

JUL 13 2006



CBC RESTAURANT CORPORATION
A Delaware Corporation
12700 Park Central Drive
Suite 1300
Dallas, TX 75251
(972) 619-4100
www.cornerbakerycafe.com

The franchisee will operate a quick-service restaurant cafe under the name "Corner Bakery Cafe[®]" offering a limited menu of breakfast, lunch and dinner products and featuring artisan breads, salads, sandwiches, soups and baked goods ("Corner Bakery Cafe").

The Initial Franchise Fee is generally \$35,000; however, if you sign an Area Development Agreement, the Initial Franchise Fee is \$25,000. You also must pay to us an hourly rate for our opening team of trainers and personnel as well as the cost of their meals, lodging and transportation and other living expenses. The estimated initial investment ranges from approximately \$1,177,000 to \$2,345,000. This range does not include the cost of buying or renting the business location. If you sign an Area Development Agreement, you will pay a Development Fee equal to \$10,000 for each Corner Bakery Cafe that you agree to develop. This is your only initial investment with respect to an Area Development Agreement.

Risk Factors:

1. THE FRANCHISE AND AREA DEVELOPMENT AGREEMENTS PERMIT YOU TO FILE SUIT AGAINST US ONLY WHERE OUR PRINCIPAL OFFICES ARE LOCATED, WHICH CURRENTLY IS TEXAS. OUT-OF-STATE LITIGATION MAY FORCE YOU TO ACCEPT A LESS FAVORABLE SETTLEMENT FOR DISPUTES. IT ALSO MAY COST YOU MORE TO FILE SUIT IN TEXAS INSTEAD OF YOUR HOME STATE.

2. THE FRANCHISE AGREEMENT AND AREA DEVELOPMENT AGREEMENTS PROVIDE THAT TEXAS LAW GOVERNS THE AGREEMENTS. THIS LAW MAY NOT PROVIDE THE SAME PROTECTIONS AND BENEFITS AS LOCAL LAW. YOU MAY WANT TO COMPARE THESE LAWS.

3. THERE MAY BE OTHER RISKS CONCERNING THIS FRANCHISE.

Information comparing franchisors is available. Call the state administrators listed in Exhibit A or your public library for sources of information. Registration of this franchise by a state does not mean that the state recommends it or has verified the information in this offering circular. If you learn that anything in this offering circular is untrue, contact the Federal Trade Commission and the applicable state agency listed in Exhibit A.

Certain states require franchisors to make additional disclosures related to the information contained in this offering circular. These disclosures are contained in Exhibit H to this offering circular. This offering circular is to be used in all states and the District of Columbia.

Effective Date: June 30, 2006, except for the following states in which the Effective Date is listed below:

California _____, 2006
Hawaii _____, 2006
Illinois _____, 2006
Maryland _____, 2006
Minnesota _____, 2006
New York _____, 2006

North Dakota _____, 2006
Rhode Island _____, 2006
South Dakota _____, 2006
Virginia _____, 2006
Washington _____, 2006



corner
bakery™
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INFORMATION FOR PROSPECTIVE FRANCHISEES
REQUIRED BY THE FEDERAL TRADE COMMISSION

To protect you, we've required your franchisor to give you this information. We haven't checked it, and don't know if it's correct. It should help you make up your mind. Study it carefully. While it includes some information about your contract, don't rely on it alone to understand your contract. Read all of your contract carefully. Buying a franchise is a complicated investment. Take your time to decide. If possible, show your contract and this information to an advisor, like a lawyer or an accountant. If you find anything you think may be wrong or anything important that's been left out, you should let us know about it. It may be against the law.

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

FEDERAL TRADE COMMISSION
Washington, D.C. 20580

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ITEM 1

THE FRANCHISOR, ITS PREDECESSORS AND AFFILIATES

To simplify the language in this offering circular, "we," "us" or "CBC" means CBC Restaurant Corporation, the franchisor. "You" means the person or legal entity who buys the franchise. If you are a corporation, partnership or limited liability company, certain provisions of this offering circular also apply to your owners and will be noted.

CBC is a Delaware corporation incorporated on September 29, 2005. Our principal place of business is 12700 Park Central Drive, Suite 1300, Dallas, Texas 75251. Our agents for service of process in various states are listed in Exhibit B.

CBC is a wholly-owned subsidiary of Il Fornaio (America) Corporation ("Il Fornaio"), a Delaware corporation incorporated on March 18, 1997. Il Fornaio's principal address is 770 Tamalpais Drive, Suite 400, Corte Madera, California 94925. Il Fornaio has never offered franchises in any line of business, nor has it ever owned or operated Corner Bakery Cafes.

We do business under the name "Corner Bakery Cafe[®]". We have owned and operated Corner Bakery Cafes since our acquisition of the Corner Bakery Cafe System from Brinker International, Inc. ("Brinker") pursuant to an Asset Purchase Agreement dated as of February 2, 2006. As of May 1, 2006, we operated 93 Corner Bakery Cafes, and there were 3 franchised Corner Bakery Cafes.

This is our initial franchise offering. We have not offered franchises in any other line of business, and we do not engage in any business not described in this Item 1. Except as identified in this Item 1, we have no predecessors or affiliates.

Our Predecessor

Brinker is a Delaware corporation, incorporated in Delaware in September 1983, whose principal address is 6820 LBJ Freeway, Dallas, Texas 75240. Brinker owned and operated Corner Bakery Cafes from 1995 to 2006 and, as of February 2, 2006, Brinker had 3 franchised Corner Bakery Cafes in Illinois.

As of February 2, 2006, Brinker operated and franchised three other restaurant concepts including: (1) "Chili's," "Chili's Southwest Grill & Bar," "Chili's Too," "Chili's Bar & Bites," "Chili's Grill & Bar," "Chili's Margarita Bar" and "Chili's Hamburger Grill & Bar" (collectively, "Chili's Restaurants"); (2) "Romano's Macaroni Grill" and "Macaroni Grill" (collectively, "Macaroni Grills"); and (3) "On the Border Mexican Grill & Cantina" and "On the Border" (collectively, "On the Border Restaurants"). Brinker has not offered franchises in any other line of business.

Chili's Restaurants are full-service restaurants featuring Southwestern and Mexican-style cuisine. Brinker has offered franchises for Chili's Restaurants since 1984. As of June 29, 2005 Brinker had 162 franchised Chili's Restaurants. Macaroni Grills are full-service restaurants featuring Italian cuisine. Brinker has offered franchises for Macaroni Grills since December 2002. As of June 29, 2005 Brinker had 6 franchised Macaroni Grills. On the Border Restaurants are full-service restaurants featuring Tex-Mex cuisine. Brinker has offered franchises for On the Border Restaurants since 1994. As of June 29, 2005 Brinker had 18 franchised On the Border Restaurants.

Corner Bakery Cafes

We are offering, under the terms of this offering circular, the opportunity to become a franchisee to develop and operate Corner Bakery Cafes. Corner Bakery Cafes are retail bakeries in the traditional, old world bread bakery style. For breakfast, lunch, dinner, and everything in between, Corner Bakery Cafes deliver the choices that keep guests coming back to our recognizable black-and-white awnings. Each Corner Bakery Cafe is a tight-knit community within the broader neighborhood it serves, where “regulars” frequently strike up friendships with each other and employees get to know the “regulars” by name. Breakfast guests enjoy everything from our savory Egg Scramblers to our old fashioned oatmeal and fresh baked cinnamon crumb muffins. At lunch, items like our Loaded Baked Potato Soup and our crisp Harvest Salad are favorites. Delicious sandwiches like the Ham on Pretzel Bread and the hot Corner Club Panini are popular as are the maple pecan bars and decadent fudge brownies. Corner Bakery Cafes also offer seasonal products such as the Summer Trio Salad and Lemon Baby Bundt Cake with fresh mixed berries. Corner Bakery Cafes also offer catering services to businesses and individuals in their neighborhood.

Corner Bakery Cafes operate according to a unique and distinctive system (“System”), whose distinguishing characteristics include distinctive exterior and interior design and layout; special recipes and menu items; and procedures and techniques for food and beverage preparation and service. We have described our mandatory and recommended standards, specifications and operating procedures in our confidential Corner Bakery Operations Manual (“Manual”). We will loan you one copy of the Manual for the term of your franchise. We have the right to change the Manual and the elements of the System.

You can buy a franchise to develop and operate one Corner Bakery Cafe (“Franchised Cafe”), or if you and the area in which you are interested meet certain qualifications, you can buy the rights to develop multiple Corner Bakery Cafes under an Area Development Agreement (“Development Agreement”) (Exhibit C) in accordance with an agreed upon Development Schedule. You will sign a Franchise Agreement (Exhibit D) and pay the Initial Franchise Fee (as described in Item 5) after we approve the site for the Franchised Cafe (“Franchised Location”). You should not acquire any interest in a site for the Franchised Cafe until you have been approved as a franchisee and we have accepted the site in writing. If we accept the site, after we receive your signed Franchise Agreement and Initial Franchise Fee, we will sign the Franchise Agreement and provide you a fully-signed original of the Franchise Agreement.

Your receipt of this offering circular does not mean that you will be approved as a franchisee or that you may develop or open a Franchised Cafe. Before you may develop and open a Franchised Cafe, we must approve you as a franchisee and approve the site for your proposed Franchised Cafe in writing, you and CBC must sign the Franchise Agreement; and you and those persons designated by us must attend and successfully complete our initial training program.

Market and Competition

The market for restaurant bakery services is well-established. Restaurants similar to Corner Bakery Cafes primarily attract the age group from 18 to 60 years old. You will compete with a variety of restaurants, bakeries, caterers, grocery stores, take-out restaurants and convenience stores. The restaurant and bakery business is highly competitive based on price,

service, restaurant location and food quality and is subject to fluctuations in consumer tastes, economic conditions, population and traffic patterns. In each market, we compete with locally owned restaurants and bakeries, as well as national and regional restaurant and bakery chains. Some of our competitors have longer operating histories than ours. The ability of each Corner Bakery Cafe to compete depends on its location, ingress and egress, signage, parking, service, employee attitudes, overhead, changing local market and economic conditions, and many other factors both within and outside your control.

Although we carefully evaluate persons who wish to become our franchisees, no screening process that we implement can conclusively determine whether you will succeed as a Corner Bakery Cafe operator. Similarly, completion of our initial training program does not provide any assurance of success. You must rely on your own assessment of your suitability (in terms of energy, business skill, desire, temperament, people skills, and financial capability, among other things) and your own advisors in deciding whether to become a Corner Bakery Cafe operator.

Industry-Specific Regulations

We are not aware of any laws applicable to a Corner Bakery Cafe that would not apply to restaurant businesses generally. You must comply with all applicable local, state and federal laws and regulations, including health, sanitation, food handling, food preparation, waste disposal, smoking restrictions, discrimination, employment, sexual harassment and advertising laws. Some laws require point of sale disclosures, including statements concerning nutritional and dietary characteristics of the food served at your Franchised Cafe. There are other laws and regulations applicable to businesses generally (such as the Americans with Disabilities Act) with which you must comply. You should consult with your attorney concerning these and other laws and ordinances that may affect the operations of the Franchised Cafe. You must also obtain all real estate permits and licenses and operational licenses.

ITEM 2

BUSINESS EXPERIENCE

President: Michael J. Hislop

Mr. Hislop has served as President of CBC since February 2006. He has also served as Chief Executive Officer of Il Fornaio in Corte Madera, California since July 1995.

Chief Operating Officer: James (Jim) D. Vinz

Mr. Vinz has served as Chief Operating Officer of CBC since February 2006. From January 2005 to February 2006, he served as Chief Operating Officer of Brinker (Corner Bakery Cafe) in Dallas, Texas. From July 1998 to January 2005, Mr. Vinz served as Vice President of Operations of Brinker (Corner Bakery Cafe) in Dallas, Texas.

Chief Financial Officer and Vice President: Sean Maloney

Mr. Maloney has served as Chief Financial Officer and Vice President of CBC since February 2006. He has also served as Chief Financial Officer and Vice President of Il Fornaio in Corte Madera, California since October 2003. From January 2001 to October 2003, he was self-employed as a real estate investment and financial consultant in Corte Madera, California.

Vice President of Human Resources: Denise K. Clemens

Ms. Clemens has served as Vice President of Human Resources of CBC since February 2006. From August 2004 to February 2006, she served as Vice President of Human Resources of Brinker (Corner Bakery Cafe) in Dallas, Texas. From January 1998 to August 2004, Ms. Clemens served as Director of Human Resources of Brinker (Corner Bakery Cafe) in Dallas, Texas.

Vice President of Franchising: Paul J. (P.J.) Evans

Mr. Evans has served as Vice President of Franchising of CBC since January 2006. From February 2003 to December 2005, he served as Vice President, Franchise Initiatives, of Noodles & Company in Boulder, Colorado. From June 1999 to June 2002, Mr. Evans served as Vice President of Franchise Development of Panera Bread Company in St. Louis, Missouri.

Vice President of Food and Beverage: Riccardo (Ric) Scicchitano

Mr. Scicchitano has served as Vice President of Food and Beverage of CBC since February 2006. From August 2002 to February 2006, he served as Vice President of Food and Beverage of Brinker (Corner Bakery Cafe) in Dallas, Texas. From May 1998 to August 2002, Mr. Scicchitano served as a Vice President of Commissary Operations of Brinker (Corner Bakery Cafe) in Dallas, Texas.

Vice President of Development and General Counsel: Blake Bernet

Mr. Bernet has served as Vice President of Development and General Counsel of CBC since February 2006. From October 2001 to February 2006, he served as Director of Concept Development of Brinker (Corner Bakery) in Dallas, Texas.

Director of Marketing: Susan M. Larmer

Ms. Larmer has served as Director of Marketing of CBC since February 2006. From July 2002 to February 2006, she served as Director of Marketing of Brinker (Corner Bakery Cafe) in Dallas, Texas. From May 1998 to July 2002, Ms. Larmer was a Regional Marketing Manager of IHOP Corporation in Dallas, Texas.

Senior Director of Training: Vickie Lee Frisbie

Ms. Frisbie has served as Senior Director of Training of CBC since February 2006. From February 2001 to February 2006, she served as Director of Training of Brinker (Corner Bakery Cafe) in Dallas, Texas.

ITEM 3
LITIGATION

No litigation is required to be disclosed in this offering circular.

ITEM 4
BANKRUPTCY

No person or entity previously identified in Items 1 or 2 of this offering circular has been involved as a debtor in proceedings under the U.S. Bankruptcy Code (or comparable foreign law) that are required to be disclosed in this Item.

ITEM 5
INITIAL FRANCHISE FEE

Development Fee

If you enter into a Development Agreement, when you sign the Development Agreement, you must pay to us a Development Fee equal to \$10,000 for each Franchised Cafe that you agree to develop. The Development Fee is fully earned by us when paid by you, and it is not refundable in consideration of administrative and other expenses incurred by us and for the development opportunities lost or deferred as a result of the rights granted to you in the Development Agreement. In addition, the Development Fee is not credited against any other fees to be paid to us.

Initial Franchise Fee

If you have not entered into a Development Agreement with us, the Initial Franchise Fee is \$35,000. If you sign a Development Agreement, the Initial Franchise Fee is \$25,000. You must pay the Initial Franchise Fee to us when you sign the Franchise Agreement. The Initial Franchise Fee is fully earned by us when paid by you, and it is not refundable for any reason whatsoever.

Payments for Goods and Services

Prior to opening the Franchised Cafe, you must purchase certain inventory and supplies from us or our approved or designated suppliers. Items 7 and 8 provide additional information regarding your initial purchase of inventory and supplies and the supplier approval process. The costs you incur may vary depending, in part, on the amounts purchased, the type of inventory and equipment ordered, state and local taxes imposed and shipping costs.

ITEM 6

OTHER FEES

Fee⁽¹⁾	Amount	Due Date	Remarks
Royalty Fee	5% of Gross Sales ⁽²⁾	Weekly following the end of each Reporting Period by electronic funds transfer ⁽³⁾	A Reporting Period is defined as a one-week period commencing on Tuesday and ending on Monday, or such other period that we designate from time to time.
Advertising			
Production Fee	Currently, 0.5% of Gross Sales	Same as royalty fee	You will have a weekly advertising obligation ("WAO"), which will be allocated among a Production Fee, a Brand Development Fund contribution (once established), a Regional Advertising Fund contribution (if applicable) and Field Marketing expenditures. Currently, the WAO is 2.0%, divided between the Production Fee and Field Marketing expenditures. ⁽⁴⁾
Brand Development Fund⁽⁵⁾	Amount determined by CBC if and when the Brand Development Fund is established	See Item 11	
Regional Advertising Funds⁽⁶⁾	Amount determined by CBC if and when each Regional Advertising Fund is established	See Item 11	
Additional Training	Tuition charge as established by us from time to time	Within 30 days after receipt of invoice	We have the right to require certain of your employees as designated by us to attend training programs in addition to the initial training program provided by us. In addition to the tuition charge, you also will be required to pay all travel, living and other expenses incurred by your employees while attending training.
Late Charges and Interest⁽⁷⁾	Interest on the amount owed from the date due until paid. We also have the right to charge a \$500 late charge for each delinquent payment.	When any payment or report is not actually received by us on or before the date on which such payment is due	The interest rate is 18% per annum or the maximum rate permitted by law, whichever is less.

Fee ⁽¹⁾	Amount	Due Date	Remarks
Audit and Inspection Costs	Amount understated by you, plus interest	Upon demand	The interest rate is the same as the interest rate for late payments. If an inspection or audit discloses an understatement in any report of 2% or more of Gross Sales for the audit period, you also must reimburse us for any and all costs and expenses connected with the inspection or audit.
Collection Costs and Expenses	Our costs and expenses	Upon demand, if required	These costs and expenses include, but are not limited to, costs and commissions due a collection agency, reasonable attorneys' fees, costs incurred in creating or replicating reports demonstrating Gross Sales of the Franchised Cafe, court costs, expert witness fees, discovery costs and reasonable attorneys' fees and costs on appeal, together with interest charges on all of the foregoing.
Costs and Attorneys' Fees	Our costs and expenses	As incurred	If we prevail in litigation regarding enforcement of the terms of the Development or Franchise Agreement or if we utilize legal counsel in connection with your failure to comply with these agreements, you must pay our attorneys' fees and costs.
Damages for Employee Raiding	3 times the annual salary of the person(s) involved	Upon demand	Payable if you employ or seek to employ any person who is employed by us or any other Corner Bakery Cafe franchisee or developer, or otherwise induce such person to leave his/her employment.

Fee⁽¹⁾	Amount	Due Date	Remarks
Indemnification	The losses and expenses incurred by CBC and our affiliates	As incurred	You must indemnify and hold CBC and our affiliates harmless in all actions arising out of or resulting from the development or operation of your Franchised Cafe, excluding the gross negligence or willful misconduct of CBC.
Lease Review Fee	Currently \$1,500	Upon demand	Payable for our review of the lease for your third and subsequent Corner Bakery Cafes
Management Personnel Fees	Salaries (including the cost of fringe benefits, which the parties agree equal 20% of salaries), meals, lodging, other living expenses and transportation for the period of time that our management personnel remain at the Franchised Cafe	As incurred	If you, at any time, cease to employ 2 management personnel who have completed our initial training program and fail to hire and replace such personnel within 30 days, we have the right to send our personnel to the Franchised Cafe to manage the Franchised Cafe until your replacement personnel have completed the initial training program.
New Product and Supplier Testing	Our reasonable costs of reviewing the application and inspecting the proposed supplier's facilities, equipment and food products and all product testing costs paid by us to third parties	In advance of any review of the application	See Item 8 for a description of the supplier approval process.
Non-Cash Payment Systems	All costs incurred by us associated with non-cash payment systems as they relate to the Franchised Cafe	As incurred	You must accept debit cards, credit cards, stored value gift cards or other non-cash payment systems that we specify.
Opening Team of Trainers	Our then-current hourly rate for trainers. As of the date of this offering circular, that rate is \$50/hour.	As incurred	If you request an opening team of trainers for the fourth or subsequent Franchised Cafe that you develop, you will be required to pay these charges.

Fee⁽¹⁾	Amount	Due Date	Remarks
Quality Control Programs	If implemented, your proportionate share, as determined by us in our sole discretion, of the costs of any such program	As incurred	If implemented, you must participate in any quality control programs that we, in our sole discretion, establish, including a "mystery diner" program or any other consumer experience evaluation programs.
Post-Opening Assistance	Our per diem fees and charges we may establish. As of the date of this offering circular, our per diem fees are \$400/day.	As incurred	At your request, we may provide special assistance at the Franchised Cafe for which you will be required to pay these charges.
Reimbursement of Insurance Costs	Our out-of-pocket costs of obtaining coverage on your behalf	Immediately upon receipt of invoice	If you fail to obtain or maintain the required minimum insurance, we may obtain the insurance and charge its cost along with our out-of-pocket expenses to you.
Reimbursement of Required Maintenance Expenses	Cost of such expenses and the cost of coordinating such repairs	Upon demand	If, at any time, the general state of repair, appearance or cleanliness of your Franchised Cafe, or its furnishings, fixtures, equipment or signage does not meet our standards, and you fail to correct such deficiency as we require, we have the right, but not the obligation, to enter the Franchised Cafe and perform such maintenance at your expense.
Relocation	All reasonable charges actually incurred by us in consideration of your relocation request	Upon demand, if required	You may not relocate the Franchised Cafe without our prior written consent, which we may withhold in our sole discretion. We may condition our approval of your relocation request upon, among other things, your payment of an agreed minimum royalty during the period in which the Franchised Cafe is not in operation.

Fee ⁽¹⁾	Amount	Due Date	Remarks
Space Plan and Signage Plan Fee	Fee as periodically specified in the Manual	As incurred	Payable beginning with the fourth Corner Bakery Cafe that you develop. See Item 11 for additional information regarding the Space Plan and Signage Plan.
Successor Franchise Fee	50% of our then-current standard initial franchise fee	At the time you sign the successor franchise agreement	
Taxes	You must reimburse us for any sales tax, gross receipt tax or similar tax (other than income tax) imposed on us with respect to any payments to us required under the Franchise Agreement, unless the tax is credited against income tax otherwise payable by us.	Immediately upon demand	
Transfer Fee	Development Agreement: \$7,500 for each Franchised Cafe that remains to be developed under the Development Schedule, plus our costs associated with evaluating the transfer Franchise Agreement: \$3,500, plus our costs associated with evaluating the transfer	Prior to consummation of transfer	Transfers, generally, are subject to our prior written consent. We do not charge a transfer fee for transfers of a minority percentage of your ownership interests; transfers following the death or disability of you, your Owners or your Operating Partner; or, if you are a partnership, transfers to a corporation (or limited liability company) formed for convenience of ownership.

Fee ⁽¹⁾	Amount	Due Date	Remarks
Web Site Fee	Fee for developing, reviewing, approving and/or hosting your web site	As incurred	You may 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.

NOTES

- (1) Unless otherwise noted, all fees are imposed by and payable to us and are not refundable.
- (2) "Gross Sales" include all revenue from the sale of all services and products and all other income of every kind and nature (including stored value gift cards and gift certificates when 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 does not include: (a) any bona fide documented federal, state or municipal sales taxes collected by you from customers and paid by you to the appropriate taxing authority; (b) the sale of food or merchandise for which refunds have been made in good faith to customers; (c) the sale of equipment used in the operation of the Franchised Cafe; (d) customer promotional discounts approved by us; and (e) employee meal discounts.
- (3) You must participate in our electronic funds transfer program authorizing us to utilize a pre-authorized bank draft system. You must sign and complete the Authorization Agreement attached to the Franchise Agreement to authorize and direct your bank or financial institution to pay and deposit directly to our account, and to charge your business checking account ("Electronic Depository Transfer Account" or "EDTA"), the amount of the Initial Franchise Fee, the royalty fee, marketing fees and contributions and other amounts due and payable by you under the Franchise Agreement ("Sweep"). We have the right to Sweep your account at any time; however, we will not Sweep your account more than once a week so long as you are not in default of the Franchise Agreement or any other agreements with us. We have the right to review your sales numbers within 3 business days following the end of a weekly reporting period and as early as the first business day thereafter, we shall calculate the Royalty Fee and any marketing contributions and fees due under the Franchise Agreement and Sweep such amounts directly from the EDTA. You must pay all costs and expenses of establishing and maintaining the EDTA, including transaction fees and wire transfer fees.
- (4) We have the right, following written notice to you, to reallocate and increase your WAO among the Production Fee, Brand Development Fund, Regional Advertising Fund and/or Field Marketing; however, the WAO will not exceed 5.5% of Gross Sales. The marketing fees and advertising funds are further described in Item 11.

- (5) We have the right, in our sole discretion, to establish a Brand Development Fund, and, if we do so, you must contribute to the Brand Development Fund in the amount set forth in the Franchise Agreement.
- (6) We have the right, in our sole discretion, to establish a Regional Advertising Fund in the geographic area in which your Franchised Cafe is located, and, if we do so, you must contribute to that Fund in the amount set forth in the Franchise Agreement.
- (7) If you fail to timely pay all fees due to us, we may require you to provide a letter of credit from a national bank, on terms set forth in the Manual, equal to 150% of all fees (including royalty fees, marketing contributions and fees, interest and other payments due to us) anticipated to be due annually under all agreements that you have with us.

ITEM 7

INITIAL INVESTMENT

Expenditures	Estimated Costs	When Due	Method of Payment ⁽¹⁾	To Whom Paid
Initial Franchise Fee	\$25,000 - 35,000 ⁽²⁾	Upon execution of the Franchise Agreement	Lump sum	CBC
Real Property ⁽³⁾				
Grand Opening Marketing ⁽⁴⁾	\$15,000	As incurred	30 days before opening to 18 months after opening	Vendors
Pre-Construction Costs ⁽⁵⁾	\$55,000 - \$210,000	As arranged	As arranged	Suppliers
Site Work	\$0 - \$175,000	As arranged	As arranged	Contractors/Suppliers
Construction Costs ⁽⁶⁾	\$400,000 - \$850,000	As arranged	As arranged	Contractors/Suppliers
Furniture/Fixtures ⁽⁷⁾	\$40,000 - \$65,000	As arranged	As incurred	Contractors/Suppliers
Kitchen Equipment ⁽⁸⁾	\$150,000 - \$200,000	As arranged	As incurred	Contractors/Suppliers
Smallwares ⁽⁹⁾	\$20,000 - \$30,000	As arranged	As arranged	Suppliers
Exterior Signage	\$15,000 - \$40,000	As arranged	As arranged	Contractors/Suppliers
POS ⁽¹⁰⁾	\$30,000 - \$40,000	As arranged	As arranged	Suppliers
Initial Training ⁽¹¹⁾	\$40,000 - \$60,000	As arranged	As arranged	CBC/Suppliers
Inventory ⁽¹²⁾	\$10,000 - \$15,000	As arranged	As incurred	Suppliers

Expenditures	Estimated Costs	When Due	Method of Payment⁽¹⁾	To Whom Paid
Security Deposits ⁽¹³⁾	\$2,000 - \$10,000	As arranged	As incurred	Contractors/ Suppliers
Additional Funds – 3 months ⁽¹⁴⁾	\$375,000 - \$600,000	As arranged	As arranged	Suppliers
TOTAL ESTIMATED INITIAL INVESTMENT⁽¹⁵⁾	\$1,177,000 - \$2,345,000 (does not include real estate costs)			

NOTES

- (1) Costs paid to us are not refundable. Whether any costs paid to third parties are refundable will vary based on the practice in the area where your Franchised Cafe is located. If you sign a Development Agreement, the only investment required under that Agreement is payment of the Development Fee, which is described in Item 5.
- (2) The manner in which the Initial Franchise Fee is paid is explained in detail in Item 5.
- (3) We expect that you will lease the location for the Franchised Cafe, which will vary in size from 3,100 to 3,600 square feet, excluding a patio. We cannot estimate the lease payments that you will make to third party lessors since these payments will vary considerably depending upon the property size, type of transaction and location. You may be required to pay the first and last months' lease payment upon signing your lease agreement. Lease agreements may include the following expenses: taxes, insurance, maintenance, fixed rent (with escalations), percentage rent and other charges related to the operation of the Franchised Cafe.
- (4) 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, which outlines your proposal for grand opening marketing and promotion of the Franchised Cafe. You must obtain our written consent to the Grand Opening Plan before you begin to implement it. You must modify the Grand Opening Plan as we request, and, thereafter, you may not make any substantial changes to the Grand Opening Plan without our advance written consent. In addition to the Field Marketing expenditure requirements (as described in Items 6 and 11), you must, during the period beginning 30 days before the scheduled opening of the Franchised Cafe and continuing for 18 months after the Franchised Cafe first opens for business, spend at least \$15,000 to conduct grand opening marketing and promotion in authorized advertising media and for authorized expenditures. Within 30 days of each grand opening expense that you incur, you must submit to us evidence (by invoice or sample, if applicable) of such grand opening marketing and promotional expenditures.
- (5) This estimate includes pre-construction costs for architectural and related drawings, engineering, testing, permits and fees. Costs may vary significantly by geographic location.
- (6) Construction costs include all estimated costs incurred in constructing or remodeling a site to conform to our standards, general contractor and sub-contractor fees and other costs to construct leasehold improvements to conform to our standards. The cost of

developing a site will vary widely depending upon the location/market, design, configuration, condition of the premises, condition and configuration of existing services and facilities (*i.e.*, air conditioning, electrical and plumbing), the lease terms and the local real estate market. Often, landlords provide allowances for tenant improvements. Tenant improvement allowance figures are not included in this chart as they vary widely. For company-operated Corner Bakery Cafes that opened between May 1, 2005 through April 30, 2006, tenant improvement allowances ranged from approximately \$0 to \$200,000. Your total net cost to construct a Corner Bakery Cafe may vary significantly from the numbers presented here, depending on the level of tenant improvement allowances received.

- (7) This estimate includes all front of house furniture and fixtures for a Corner Bakery Cafe, including a décor package and shipping.
- (8) This estimate includes the cost of all kitchen equipment, including ventilation, refrigeration equipment, specialty equipment and sound system.
- (9) The estimate includes cooking, serving and other utensils for food preparation.
- (10) The figure provided is the cost of a computerized cash accounting and point of sale system, including installation for our company-operated Corner Bakery Cafes. Your costs may vary. We do not require you to use the same system as a company-operated Corner Bakery Cafe, but we will mandate certain aspects of your point of sale system, including, but not limited to, sales and expense reporting in a format acceptable to us.
- (11) The estimates include the cost of opening support we may provide.
- (12) We estimate that the range will be sufficient to cover inventory needs for the first month of operation.
- (13) This item is an estimated range for security deposits, utility deposits, business licenses and other prepaid expenses.
- (14) This is our estimate of your expenses for the start-up phase of your business, including professional fees, 3 months of lease payments, the cost of 3 months of inventory (including restaurant equipment and food), payroll, facility expenses such as utilities, insurance, pest control, security, repairs and maintenance, complimentary sales and other costs. The range provided also includes our best estimate of the cash requirements, including salaries for hourly employees and managers (excluding bonus) for the first 3 months of operations. For the purpose of this offering circular, we have estimated the start-up phase to be 3 months from the date the Franchised Cafe opens for business. These figures are estimates, and we cannot assure you that you will not have additional expenses in starting the Franchised Cafe. Your actual cost will depend on factors such as your management skill, experience and business acumen; local economic conditions; the local market for the restaurant; the prevailing wage rate; competition in the market place; and the sales level reached during the start-up phase. These amounts do not include any estimates for debt service. We relied on our experience with our company-operated Corner Bakery Cafes to derive our estimates for these additional funds.

- (15) You should review these figures carefully with a business advisor before making any decision to purchase the franchise. We do not offer any financing directly or indirectly for any part of the initial investment.

ITEM 8

RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES

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 must 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 are not obligated to reveal the recipes, specifications and/or formulas of these Proprietary Products, or the terms and conditions of any supplier or other contracts, to you, non-designated suppliers or any other third parties.

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.

Each Approved Supplier must comply with our usual and customary requirements regarding insurance, indemnification and non-disclosure, and must demonstrate 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.

Our Approved Product and Supplier List is available upon written request. Currently, neither CBC nor any of our affiliates are Designated or Approved Suppliers for any category of goods or services; however, we estimate that the purchase of products that are subject to our standards and specifications represents approximately 90% of your overall purchases in establishing and operating the Franchised Cafe.

Although we do not currently do so, we and our affiliates may, under appropriate circumstances, receive fees, commissions, rebates, royalties or other consideration from suppliers based on sales to franchisees, and we may use any amounts received without restriction and for any purpose we and our affiliates deem appropriate. Since we are a new company with a limited history of operating experience and this is our initial franchise offering, we do not have any historical information regarding franchisee purchases from Designated or Approved Suppliers. We may negotiate system-wide purchasing arrangements, including

pricing terms, with suppliers for the benefit of all Corner Bakery Cafes. We do not currently have purchasing or distribution cooperatives, but we reserve the right to establish them.

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

As a further condition of our approval, we may require a supplier to agree in writing to: **(a)** provide, from time to time upon our request, free samples of any Non-Proprietary Product it intends to supply to you; **(b)** faithfully comply with our specifications for applicable Non-Proprietary Products sold by it; **(c)** 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; **(d)** provide to us duplicate purchase invoices for our records and inspection purposes; **(e)** make the products available to all of our company-operated and franchised Corner Bakery Cafes; and **(f)** otherwise comply with our reasonable requests.

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

We are 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) will be limited to a designated brand or brands.

Computer Equipment. 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 that 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.

Insurance. You must maintain in full force and effect throughout the term of the Development and Franchise Agreements that insurance that you determine is necessary or appropriate for liabilities caused by or occurring in connection with the development or operation of the Franchised Cafes, including, at minimum, insurance policies of the kinds, and in the amounts, required by us. CBC, and any entity with an insurable interest designated by CBC, must be an additional insured in such policies to the extent each has an insurable interest. We may reasonably increase the minimum coverage required and require different or additional kinds of insurance to reflect inflation, changes in standards of liability, higher damage awards or other relevant changes in circumstances. We will provide to you written notice of such modifications, and you must take prompt action to secure the additional coverage or higher policy limits. All insurance policies must be written by an insurance company (or companies) that has received and maintains at least an "A-" rating by the latest edition of Best's Insurance Rating Service.

These required insurance policies include, at a minimum, the following: **(1)** Commercial General Liability Insurance, including broad form contractual liability, broad-form property damage, personal injury, completed operations, products liability, and fire damage coverage, in the amount of \$2,000,000 per occurrence for bodily injury and property damage and \$3,000,000 general aggregate; **(2)** "All Risk" Property Insurance, including fire and extended coverage insurance (including vandalism and malicious mischief insurance, earthquake insurance and flood insurance where applicable) for the Franchised Cafe in an amount not less than the full replacement value thereof; **(3)** Worker's Compensation Insurance and such other insurance as may be required by statute or rule of the state or locality in which the Franchised Cafe is located (this coverage must also be in effect for all of your employees who participate in any of our training programs); **(4)** Business Interruption and Extra Expense Insurance, including rental payment continuation for a minimum of 12 months, loss of profits and other extra expenses experienced during the recovery from property loss; **(5)** Plate Glass Insurance for replacement of glass from breakage; **(6)** Employer's Liability Insurance in the amount of \$100,000 per person, \$500,000 in the aggregate and \$100,000 for occupational disease; **(7)** Food Borne Illness and Trade Name Restoration Policy in the amount of \$250,000; and **(8)** Builder's All Risk Insurance in connection with any construction, renovation, refurbishment or remodeling of the Franchised Cafe, and in connection with any new construction, or substantial renovation, refurbishment or remodeling of the Franchised Cafe, performance and completion bonds in forms and amounts, and written by a carrier or carriers, reasonably satisfactory to us.

ITEM 9

FRANCHISEE'S OBLIGATIONS

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

Obligation	Section in Agreement	Item in Offering Circular
Site selection and acquisition/ lease	FA: § 3.A. & Appendix B DA: §§ 4.B.-4.E.	Items 7 & 11

Obligation	Section in Agreement	Item in Offering Circular
Pre-opening purchases/leases	FA: §§ 3, 5.D., 10.D. & 11 & Appendix B DA: §§ 4.E. & 5	Items 7 & 8
Site development and other pre-opening requirements	FA: § 3 DA: §§ 2 & 4	Items 6, 7 & 11
Initial and ongoing training	FA: § 9 DA: § 4.G.	Items 5, 6, 7 & 11
Opening	FA: §§ 3.H., 3.I., 9.A. & 9.C. DA: None	Item 11
Fees	FA: §§ 4, 6 & 9 & Appendices A & D DA: § 3 & Appendix B	Items 5 & 6
Compliance with standards and policies/manuals	FA: §§ 3.F., 7, 8 & 10 DA: None	Items 8 & 11
Trademarks and proprietary information	FA: § 12 DA: None	Items 13 & 14
Restrictions on products/services offered	FA: §§ 10.A., 10.C. & 10.D. DA: None	Item 16
Warranty and customer service requirements	FA: § 10.K.(3) DA: None	Item 11
Territorial development and sales quotas	FA: §§ 1.A.-C. & Appendix A DA: §§ 1.A. & 1.C. & Appendices A & B	Item 12
Ongoing product/service purchases	FA: §§ 10.C. & 10.D. DA: None	Item 8
Maintenance, appearance and remodeling requirements	FA: §§ 8.C., 10.I. & 10.K. DA: None	Item 11
Insurance	FA: § 11 DA: § 5	Items 6 & 7
Advertising and promotions	FA: § 6 & Appendix D DA: None	Items 6 & 11
Indemnification	FA: § 22 DA: § 14	Item 6
Owner's participation/staffing/management	FA: §§ 10.H., 13.F.-H. DA: § 6.F.-G.	Items 11 & 15
Records and reports	FA: §§ 3.E.(3) & 5 DA: None	Item 6
Inspections and audits	FA: §§ 3.E.(3), 3.H., 5.C., 9.F., 10.A.(3), 10.J. & 18.D. DA: None	Items 6 & 11
Transfer	FA: §§ 14 & 15 DA: §§ 7 & 8	Item 17
Renewal	FA: § 2.B. DA: None	Item 17
Post-termination obligations	FA: § 19 DA: § 12	Item 17
Non-competition covenants	FA: § 17 DA: § 10	Item 17
Dispute resolution	FA: § 26 DA: § 19	Item 17

ITEM 10
FINANCING

We do not offer any direct or indirect financing. We do not guarantee your note, lease or obligation.

ITEM 11
FRANCHISOR'S OBLIGATIONS

Except as listed below, we need not provide any assistance to you.

Our Obligations Prior to Opening

Before you open your Franchised Cafe, we will:

1. If you have entered into a Development Agreement, provide: (a) our site selection criteria and, as you request, a reasonable amount of consultation with respect thereto; and (b) such on-site evaluation as we may deem advisable as part of our evaluation of your request for site acceptance. (Development Agreement, § 4.B.)

2. If you have entered into a Development Agreement, within 30 days after our receipt of the completed Site Application, advise you in writing whether we have accepted or refused to accept the proposed site. If we do not respond within that time period, we will be deemed to have refused to accept the proposed site. Our acceptance or refusal to accept a proposed site may be subject to reasonable conditions as determined in our sole discretion. (Development Agreement, § 4.D.(1))

3. Provide you with any development training we require. (Development Agreement, § 4.G.)

4. 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 Space Plans and Signage Plans 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 will provide approval, or approval with changes, within 10 days after we receive the Space Plans and Signage Plans. (Franchise Agreement, § 3.C.(1))

5. Provide a construction orientation program for you and your general contractor for the first Franchised Cafe that you develop. The orientation will be conducted in a manner and location deemed appropriate by us and will review the construction standards and procedures commonly employed to construct a Corner Bakery Cafe. You may request additional construction orientation at a fee as periodically specified in the Manual. (Franchise Agreement, § 3.E.(1))

6. Provide you with a final inspection of the Franchised Cafe, if we choose to conduct one, and provide you with express written authorization to open the Franchised Cafe if you have complied with all conditions. (Franchise Agreement, § 3.H.)

7. Loan you a copy of our confidential and proprietary Manual, which contains information that is unique, necessary and material to the System. The Manual remains our property. We may revise the contents of the Manual, and you agree to comply with each new or changed section. We maintain our operations manual and various policy manuals on a searchable proprietary limited access Intranet portal. (Franchise Agreement, § 7) This Intranet portal is a proprietary limited access website and access will not be granted to outside vendors or other agency partners. Since the information is in electronic format only and is constantly being updated, the number of pages for the categories of information available vary, change and are indeterminate. We will make the Manual available for your inspection at our offices before you open a Franchised Cafe provided that you first sign a Confidentiality Agreement, which is attached as Exhibit F.

8. Provide consultation and advice to you as we deem appropriate with regard to the 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. (Franchise Agreement, § 9.A.)

9. Unless you (or your affiliates) already operate at least 3 Franchised Cafes or one of your Franchised Cafes has been certified as a Certified Training Cafe (as described below), provide an initial training program to your Operating Partner, Multi-Unit Manager, General Manager and up to 2 Assistant Managers of the Franchised Cafe and any other person designated by us. (Franchise Agreement, § 9.B.(1))

10. For your first 2 Franchised Cafes, provide an opening team of trainers (not to exceed 9 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 Corner Bakery 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 must provide your own opening team of trainers. For your fourth and subsequent Corner Bakery Cafe openings, you will provide your own opening team of trainers from your Certified Training Cafe (as described below). (Franchise Agreement, § 9.C.(1))

Our Obligations After Opening

During the operation of your Franchised Cafe, we will:

1. Use the Production Fee to create, maintain, administer, direct and prepare advertising and promotional activities for the System. (Franchise Agreement, § 6.C.)

2. Collect, administer and spend for advertising purposes monies paid by franchised and company-operated Corner Bakery Cafes into the Brand Development Fund and any Regional Advertising Funds. (Franchise Agreement, §§ 6.D.-F.)

3. Provide you with guidelines for marketing and promotions from time to time. You must submit to us for our prior approval all marketing plans and promotional materials not prepared or previously approved by us and that vary from our standard marketing and promotional materials. (Franchise Agreement, § 6.I.(2))

4. Change or modify the System (if we so desire), including modifications to the Manual, menu and menu formats, required equipment, signage, building and premises of the Franchised Cafe (including the trade dress, décor and color schemes), presentation of the Marks, adoption of new administrative forms and means of reporting and payment of any monies owed to us and adoption and use of new or modified Marks or copyrighted materials. (Franchise Agreement, § 8.A.)

5. Periodically advise and consult with you in connection with the operation of the Franchised Cafe. We, as we deem appropriate, will provide to you our knowledge and expertise regarding the System and pertinent new developments, techniques and improvements in the areas of restaurant design, management, food and beverage preparation, sales promotion, service concepts, 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. (Franchise Agreement, § 9.F.)

6. We periodically will 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 that we establish from time to time. (Franchise Agreement, §§ 9.F. & 10.J.)

Advertising

You will have a weekly advertising obligation ("WAO") which currently equals 2.0% of Gross Sales of the Franchised Cafe. Currently, you must pay a Production Fee in the amount of 0.5% of Gross Sales and you must spend 1.5% of Gross Sales for Field Marketing as described below.

Following written notice to you, we may reallocate and increase the WAO among the Production Fee, a Brand Development Fund, a Regional Advertising Fund and/or your Field Marketing expenditures, each of which is described below. The WAO will not exceed 5.5% of the Gross Sales of the Franchised Cafe.

We currently do not have any franchisee advertising council that advises us on advertising policy; however, we may, as we deem appropriate, seek the advice of our franchisees 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").

Production Fee

We use the Production Fee 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 also 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.

Brand Development Fund

We plan to establish, maintain 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. When we establish the Brand Development Fund, you must contribute to the Brand Development Fund in the amount we specify. Our vendors and suppliers also may contribute to the Brand Development Fund. We may work with an advertising agency in developing advertising for print, radio and television, which may be local, regional and/or national in scope.

We or our designees will use the payments to the Brand Development Fund in the manner we determine in our sole discretion to develop 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. Corner Bakery Cafes owned by us and our affiliates will also contribute to the Brand Development Fund on the same basis as comparable franchisees.

Regional Advertising Funds

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 must contribute to that Regional Advertising Fund in the amount we specify. We or our designee will direct all advertising, marketing and public relations programs and activities financed by the Regional 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. Corner Bakery Cafes operated by us and our affiliates in an area covered by a Regional Advertising Fund will contribute to the Regional Advertising Fund on the same basis as comparable franchisees.

Administration of the Funds

We reserve the right to have an affiliate or a designee manage any Fund. We will separately account for the Funds; however, we will not be required to segregate any of the Funds from our other monies. None of the Funds will 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.

All disbursements from the Funds will be made first from income and then from contributions. While our intent is to balance each Fund on an annual basis, 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 will 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 will have all of our rights and duties relating to the Funds.

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 the Franchise Agreement, neither we nor our designee assumes any direct or indirect liability to you with respect to the maintenance, direction or administration of each Fund.

We reserve the right, in our sole discretion, to: (1) suspend contributions to and operations of any Fund for one or more periods that we determine to be appropriate; (2) terminate any Fund upon 30 days' written notice to you and establish, if we so elect, one or more new Funds; and (3) defer or waive, in whole or in part, upon the written request of any franchised or company-operated Corner Bakery Cafes, any advertising contributions required by the Franchise Agreement 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 will be spent for advertising and/or promotional purposes. We have the right to reinstate any Fund upon the same terms and conditions set forth in the Franchise Agreement upon 30 days' prior written notice to you. 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. We will not use any of the Funds for advertising that is principally a solicitation for the sale of franchises.

Field Marketing Expenditures

As indicated above, you must pay for local advertising and promotion of the Franchised Cafe ("Field Marketing") the amount set forth in an appendix to the Franchise Agreement (*i.e.*, the balance of the WAO), as subsequently modified by us. You must 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 must provide documentation to us regarding all Field Marketing expenditures on the 15th day of each month.

If you do not make the required Field Marketing expenditures, we may collect the funds from you and spend them on your behalf for Field Marketing. We will 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: (1) 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 (2) 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.

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

If purchased from a source other than CBC or our affiliates, these materials must 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 must 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. Your advertising may not contain any statement or material which, in our sole discretion, may be considered: (1) in bad taste or offensive to the public or to any group of persons; (2) defamatory of any person or an attack on any competitor; (3) to infringe upon the use, without permission, of any other persons' trade name, trademark, service mark or identification; or (4) inconsistent with the public image of the System or the Marks.

Electronic Cash Register System

Currently, we do not require you to use a specific point of sale or computer operating system. However, your computer system must be capable of recording financial and customer data and communicating with us. Your point of sale system must record all sales at the Franchised Cafe and be fully compatible with our computer system. Your point of sale system must include an information interface capability to communicate electronically with our computer system to provide us with continuous transaction level point of sale data. In the future, we may prescribe a specific point of sale system or other proprietary computer hardware and software systems, which you agree to purchase.

You must provide such assistance as may be required to connect your computer system and point of sale system with our computer system. We will 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. You must cooperate fully with such efforts. There are no contractual limitations on our right to access this information and data. 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.

Company-operated Corner Bakery Cafes use PixelPoint Point of Sale Software, which is the proprietary property of ParTech, Inc. ("ParTech"), 8383 Seneca Turnpike, New Hartford, New York 13413, 800-245-9446. Company-operated Corner Bakery Cafes also use ViGo Point of Sale Terminals, which likewise are the proprietary property of ParTech. The PixelPoint of Sale Software and ViGo Point of Sale Terminals have been installed in our company-operated Corner Bakery Cafes since May 2006. There are a number of other systems that perform the same functions as those mentioned above. If you desire to use a point of sale system other than the PixelPoint Point of Sale Software and the ViGo Point of Sale Terminals, we will consider your request if the system meets our requirements.

ParTech has a standard warranty on their products, and extended warranty and maintenance programs may be available. We estimate that the current annual cost of an optional and/or required maintenance/support contract, including upgrades/updates, may range from \$1,985 to \$2,575, depending on numbers and types of equipment. Upgrade and maintenance costs are subject to change, without notice.

To ensure full operational efficiency and optimum communication capability among computer systems installed at 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. There is no contractual limitation on the frequency and cost of the obligation

Selecting the Site for Your Franchised Cafe

We do not select the site for your Franchised Cafe. You select the site for your Franchised Cafe, subject to our acceptance of the site. You must select, and we must accept, the site for your Franchised Cafe before you may enter into a Franchise Agreement with us. If the Franchised Cafe is developed under a Development Agreement, you must obtain our acceptance of the site from us by the site acceptance date identified in your Development Schedule. If we have not approved a site within the relevant time period, we, at our option, may terminate the Development Agreement. As noted in Item 1, you should not acquire any interest in a site for your Franchised Cafe until you have been approved as a franchisee, and we have accepted the site in writing.

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

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

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

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

Time Between Agreement Signing and Opening

We estimate that the time from your receiving site approval from us to your opening of the Franchised Cafe is approximately 12 months. Factors affecting the length of time needed to open the Franchised Cafe usually include your ability to obtain a lease and adequate financing, weather, local requirements and procedures for necessary permits and zoning, shortages or delayed installation of equipment, signs and fixtures and special circumstances affecting construction in a particular area, none of which are within our control.

Training

Initial Training Program

Prior to the opening of your first 3 Franchised Cafes, your Operating Partner, your Multi-Unit Manager, your General Manager and up to 2 Assistant Managers of the Franchised Cafe and any other person designated by us, must attend, and become certified in, our initial training program in the operation of a Corner Bakery 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 us or our affiliates that is located in Dallas, Texas, unless one of your Corner Bakery Cafes has been certified as a Certified Training Cafe as discussed below.

Subsequent to the opening of the Franchised Cafe, any employee of yours who assumes any of the positions listed above 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 must pay to us a training fee at the then-current rate being charged by us to franchisees for such training, and you are solely responsible for all meals, lodging and other living expenses and transportation costs incurred by your employees while attending the training.

The initial training program will generally last 12 weeks. We offer the initial training program during the year on an as-needed basis. The initial training program is scheduled so that it is completed sufficiently in advance of your Franchised Cafe's initial opening to afford adequate time for the Franchised Cafe's set-up and the hiring and training of employees before the opening of the Franchised Cafe. We will bear all expenses for the initial training program (if conducted prior to the opening of the Franchised Cafe); however, you will be required to pay all meals, lodging, other living expenses and transportation costs incurred by your employees while attending the initial training program. 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.

Our initial training program instructors are under the direction of Vickie Lee Frisbie, whose biographical information is included in Item 2.

The following chart summarizes the subjects taught during the initial training program in the operation of a Corner Bakery Cafe:

SUBJECT	DAYS	INSTRUCTIONAL MATERIALS	HOURS OF CLASSROOM TRAINING	HOURS OF ON THE JOB TRAINING
Orientation	1	Manager in Training Manual	8	
Back of House	15	Manager in Training Manual Employee OJT Materials	37.5	112.5
Front of House	10	Manager in Training Manual Employee OJT Materials	12.5	75
Catering	10	Manager in Training Manual Employee OJT Materials	12.5	75
Manager on Duty (MOD)	10	Manager in Training Manual		100
Transition to Position	10 – 20	(Depending on the individual's skill level as assessed at the end of MOD training) 2 – 4 additional weeks are required for running a store in their designated role		100 - 200
Leadership Conference	4	Conference Manual	36	

Certified Training Cafes

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. You 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 your Franchised Cafes to qualify (or continue to qualify) as a Certified Training Cafe will constitute a default of your Franchise Agreements with us. In that event, your General Manager, Assistant Managers and any other employees of the 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 company-operated Corner Bakery Cafe. 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.

Additional Training

We have the right (which may be exercised at any time and in our sole discretion) to require that your Operating Partner, Multi-Unit Manager, 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 described above. 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.

ITEM 12

TERRITORY

Development Agreement

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

Nothing in the Development Agreement will prohibit us from: **(1)** operating, and/or licensing others to operate, restaurants identified in whole or in part by the Marks (as defined in Item 13) and/or utilizing the System in the Development Area that are located in gas stations or convenience stores; transportation facilities, including airports, train stations, subways and rail and bus stations; military bases and government offices; sports facilities, including stadiums and arenas; amusement parks, zoos and convention centers; car and truck rest stops and travel centers; educational facilities; recreational theme parks; hospitals; business or industrial foodservice venues; venues in which foodservice is or may be provided by a master

concessionaire or contract foodservice provider; Indian reservations; casinos; or any similar captive market location not reasonably available to you; (2) awarding national, regional or local licenses to third parties to sell products under the Marks in foodservice facilities primarily identified by the third party's trademark; (3) merchandising and distributing products identified by the Marks in the Development Area through any method or channel of distribution other than through the operation of a restaurant or catering services; (4) selling and distributing products identified by the Marks in the Development Area to restaurants other than restaurants identified by the Marks, provided those restaurants are not licensed to use the Marks in connection with their retail sales; (5) selling products and services through other channels of distribution, including the Internet, wholesale, mail order and catalog; (6) operating, and/or licensing others to operate, during the term of the Development Agreement, restaurants identified in whole or in part by the Marks at any location outside of the Development Area; (7) operating, and/or licensing others to operate, after the Development Agreement terminates or expires, restaurants identified in whole or in part by the Marks at any location, including locations inside the Development Area; (8) operating, and/or licensing others to operate, at any location, including locations inside the Development Area, during or after the term of the Development 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 foregoing restrictions do not apply to Corner Bakery Cafes in operation, under lease or construction or other commitment to open in the Development Area as of the effective date of the Development Agreement.

There are no minimum sales quotas or other conditions that must be met in order to maintain your limited exclusivity in the Development Area. However, if you are in default of the Development Agreement (which may include, but is not limited to, a default for failing to comply with the Development Schedule) or any Franchise Agreement and fail to cure the default within the applicable cure period (if any), we may terminate the Development Agreement and the limited exclusivity in the Development Territory. You do not receive the right under the Development Agreement to develop or operate any Franchised Cafes in addition to the number specified in the Development Schedule.

Franchise Agreement

Under the Franchise Agreement, we will grant you the right to operate continuously the Franchised Cafe at the Franchised Location. You do not receive the right under the Franchise Agreement to develop or operate more than one Franchised Cafe. You will be required to participate in the Corner Bakery Cafe Catering Program and provide the catering services designated by us for the Franchised Cafe to customers located within your Protected Area (as defined below). If you comply with the Franchise Agreement, during the term of the Franchise Agreement, we and our affiliates will not operate, or license others to operate, Corner Bakery Cafes within an agreed upon area surrounding the Franchised Location ("Protected Area"); however, this restriction will 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 the Franchise Agreement. Typically, the Protected Area will be stated as a metes and bounds description around the Premises.

Nothing in the Franchise Agreement will prohibit us from: **(1)** operating, and/or licensing others to operate, restaurants identified in whole or in part by the Marks and/or utilizing the System in the 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 the Franchise 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 the Franchise 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 the Franchise 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.

Except as described above, we and our affiliates may establish other franchised or company outlets under the Marks and/or under other marks that may compete with your location. We and our affiliates may merchandise and distribute goods and services identified by the Marks through methods or channels of distribution other than restaurants.



There are no restrictions on the areas in which you may advertise or solicit customers. We reserve all rights to use and license the System other than those we expressly grant you under the Development Agreement and the Franchise Agreement.

ITEM 13

TRADEMARKS


We grant you the right to operate a cafe under the name "Corner Bakery Cafe[®]" and to use our other current or future trademarks in the operation of your Franchised Cafe. By Marks, we mean all words, symbols, insignia, devices, designs, trade names, service marks or combinations thereof designated by us as identifying the System and the products sold and services provided in connection with the System. We will, from time to time, advise you as to any additions to, or deletions from, the Marks, and your right to use the Marks will be deemed modified by those additions or deletions.

In addition to other registered trademarks, we have registered the following principal Marks with the United States Patent and Trademark Office ("PTO") on the Principal Register:

Trademark	Registration No.	Registration Date
Corner Bakery Cafe	2,597,050	July 23, 2002
Corner Bakery	2,565,101	April 30, 2002
	2,741,172	July 29, 2003
Corner Bakery Catering	2,597,054	July 23, 2002
Feed the Day	2,677,427	January 21, 2003
We've Got Catering Cornered	3,054,416	January 25, 2005
	2,078,299	July 15, 1997

We acquired these Marks in February 2006 by assignment from Brinker Restaurant Corporation ("BRC"), an affiliate of Brinker, in connection with our purchase of the Corner Bakery Cafe System.

BRC filed an application to register the following Mark with the United States Patent and Trademark Office on the Principal Register. BRC assigned this application to us in February 2006 in connection with our purchase of the Corner Bakery Cafe System:

Trademark	Serial No.	Application Date
	78/642,456	June 2, 2005

By not having a Principal Register federal registration for this Mark, we do not have certain presumptive legal rights granted by a registration.

You must follow our rules when you use the Marks. You cannot use the Marks or any variations of the Marks or marks or names confusingly similar to the Marks in any manner not authorized by us or in any corporate, limited liability company or partnership name and cannot use any other trade names, service marks or trademarks in conjunction with the Franchised Cafe.

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

The Franchise Agreement does not contain any provisions under which we are required to defend or indemnify you against any claims of infringement or unfair competition arising out of your use of the Marks. The Franchise Agreement does require that you notify us immediately if any litigation involving the Marks is instituted or threatened against you. You also must fully cooperate in defending or settling the litigation. You may not directly or indirectly contest the validity, or our ownership, of the Marks.

You cannot promote, offer or sell any products or services, or 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 may not 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 must assign to us any domain names that you obtain that we, in our sole discretion, request and assign any and all domain names used by you in the operation and promotion of the Franchised Cafe when the Franchise Agreement is terminated.

If we should elect to use a principal name other than "Corner Bakery Cafe" to identify the System, we may select another name and notify you to change all or some items bearing the Marks to the new name within a reasonable period of time as determined by us and you promptly shall adopt that name. You will bear the sole cost and expense of making these changes and we shall have no obligation or liability to you as a result of any such changes.

ITEM 14

PATENTS, COPYRIGHTS AND PROPRIETARY INFORMATION

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

The Manual and these other materials contain our detailed standards, specifications, instructions, requirements, methods and procedures for the management and operation of your Franchised Cafe. The Manual also may relate to the (1) selection, purchase, storage, preparation, packaging, ingredients, recipes, service and sale of all products and beverages sold at the Franchised Cafe; (2) management and employee training; (3) marketing, advertising and sales promotions; (4) maintenance and repair of the Franchised Cafe building, grounds, equipment, graphics, signs, interior and exterior décor items, fixtures and furnishings; (5) employee dress attire and appearance standards; (6) menu concept and graphics; (7) accounting, bookkeeping, records retention and other business systems, procedures and operations; (8) 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.

The Manual and all other materials and information provided or disclosed to you regarding the System ("Confidential Information") are disclosed in confidence. You must take all measures necessary (and all security protocols we require) to limit access and insure confidentiality of the Manual, including the use of pass codes, firewalls, and other available technology; refrain from reproducing the Manual or any part of it; and disclose the contents of the Manual only to your employees who have a need to know.

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

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

ITEM 15

OBLIGATION TO PARTICIPATE IN THE ACTUAL OPERATION OF THE FRANCHISE BUSINESS

You must designate an individual who has been approved by us to serve as the "Operating Partner" of your Franchised Cafe. If you and your affiliates own or control more than 3 Franchised Cafes and your Operating Partner devotes less than full time to supervising the

operation of your Franchised Cafes, you also must designate and retain an individual to serve as the Multi-Unit Manager of your Franchised Cafes under the supervision of the Operating Partner. If you sign a Development Agreement, you must also designate an individual who has been approved by us to serve as your "Development Partner."

The Operating Partner must be a member of your Continuity Group (as described below) and, at a minimum, must have full control over and devote his or her best efforts to supervising the day-to-day operations of the Franchised Cafe and all other Franchised Cafes that you operate, unless you have named and we have approved a Multi-Unit Manager. The Operating Partner may not engage in any other business or activity, directly or indirectly, that requires substantial management responsibility or time commitments or otherwise may conflict with your obligations under the Franchise Agreement.

The Operating Partner must, among other things: **(1)** own and control, or have the right to own and control (subject to terms and conditions reasonably acceptable to us), not less than a 10% interest in your equity and voting rights (unless you were a publicly-held entity or a wholly-owned subsidiary of a publicly-held entity as of the date of the first franchise-related agreement between you and us); **(2)** have the authority to bind you regarding all operational decisions with respect to the Franchised Cafe; **(3)** have completed our initial training program to our satisfaction; **(4)** be the person with whom we communicate as to development and operations matters; and **(5)** live within a 100-mile radius of the Franchised Cafe.

The Multi-Unit Manager must, among other things: **(1)** devote full time and best efforts to supervising the operation of the Franchised Cafe and your other Franchised Cafes and cannot engage in any other business or activity, directly or indirectly, that requires substantial management responsibility; **(2)** successfully complete our initial training program and any additional training that we require; and **(3)** be approved by us.

The Development Partner will be the person with whom we communicate as to your development of the Franchised Cafes: The Development Partner must: **(1)** own and control, or have the right to own and control (subject to terms and conditions reasonably acceptable to us), not less than a 10% interest in your equity and voting rights (unless you were a publicly-held entity or a wholly-owned subsidiary of a publicly-held entity as of the date of the first franchise-related agreement between you and us); **(2)** be, at all times, a member of your Continuity Group and devote his or her best efforts to supervising the day-to-day development of the Franchised Cafes; **(3)** if requested by us, successfully complete any development training we require; **(4)** maintain his/her primary residence within a reasonable driving distance of the Development Area; and **(5)** be approved by us.

The Franchised Cafe must at all times be under the on-site supervision of one of the following designated individuals who must meet our applicable training qualifications for their designated position: the Operating Partner, Multi-Unit Manager, 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 you cease to employ, at any time, 2 management personnel as described above, you have 30 days to hire and enroll replacement personnel in the initial training program.

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

Each member of the Continuity Group, your Development Partner and Operating Partner, each person who holds a legal or beneficial interest in you of 10% or more ("Owner(s)") and each of your officers and directors (unless you are a publicly-held entity) must sign a personal guaranty assuming and agreeing to discharge all of your obligations to us, unless we, in its sole discretion, waive or modify this requirement.

ITEM 16

RESTRICTIONS ON WHAT THE FRANCHISEE MAY SELL

You must use the Franchised Cafe solely for the operation of a Corner Bakery Cafe and must maintain in sufficient supply, and use and/or sell at all times, only such menu items, ingredients, products, materials, supplies and paper goods as conform with our standards and specification and refrain from deviating from those standards by the use or offer of non-conforming items, without our prior written consent. You may only offer for sale or sell products and services at the Franchised Cafe or through the Corner Bakery Cafe Catering Program in the Protected Area. You must operate the Franchised Cafe for those days and hours as we specify in the Manual or otherwise in writing.

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

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

See Items 8 and 9 for more specific information on restrictions covering what you may sell.

ITEM 17

RENEWAL, TERMINATION, TRANSFER AND DISPUTE RESOLUTION

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

DEVELOPMENT AGREEMENT

PROVISION	SECTION IN DEVELOPMENT AGREEMENT	SUMMARY
a. Term of the franchise	Section 1.A.	The Development Term begins on the date on which we sign the Development Agreement and terminates on the date that the last Franchised Cafe is required to be opened according to the Development Schedule.
b. Renewal or extension of the term	None	
c. Requirements for you to renew or extend	None	
d. Termination by you	None	
e. Termination by us without cause	None	
f. Termination by us with cause	Section 11	We may terminate upon default.
g. "Cause" defined-defaults which can be cured	Section 11.B.(15)	You have 10 days to cure monetary defaults. You have 30 days to cure defaults other than those discussed in h.
h. "Cause" defined defaults which cannot be cured	Sections 11.B.(1-15)	Non-curable defaults include: failure to comply with the Development Schedule; commencement of construction before receipt of fully-signed Franchise Agreement for that location; insolvency; bankruptcy; execution levied against your business or property; unsatisfied judgment of more than \$25,000 against you for more than 30 days; material breach of covenants; transfer without approval; material misrepresentation; conduct that reflects unfavorably on CBC, the System or the Marks; material breach of any representation or warranty; property blocked under any law relating to terrorist activities; default beyond cure period under other agreements with CBC or our affiliates, any real estate, equipment lease or financing instrument relating to any Franchised Cafe, or with any vendor or supplier to any Franchised Cafe; failure to pay taxes when due relating to any Franchised Cafe or its employees; and default after receipt of 2 or more notices of default within 12 months.

PROVISION	SECTION IN DEVELOPMENT AGREEMENT	SUMMARY
i. Your obligations on termination/non-renewal	Section 12	Obligations include, but are not limited to: forfeiture of right to develop; termination of limited exclusive rights in Development Area; return of materials to us; continued observance of covenants; payment of amounts due to us and our affiliates; and forfeiture of Development Fee. .
j. Assignment of contract by us	Section 7	There are no restrictions on our right to assign.
k. "Transfer" by you-definitions	Section 8.A.	Includes sale, assignment, transfer, conveyance, gift, pledge, mortgage or other encumbrance of any interest in you, your Owners or the Development Agreement, or any other assets pertaining to your operations under the Development Agreement.
l. Our approval of transfer by you	Sections 8.B. & 8.E.	We have the right to approve transfers. Certain transfers may be undertaken without our prior approval.
m. Conditions for our approval of transfer	Sections 8.B. & 8.C.	Conditions include, but are not limited to: simultaneous transfer to the same transferee of the same interest in all agreements relating to your operations in the Development Area; compliance with Development Agreement and all other agreements with CBC and our affiliates; payment of amounts due; qualified transferee; completion of any specified training programs; signed release (a copy of the current form of General Release is attached as Exhibit E); reasonable sales price; if applicable, subordination of transferee's obligations to you and any security interests reserved by you in the assets transferred to transferee's obligations to pay all amounts due CBC and our affiliates and comply with the Development Agreement or other agreements with CBC; execution of non-competition covenant and such other documents as we require; payment of transfer fee equal to \$7,500 for each Franchised Cafe that remains to be developed plus our associated costs; and execution of personal guaranty under the terms of which your Owners will remain liable for all obligations to us incurred prior to the transfer and for 1 year following the transfer.
n. Our right of first refusal to acquire your business	Section 8.J.	CBC can match any offer for your business.
o. Our option to purchase your business	None	
p. Your death or disability	Section 8.E.	Following death or permanent incapacity of any of your Owners or your Operating Partner, transfer to spouse, children, parents, sibling or a member of your Continuity Group is permitted. Such transfer must be completed within a reasonable time, not to exceed 6 months from the date of death or permanent disability.

PROVISION	SECTION IN DEVELOPMENT AGREEMENT	SUMMARY
q. Non-competition covenants during the term of the franchise	Section 10.C.	No interest in any business in the casual dining market or fast-casual segment of the restaurant industry that has as its primary menu item any of the following menu items: artisan baked breads, salads, sandwiches, soups or baked goods; or whose method of operation or trade dress is similar to that employed in the System ("Competitive Business")
r. Non-competition covenants after the franchise is terminated or expires	Section 10.C.	No activity as described in q. above for 2 years within the Development Area and within 10 miles of any then-existing Corner Bakery Cafe. In addition, you may not, for 2 years after expiration, termination or transfer of the Development Agreement, sell, assign, lease or transfer any Authorized Site to any person or entity that intends to operate a Competitive Business at that Authorized Site.
s. Modification of the agreement	Section 18	No modification generally without signed agreement, but CBC may modify the System.
t. Integration/merger clause	Section 18	Only the terms of the Development Agreement, the Manual the documents referred to in and the attachments to the Development Agreement are binding. Any other oral or written promises related to the subject matter of the Development Agreement may not be enforceable.
u. Dispute resolution by arbitration or mediation	Section 19.A.	Either party may submit a claim arising out of the Development Agreement to non-binding mediation, provided that the parties will not be required to pursue mediation of any claim as a prerequisite to commencing legal proceedings.
v. Choice of forum	Section 19.C.	Subject to state law, you can only file suit where our principal offices are located, and we may file suit in the jurisdiction where our principal offices are located or in the jurisdiction where you reside or do business or where the Development Area or any Franchised Cafe is or was located or where the claim arose.
w. Choice of law	Section 19.B.	Subject to state law, Texas law applies.

FRANCHISE AGREEMENT

PROVISION	SECTION IN FRANCHISE AGREEMENT	SUMMARY
a. Term of the franchise	Section 2	20 years from the date the Franchised Cafe opens.
b. Renewal or extension of the term	Section 2.B.	You will have the option to remain a franchisee at the Franchised Location for a successor term of 10 years.
c. Requirements for you to renew or extend	Section 2.B.	In order to remain a franchisee for a successor term, you must: give timely notice; remodel the Franchised Cafe; not be in default under any agreement with us or our affiliates, any real estate lease, equipment lease or financing instrument relating to the Franchised Cafe and any agreement with any vendor or supplier to the Franchised Cafe; for the 12 months prior to your notice, you must not have been in default beyond the applicable cure period under any agreements with us or our affiliates; have the right to remain in possession of the Franchised Location for the successor term; sign general release (a copy of the current form of General Release is attached as Exhibit E); comply with training requirements; pay a successor franchise fee; and sign a successor franchise agreement.
d. Termination by you	None	
e. Termination by us without cause	None	
f. Termination by us with cause	Section 18	We may terminate upon default.
g. "Cause" defined- defaults which can be cured	Section 18.C.	You have 10 days to cure monetary defaults. You have 30 days to cure all other defaults except those discussed in h.
h. "Cause" defined defaults which cannot be cured	Sections 18.B., 18.C.(3) & 18.D.	Non-curable defaults include: cease to operate the Franchised Cafe for more than 3 consecutive days; insolvency; bankruptcy; execution levied against your business or property; foreclosure; unsatisfied judgment of more than \$25,000 for a period of more than 30 days; material breach of covenants; transfer without approval; material misrepresentation; falsification of reports; imminent danger to public health or safety; loss of possession of Franchised Location; conduct that reflects unfavorably on CBC, the System or the Marks; breach of representation or warranty; unauthorized use of the Marks; failure or refusal to have your employees attend required training programs; default beyond cure period under other agreements with CBC or our affiliates, contract with any vendor or supplier to the Franchised Cafe or any lease or financing instrument relating to the Franchised Cafe; failure to pay when due any taxes or assessments relating to the Franchised Cafe or its employees; property blocked under any law relating to terrorist activities; default after receipt of 2 or more notices of default within previous 12 months; and receipt of second consecutive failing score on an inspection.

PROVISION	SECTION IN FRANCHISE AGREEMENT	SUMMARY
i. Your obligations on termination/nonrenewal	Section 19	<p>Obligations include, but are not limited to: cease to operate the Franchised Cafe; cease use of the System, the Marks, the Manual and the Confidential Information; complete de-identification (if we do not exercise our option to purchase); return all items listed in the De-Identification Schedule; cancel any assumed name or equivalent registration that contains the Marks and provide evidence of compliance; assign all telephone numbers and listings to us (if we so elect); if applicable, cancel or assign all of your rights in any web pages using the Marks to us (if we so elect); and payment of all amounts due.</p> <p>If the Franchise Agreement is terminated due to your material breach or default, you must pay us, for 4 years (or the remainder of the initial term if that period is less than 4 years), a continuing royalty fee equal to the total royalty fees due from you for the 52 reporting periods before the termination divided by 52 (or, if the Franchised Cafe was open fewer than 52 reporting periods, the average of all reporting periods during which the Franchised Cafe was open). If we sell a new franchise for a Corner Bakery Cafe in your Protected Area, we will permit you to cease making the continuing royalty fee payments.</p>
j. Assignment of contract by us	Section 14	There are no restrictions on our right to assign.
k. "Transfer" by you-definitions	Sections 15.A.	Includes sale, assignment, transfer, conveyance, gift, pledge, mortgage or other encumbrance of any interest in you, your Owners, the Franchise Agreement, the Franchise, the Franchised Cafe, the assets of the Franchised Cafe, the Franchised Location or any other asset pertaining to your operations under the Franchise Agreement.
l. Our approval of transfer by you	Sections 15.B. & 15.E.	We have the right to approve transfers. Certain transfers may be undertaken without our prior approval.

PROVISION	SECTION IN FRANCHISE AGREEMENT	SUMMARY
m. Conditions for our approval of transfer	Sections 15.B.-C.	Conditions include, but are not limited to: compliance with Franchise Agreement and all other agreements with CBC and our affiliates; payment of amounts due; qualified transferee; completion of any specified training programs; signed release (a copy of the current form of General Release is attached as Exhibit E); reasonable sales price; transferee must obtain a leasehold or ownership interest in the Franchised Cafe; if applicable, subordination of all of transferee's obligations to you and any security interests reserved by you in the assets transferred to transferee's obligations to pay all amounts due to us and our affiliates and comply with the Franchise Agreement or any other Franchise Agreement signed by transferee; execution of non-competition covenant and such other documents as CBC requires; payment of transfer fee equal to \$3,500 (or the amount set forth in our then-current Franchise Agreement) plus our associated costs; and execution of personal guaranty under the terms of which your Owners will remain liable for all obligations to us incurred before the transfer date and for 1 year following the transfer.
n. Our right of first refusal to acquire your business	Section 15.J.	We or our designee can match any offer for your business.
o. Our option to purchase your business	Section 20	Upon expiration or earlier termination of the Franchise Agreement, we have the option to purchase from you the Cafe building shell, including any or all of the furnishings, fixtures, equipment, signage, supplies or inventory relating to the Franchised Cafe, excluding any liabilities relating to you and/or the Franchised Cafe at a price agreed upon or set by an appraiser.
p. Your death or disability	Section 15.E.	Following death or permanent incapacity of any of your Owners or your Operating Principal, transfer to spouse, children, parents, sibling or a member of your Continuity Group is allowed. Such transfer must be completed within a reasonable time, not to exceed 6 months from the date of death or permanent disability.
q. Non-competition covenants during the term of the franchise	Section 17.C.	No interest in any business in the casual dining market or fast-casual segment of the restaurant industry that has as its primary menu item any of the following menu items: artisan baked breads, salads, sandwiches, soups or baked goods; or whose method of operation or trade dress is similar to that employed in the System ("Competitive Business").
r. Non-competition covenants after the franchise is terminated or expires	Section 17.C.	No activity as described in q. above for 2 years within the Protected Area or within 10 miles of any then-existing Corner Bakery Cafe. In addition, you may not, for 2 years after the expiration, termination or transfer of the Franchise Agreement, sell, assign, lease or transfer the Franchised Location to any person or entity that intends to operate a Competitive Business at the Franchised Location.

PROVISION	SECTION IN FRANCHISE AGREEMENT	SUMMARY
s. Modification of the agreement	Section 25	No modification generally without signed agreement, but CBC may modify the System and the Manual.
t. Integration/merger clause	Section 25	Only the terms of the Franchise Agreement, the Manual, the documents referred to in and the attachments to the Franchise Agreement are binding. Any other oral or written promises related to the subject matter of the Franchise Agreement may not be enforceable.
u. Dispute resolution by arbitration or mediation	Section 26.A.	Either party may submit a claim arising out of the Franchise Agreement to non-binding mediation, provided that the parties will not be required to pursue mediation of any claim as a prerequisite to commencing legal proceedings.
v. Choice of forum	Section 26.C.	Subject to state law, you can only file suit where our principal offices are located, and we may file suit in the jurisdiction where our principal offices are located or in the jurisdiction where you reside or do business or where the Protected Area or the Franchised Cafe is or was located or where the claim arose.
w. Choice of law	Section 26.B.	Subject to state law, Texas law applies.

These states have statutes which may supersede the Franchise Agreement in your relationship with us, including the areas of termination and renewal of your franchise: ARKANSAS (Stat. Section 70-807), CALIFORNIA (Bus. & Prof. Code Sections 20000-20043), CONNECTICUT (Gen. Stat. Section 42-133e et seq.), DELAWARE (Code Sections 2551-2556), HAWAII (Rev. Stat. Section 482E-1), ILLINOIS (815 ILCS 705/1-44), INDIANA (Stat. Section 23-2-2.7), IOWA (Code Sections 523H.1-523H.17), MICHIGAN (Stat. Section 19.854(27)), MINNESOTA (Stat. Section 80C.14), MISSISSIPPI (Code Section 75-24-51), MISSOURI (Stat. Section 407.400), NEBRASKA (Rev. Stat. Section 87-401), NEW JERSEY (Stat. Section 56:10-11), SOUTH DAKOTA (Codified Laws Section 37-5A-51), VIRGINIA (Code 13.1-557-574 - 13.1-564), WASHINGTON (Code Section 19.100.180), WISCONSIN (Stat. Section 135.03). These and other states may have court decisions, which may supersede the Franchise Agreement in your relationship with us, including the areas of termination and renewal of your franchise.

ITEM 18

PUBLIC FIGURES

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

ITEM 19

EARNINGS CLAIM

We have prepared the attached statement to reflect average annual sales volumes, operating expenses and location cash flow for company-operated Corner Bakery Cafes, exclusive of development fees, franchise fees, and royalty fees, and expenses incurred in opening a Corner Bakery Cafe and personal or corporate taxes which may be incurred in

connection with the financing and operation of a Franchised Cafe. These items are not included in the calculation of average results set forth below because our company-operated restaurants do not incur these expenses. You should refer to Items 5 and 6 of this offering circular for more information on the expenses you will incur in operating a Franchised Cafe.

Typically, company-operated Corner Bakery Cafes are located in both urban and suburban metropolitan areas. The location of a Corner Bakery Cafe (whether company-operated or franchised) and the demographics of the geographic area can have a material impact on sales and expenses.

The information presented represents the performance of 80 company-operated Corner Bakery Cafes that have been in operation for at least eighteen months. We have not included information related to 13 company-operated Corner Bakery Cafes that have not yet been in operation for eighteen months. All cafes included in the statement offer substantially the same products and services to the public that Franchised Cafes are expected to offer.

The information presented is unaudited and was prepared using uniform accounting methods consistent with generally accepted accounting practices and on a basis consistent with those included in our annual audited consolidated financial statements. All company-operated Corner Bakery Cafes use the same accounting methods and system.

Your sales and expenses in operating a Franchised Cafe are likely to be different from the sales and expenses of company-operated Corner Bakery Cafes and will be directly affected by many factors such as location of the cafe, competition in the market, the quality of your management and service at the cafe, your contractual relationships with lessors and vendors, the extent to which you finance the operation of the cafe, your attorney, accounting and other professional fees and certain benefits and economies of scale we may have derived as a result of operating multiple Corner Bakery Cafes on a consolidated basis. Accordingly, this statement is provided as reference information only for your use with other information.

**STATEMENT OF AVERAGE SALES AND EXPENSES OF
COMPANY-OPERATED CORNER BAKERY CAFES**

	Comparable Corner Bakery Cafes		
	May 2005 - April 2006 (Excludes Closed Stores)	No. of Stores Above Metric	% of Stores Above Metric
Average Annual Sales Volume (AAV) ¹	\$2,097,719	33	41.3%
Cost of Goods Sold ²	\$668,177 31.9%	42	52.5%
Gross Profit ³	\$1,429,542 68.1%	38	47.5%
Comps / Discounts ⁴	\$33,843 1.6%	34	42.5%
Labor (Hourly & Mgmt) ⁵	\$580,386 27.7%	43	53.8%
Total Operating Expenses ⁶	\$213,543 10.2%	47	58.8%

	Comparable Corner Bakery Cafes		
	May 2005 - April 2006 (Excludes Closed Stores)	No. of Stores Above Metric	% of Stores Above Metric
Advertising Expenses	\$35,147 1.7%	39	48.8%
Fixed Costs & Depreciation ⁷	\$122,909 5.9%	41	51.3%
Occupancy ⁸	\$158,879 7.6%	41	51.3%
Restaurant Contribution ⁹	\$284,836 13.6%	32	40.0%
Depreciation	\$108,619 5.2%	44	55.0%
EBITDA ¹⁰	\$393,454 18.8%	32	40.0%

NOTES

1. Average Annual Sales Volume or AAV includes the total of all in-restaurant, "to go", and catering food and beverage sales, but does not include sales or service taxes.
2. Cost of Goods Sold includes the total costs of all in-restaurant, "to go," and catering food and beverage sales as well as the cost of paper and packaging supplies. We purchase many items used in the operation of company-operated Corner Bakery Cafes under arrangements and contracts that we negotiate with suppliers and distributors, which may have permitted us to purchase and have such items delivered at a volume discount. To the extent these arrangements are changed or are not available to you, you could expect these costs to increase.
3. Gross profit is calculated by subtracting Cost of Goods Sold from AAV.
4. Comps/Discounts include the dollar amount for coupons, promotional items and employee meals.
5. Labor includes the cost for Hourly and Management Labor costs as well as that of the Catering Sales force, but does not include any salary and overhead for above the store field supervision (e.g., Area and Regional Operations management). Labor costs include employee wages and benefits, employee training expenses, payroll taxes, corporate insurance allocations for group health, workers' compensation and vacation pay. Other benefits which you elect to provide your employees, such as the amount of vacation time and vacation pay, are factors that will affect labor cost. The costs of providing group health insurance for employees and workers' compensation insurance will vary depending on many factors, including the extent and amount of coverage provided, the loss experience of the group, and which insurance provider is chosen. Therefore, you may encounter higher relative costs in obtaining comparable insurance coverage.

6. Total Operating Expenses include restaurant expenses, facility costs, property and general liability insurance, miscellaneous operating expenses and income and salary, benefits and overhead for above the store field supervision (e.g., Area and Regional Operations management). Restaurant expenses include such items as restaurant supplies, tableware and menus, linen, uniforms, credit card fees and bank charges. Facility costs include such items as telephone expenses, dues and licenses, variable repairs and maintenance expenses, maintenance contracts, utilities, trash removal, exterminators, security, and sales tax. Third party credit card processing fees and bank charges are separately negotiated with credit card processors and banks. These fees and charges will vary depending on both the actual and projected volume of transactions and the total dollar value of individual transactions. Therefore, you may experience relatively higher costs for these items. Miscellaneous operating expenses and income include catering delivery fees and gift certificate income, bonus for the catering sales force, office costs, merchandise sales and expenses.

7. Fixed Costs & Depreciation includes fixed expenses such as catering van rentals (including gas and maintenance), pre-opening costs and store depreciation. Depreciation consists of depreciation of property, equipment and leasehold improvements. Property and equipment are depreciated over their estimated useful lives, using the straight-line method. Leasehold improvements are depreciated over the lesser of the applicable lease term, in the event of a lease, or the estimated useful lives of such assets, using the straight-line method. Estimated useful lives are based on our experience with the various types of assets as limited by generally accepted accounting principles. We advise you to consult with your accounting and tax advisors regarding the effect, if any, of any existing and proposed tax legislation upon this information.

8. Occupancy Costs include rent, property taxes, depreciation, and miscellaneous items. Rent consists of minimum rents, percentage rents, common area maintenance charges, and any sales or other taxes imposed thereon and paid by us. Property Taxes consist of real estate taxes and assessments levied against the property upon which the restaurant is located. The amount or rate of taxation varies from jurisdiction to jurisdiction and you should consult with your tax advisors regarding the impact that these taxes will have on this analysis.

9. Restaurant Contribution is the pre-tax profit for the company-operated Corner Bakery Cafes and is calculated by subtracting Labor, Total Operating Expenses, Advertising Expenses, Fixed Costs and Depreciation and Occupancy Costs from Gross Profits.

10. EBITDA is earnings before interest, income tax, depreciation, and amortization.

* * *

This statement is provided as a reference only and is not intended to be used as a statement or forecast of earnings, sales, profits, or the prospects or chances of success that may be achieved by any individual franchised Corner Bakery Cafe. We specifically instruct our agents, employees, and officers that, other than as described in this statement, they are not permitted to make claims or statements as to the earnings, sales, or profits, or prospects or chances of success, nor are they authorized to represent or estimate dollar figures as to your operation. We will not be bound by any unauthorized representations as to earnings, sales, profits, or prospects or chances for success.

You should disregard any unauthorized information, whether oral or written, concerning the actual, or average, or projected, or forecasted, or potential sales, costs, earnings, or profits, or the prospects or chances of success of your operation furnished by any person. You should immediately notify us of any such unauthorized information or representation by contacting our General Counsel.

Actual results vary from Corner Bakery Cafe to Corner Bakery Cafe and we cannot estimate the results of a particular cafe. We recommend that you make your own independent investigation to determine whether or not a Franchised Cafe operated by you may be profitable and consult with an attorney and other advisors prior to signing the Development Agreement or Franchise Agreement.

Substantiation of the data used in preparing this statement will be made available to you upon reasonable request.

THE SALES FIGURES IN THIS STATEMENT OF COMPANY-OPERATED CORNER BAKERY CAFES SHOULD NOT BE CONSIDERED AS ACTUAL OR POTENTIAL SALES THAT WILL BE REALIZED BY ANY CORNER BAKERY CAFE FRANCHISEE. THE COSTS IN THIS STATEMENT DO NOT REPRESENT ALL COSTS YOU WILL INCUR. THE COSTS IN THIS STATEMENT ARE COSTS INCURRED BY COMPANY-OPERATED CORNER BAKERY CAFES, NOT BY FRANCHISED CORNER BAKERY CAFES, AND SHOULD NOT BE CONSIDERED AS THE ACTUAL OR PROBABLE COSTS THAT YOU WILL REALIZE. WE DO NOT REPRESENT THAT YOUR SALES OR COSTS WILL BE COMPARABLE.

NEITHER WE NOR ANY OTHER PERSON CAN GUARANTEE THE SUCCESS OF A FRANCHISEE'S CORNER BAKERY CAFE, AND WE ADMONISH THAT A FRANCHISEE'S CAFE MAY LOSE MONEY OR FAIL. IF YOU RELY UPON OUR FIGURES, YOU MUST ACCEPT THE RISK OF NOT DOING AS WELL.

ITEM 20

LIST OF OUTLETS

**FRANCHISED CORNER BAKERY CAFE STATUS SUMMARY
FOR FISCAL YEARS 2003/2004/2005⁽¹⁾**

State	Transfers	Canceled or Terminated	Reacquired by CBC	Left the System Other⁽²⁾	Total from Left Columns	Franchises Operating at Year End⁽³⁾
Illinois	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	3/3/3 ⁽⁴⁾
TOTALS	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	3/3/3

NOTES

- (1) The numbers for 2003-2005 are as of December 31 of each year. The numbers for 2006 are as of May 1, 2006.
- (2) No Corner Bakery Cafe franchisee has had a franchised cafe terminated, canceled, not renewed or otherwise voluntarily or involuntarily ceased to do business under a franchise agreement during fiscal year 2005 or failed to communicate with CBC within 10 weeks of the application date of this offering circular.

- (3) Currently, HMS Host Corporation ("HMS Host") is our sole franchisee. HMS Host's principal business address and telephone number is:

6600 Rockledge Dr., Mail Stop 3-1
Bethesda, MD 20817-1109
240-694-4100

HMS Host's franchised Corner Bakery Cafes are located at the following addresses:

Chicago O'Hare International Airport
Rotunda Building No. 6
Chicago, IL

Chicago O'Hare International Airport
Concourse C
Chicago, IL

Chicago O'Hare International Airport
Terminal K
Chicago, IL

**STATUS OF COMPANY-OWNED CORNER BAKERY CAFE RESTAURANTS
FOR FISCAL YEARS 2003/2004/2005/2006⁽¹⁾**

State	Restaurants Closed During Year	Restaurants Opened During Year	Restaurants Operating At Year End
California	0/0/0/0	4/2/5/4	13/15/20/24
Colorado	0/0/0/0	0/0/1/0	1/1/2/2
District of Columbia	0/1/0/0	2/0/0/0	10/9/9/9
Georgia	0/1/1/0	0/0/0/0	5/4/3/3
Illinois	0/4/1/0	2/1/0/0	37/34/33/33
Pennsylvania	0/0/1/0	1/0/1/0	3/3/3/3
Texas	0/1/0/0	0/1/1/0	15/15/16/16
Virginia	0/0/0/0	0/0/1/0	2/2/3/3
TOTALS	0/7/3/0	9/4/9/4	86/83/89/93

- (1) The numbers for 2003-2005 are as of December 31 of each year. The numbers for 2006 are as of May 1, 2006.

PROJECTED OPENINGS FOR FISCAL YEAR 2006

State	Franchise Agreements Signed But Restaurant Not Open as of the End of Fiscal Year 2005	Projected Franchised Cafe Openings in Fiscal Year 2006	Projected Company-Owned Restaurant Openings in Fiscal Year 2006 ⁽¹⁾
California	0	0	1
TOTALS	0	0	1

(1) The numbers for 2006 are for the period between May 1, 2006 and December 31, 2006.

ITEM 21 FINANCIAL STATEMENTS

Attached to this offering circular as Exhibit G are the audited consolidated financial statements for CBC's corporate parent, Il Fornaio, as of December 25, 2005, December 26, 2004 and December 28, 2003 and the unaudited consolidated financial statements as of April 2006.

You have not been provided with CBC's financial statements; therefore, you do not have knowledge of how this specific company has performed. However, Il Fornaio has agreed absolutely and unconditionally to guarantee to assume the duties and obligations of CBC under the franchise agreements entered into by CBC, should CBC become unable to perform its duties and obligations.

ITEM 22 CONTRACTS

The following agreements related to a Franchised Cafe are attached as exhibits to this offering circular:

Exhibit C	Area Development Agreement
Exhibit D	Franchise Agreement
Exhibit E	General Release
Exhibit F	Confidentiality Agreement

ITEM 23 RECEIPT

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