting and record keeping systems and forms; (8) type, quality, and appearance of paper products, smallwares, and equipment; (9) training systems for both management and hourly staff members; and (10) information technology software and hardware.

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

D. Non-Proprietary Ingredients & Products. We may designate other food products, condiments, beverages, fixtures, smallwares, furnishings, equipment, uniforms, supplies, services, menus, packaging, forms, paper products, software, modems and peripheral equipment and other products and equipment other than Proprietary Products that you must use and/or offer and sell at the Franchised Cafe ("Non-Proprietary Products"). You may use, offer or sell only such Non-Proprietary Products that we have expressly authorized, and such products must be purchased or obtained from a producer, manufacturer, supplier or service provider that we have approved ("Approved Supplier") or an alternative Approved Supplier that we have designated or approved pursuant to Section 10.D.2. below.

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

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

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

(4) We shall not be obligated to disclose the terms and conditions, including the pricing, to anyone as to Proprietary or Non-Proprietary Products. We may also determine that certain Non-Proprietary Products (e.g., beverages) shall be limited to a designated brand or brands.

E. Rebates. You acknowledge that we and our affiliates may, under appropriate circumstances, receive fees, commissions, rebates, royalties, or other consideration from suppliers based on sales to you, and we may use any amounts received without restriction and for any purpose we and our affiliates deem appropriate.

F. Prices. You shall be solely responsible for determining the prices of products offered at the Franchised Cafe; however you are required to comply with any resale pricing maximum we may implement so long as such pricing does not violate applicable law.

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

H. Cafe Management and Personnel

(1) You acknowledge and agree that optimum restaurant performance requires specialized leadership in the form of a duly trained General Manager. The General Manager must dedicate 100% of his or her working time to the management of the Franchised Cafe. To ensure the integrity of all Corner Bakery Cafes, the General Manager position must be a full-time position and may not be combined with an area or district manager or any other position. We may change the organizational structure of the System from time to time, in which case you will be required to adopt the then current structure.

(2) The Franchised Cafe shall at all times be under the on-site supervision of one of the following designated individuals, who must meet, to our satisfaction, the applicable training qualifications for their designated position title: your Operating Partner, Multi-Unit Manger, a General Manager, an Assistant Manager, or, for specific, limited periods of time as authorized by us, a Shift Leader. You must, at all times, employ at least 1 General Manager and 1 Assistant Manager for the Franchised Cafe who have successfully completed our initial training program. If at any time you cease to employ 2 management personnel as described above, you have 30 days (from the date on which you have less than 2 specified management personnel) to hire and enroll replacement personnel in the initial training program. If you fail to replace such personnel within this time frame, we have the right to send our personnel to the Franchised Cafe to manage the Franchised Cafe until your replacement personnel have successfully completed our initial training program. You shall pay the salaries (including the cost of fringe benefits which the parties agree equal 20% of their salaries), meals, lodging, other living expenses and transportation costs of our management personnel for the period of time that they remain at the Franchised Cafe.

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

(4) You shall hire all employees of the Franchised Cafe and be exclusively responsible for the terms of their employment and compensation, and for the proper training of such employees in the operation of the Franchised Cafe, in human resources and customer relations. You shall employ only suitable persons of good character and reputation who will at all times conduct themselves in a competent and courteous manner in accordance with the image and reputation of the System and, while on duty, comply with the dress attire, personal appearance and hygiene standards set forth in the Manual. You shall use your best efforts to ensure that your employees maintain a neat and clean appearance and render competent and courteous service to all customers and fellow employees of the Franchised Cafe.

(5) You may not knowingly recruit or hire any person who is or was an employee of ours or of any Corner Bakery Cafe operated by us, our affiliates or another franchisee of ours, for 6 months from the last day of such employee's employment, without obtaining the employer's consent, which consent may be withheld for any reason. Likewise, we may not recruit or hire any person who is or was an employee of yours or your affiliates for 6 months from the last day of such employee's employment without obtaining the employer's consent, which consent may be withheld for any reason.

(6) In order to prevent any interruption in the operation of the Franchised Cafe and any injury to the goodwill and reputation which would cause harm to the Franchised Cafe, you authorize us, and we shall have the right, but not the obligation, to operate the Franchised Cafe for so long as we deem necessary and practical, and without waiver of any other rights or remedies we may have under this Agreement, in the event that: (a) your Operating Partner is absent or incapacitated by reason of illness or death and that you are not, in our sole judgment, able to identify a replacement Operating Partner to perform under this Agreement; or (b) any allegation or claim is made against the Franchised Cafe, you or the Operating Partner involving or relating to any fraudulent or deceptive practice. If we install a support manager to operate the Franchised Cafe, we, at our option, shall not be obligated to operate the Franchised Cafe for a period in excess of 90 days. During any period in which we operate the Franchised Cafe, we will retain all revenues from the operation of the Franchised Cafe in a separate account, and we will pay the expenses of the Franchised Cafe, including Royalty Fees, marketing contributions and expenditures, compensation and expenses for our representative out of that account. If the revenues of the Franchised Cafe are not sufficient to cover these expenses, you will pay us on demand, or we may Sweep the designated EDTA to obtain payment of the amount necessary to pay these expenses in full. If we elect to temporarily operate the Franchised Cafe on your behalf, you hereby do and further agree to indemnify and hold us harmless from any and all claims arising from our acts and omissions.

I. **Repair and Maintenance of the Franchised Cafe**

(1) You shall maintain the Franchised Cafe in a first-class manner and condition, and you shall, at your sole cost, make such repairs to the Franchised Cafe as may be required to maintain the Franchised Cafe in a first-class manner and condition (including without limitation, periodic repainting and/or replacement of obsolete or damaged signs, furnishings,

equipment and décor) as we may reasonably direct. If you are not permitted to make certain repairs because such repairs are reserved to the landlord of the Franchised Location as common area maintenance, you shall use diligent efforts to cause the landlord to make such repairs timely and in a workmanlike manner. Except for repairs required to maintain the Franchised Cafe in a first class manner and condition, all other repairs, replacements, additions, and modifications to the Franchised Cafe shall require our prior written consent. You may not make any alterations to the Franchised Cafe that would be different than the original accepted plans, nor replace any FFE&S with FFE&S that are not in accordance with our standards and specifications or that are not consistent with or that have caused variation in the accepted plans or the approved FFE&S, without our prior written approval. We have the right, at your expense, to rectify any replacements, relocations or alterations not previously approved by us in writing.

(2) If, at any time, the general state of repair, appearance or cleanliness of the Franchised Cafe or its FFE&S, does not meet our standards, we may notify you and specify the action you must take to correct such deficiency. If, within 14 days after receiving such notice, you fail or refuse to initiate in good faith and with due diligence a *bona fide* program to complete such required maintenance, we have the right (in addition to our rights under Section 18), but not the obligation, to enter the Franchised Location and perform such maintenance on your behalf and at your expense. You must promptly reimburse us for such expenses and the cost of coordinating such repairs.

(3) If the Franchised Cafe is damaged or destroyed by fire or other casualty, you must initiate within 30 days (and diligently continue until completion, which shall be accomplished in no more than 120 days) all repairs or reconstruction to restore the Franchised Cafe to its original condition (and all remodeling performed or required to be performed to date), unless your landlord fails to rebuild the premises. If, in our reasonable judgment, the damage or destruction is of such a nature that it is feasible, without incurring substantial additional costs, to repair or reconstruct the Franchised Cafe in accordance with the then-standard Corner Bakery Cafe layout and décor specifications, we may require you to repair or reconstruct the Franchised Cafe in accordance with those specifications. We have the right to charge you an agreed upon minimum royalty during the period when the Franchised Cafe is not in operation.

J. Inspection by CBC. We and our designees have the right at any reasonable time and without prior notice to: (1) inspect the Franchised Cafe; (2) observe, photograph, audio-tape and/or video tape the operations of the Franchised Cafe; (3) remove samples of any food and beverage products, materials or supplies for testing and analysis; and (4) interview personnel and customers of the Franchised Cafe. You agree to cooperate fully with such activities. Upon notice from us or our agents and without limiting our other rights under this Agreement, you shall take such steps as may be necessary to correct immediately any deficiencies detected during any such inspection. Should you, for any reason, fail to correct such deficiencies within a reasonable time as determined by us, we shall have the right and authority (without, however, any obligation to do so) to correct such deficiencies and to charge you a reasonable fee for our expenses in so acting, payable by you immediately upon demand.

K. Sanitation and Quality Control Programs

(1) You shall meet and maintain the highest health standards and ratings applicable to the operation of the Franchised Cafe. You shall furnish to us, within 5 days after receipt by you, a copy of any inspection report, warning, citation, certificate and/or rating which

indicates your failure to meet or maintain the highest applicable health or safety standards in the operation of the Franchised Cafe.

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

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

(4) To further ensure quality and food safety standards, you shall also participate in our then-current food safety audit program and have food safety audits conducted at the Franchised Cafe at least once every 6 months at your sole cost.

L. Crisis Management. To further ensure quality, food safety, overall customer experience, and brand integrity, you must advise us immediately of any crisis so that we may assist you in handling the after effects of such matter, or if we mutually agree, or we deem it necessary, we may take the lead in managing the after effects of such matter. The following circumstances should be reported immediately: (1) alleged food borne illness of one or more persons in any one day in the Franchised Cafe; (2) fire or other building casualty for which customers are evacuated; (3) robbery; (4) any violence at the Franchised Cafe; (5) any other circumstances that have the potential to result in any significant adverse publicity or impact on the System.

M. Taxes

(1) You shall promptly pay when due all taxes levied or assessed (including, without limitation, unemployment and sales taxes) and all accounts and other indebtedness of every kind incurred by you in the conduct of the Franchised Cafe under this Agreement. You shall pay to us an amount equal to any sales tax, gross receipts tax, or similar tax (other than income tax) imposed on us with respect to any payments to us required under this Agreement, unless the tax is credited against income tax otherwise payable by us.

(2) In the event of any bona fide dispute as to your liability for taxes assessed or other indebtedness, you may contest the validity or the amount of the tax or indebtedness in accordance with procedures of the taxing authority or applicable law; however, in no event shall you permit a tax sale or seizure by levy of execution or similar writ or warrant, or attachment by

a creditor, to occur against the Franchised Cafe and/or Franchised Location (or any improvements thereon).

N. Business Licenses. This Agreement is expressly conditioned upon your ability to secure and maintain, at your sole cost, any and all required state, county, and/or local licenses required for the construction and operation of the Franchised Cafe (collectively, "Licenses"). After you have secured the required Licenses, you shall thereafter comply with all applicable laws and regulations relating to the development and operation of the Franchised Cafe. If operations pursuant to this Agreement or the Manual at the Franchised Cafe are suspended or prohibited for more than 30 consecutive days as a result of your failure to comply with applicable laws and regulations relating to any Licenses, then we may, in our sole discretion, terminate this Agreement upon 10 days prior written notice to you.

O. Compliance With Laws. You must operate the Franchised Cafe in full compliance with all applicable laws, ordinances and regulations. You must notify us in writing immediately upon: **(1)** the commencement of any legal or administrative action, or the issuance of an order of any court, agency or other governmental instrumentality which may adversely affect the development, occupancy or operation of the Franchised Cafe or your financial condition; or **(2)** the delivery of any notice of violation or alleged violation of any law, ordinance or regulation, including those relating to health, or sanitation at the Franchised Cafe.

P. Non-Cash Payment Systems

You shall accept debit cards, credit cards, stored value gift cards or other non-cash payment systems specified by us to enable customers to purchase authorized products and shall obtain all necessary hardware and/or software used in connection with these non-cash payment systems. You must reimburse us for all costs associated with such non-cash payment systems as they pertain to the Franchised Cafe.

11. INSURANCE

A. Procurement of Insurance. You are responsible for all loss or damage arising from or related to your development and operation of the Franchised Cafe, and for all demands or claims with respect to any loss, liability, personal injury, death, property damage, or expense whatsoever occurring upon the premises of, or in connection with the development or operation of, the Franchised Cafe. You shall maintain in full force and effect throughout the term of this Agreement that insurance which you determine is necessary or appropriate for liabilities caused by or occurring in connection with the development or operation of the Franchised Cafe, which shall include, at a minimum, insurance policies of the kinds, and in the amounts, required by Section 11.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