

action to secure the additional coverage or higher policy limits. These policies shall 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) on 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 shall also be in effect for all of your employees who participate in any of our training programs;

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

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

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

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

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

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

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

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

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

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

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

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

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

F. Our Right to Procure Insurance. If you fail to obtain or maintain at least the insurance required by this Section 11, as revised from time to time pursuant to the Manual or otherwise in writing, we may obtain such insurance and charge its cost to you. Upon your receipt of an invoice from us, you must immediately reimburse us for all out-of-pocket costs incurred by us in obtaining such insurance on your behalf.

12. MARKS

A. Scope. The term "Marks" as used in this Agreement refers to 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 shall, from time to time, advise you as to any additions or deletions to the Marks, and your right to use the Marks shall be deemed modified by those additions or deletions.

B. Limited Right To Use Marks. Your right to use the Marks is limited to your use of the Marks in the operation of the Franchised Cafe at the Franchised Location and as expressly provided in this Agreement and the Manual. You shall not use the Marks or any variations of the Marks or marks or names confusingly similar to the Marks in any manner not authorized by us or in any corporate, limited liability company or partnership name and shall not use any other trade names, service marks or trademarks in conjunction with the Franchised Cafe. If local laws or ordinances require that you file an affidavit of doing business under an assumed name or otherwise make a filing indicating that the Marks are being used as a fictitious or assumed name, you shall include in such filing or application an indication that the filing is made "as a franchisee of Corner Bakery Corporation." You shall use the symbol ® with all registered marks and the symbol ™ with all pending registrations or other marks.

C. Modifications to the Marks. 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.

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

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

13. YOUR ORGANIZATION AND MANAGEMENT

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

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

C. Ownership Interests

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

(2) The requirements of this Section 13.C. shall apply only to your Continuity Group (defined in Section 13.F.) if, as of the date of the first franchise-related agreement between you and us and/or one of our affiliates, you were a publicly-held entity. If you become a publicly-held entity after that date, you shall thereafter be required to sign addenda to Appendix E only with respect to changes in ownership interests of the Continuity Group.

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

E. Personal Guaranty

(1) All members of the Continuity Group and your Operating Partner shall jointly and severally personally guarantee your payment and performance under this Agreement and shall personally bind themselves to the terms of this Agreement pursuant to the attached Personal Guaranty. Unless you are a publicly-held entity, all of your officers, directors and Owners also shall jointly and severally guarantee your payment and performance under this Agreement and also shall bind themselves to the terms of this Agreement pursuant to the

attached Personal Guaranty. Notwithstanding the foregoing, we reserve the right, in our sole discretion, to waive the requirement that some or all of the previously described individuals sign the attached Personal Guaranty. We reserve the right to require any guarantor to provide personal financial statements to us from time to time.

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

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

F. Continuity Group

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

G. Operating Partner. You must designate an individual who has been approved by us to serve as your Operating Partner. The Operating Partner as of the date of this Agreement is identified in Appendix E. The Operating Partner will be the person with whom we communicate as to operations matters and must have the authority to bind you regarding all operational decisions with regard to the Franchised Cafe. The Operating Partner shall meet all of the following qualifications:

(1) The Operating Partner must own and control, or have the right to own and control (subject to terms and conditions reasonably acceptable to us), not less than a 10% interest in your equity and voting rights. This Section 13.F.(2) shall not apply if you were a publicly-held entity or a wholly-owned subsidiary of a publicly-held entity as of the date of the first franchise-related agreement between you and us.

(2) The Operating Partner, at all times, shall be a member of the Continuity Group and, at a minimum, have full control over and devote his or her best efforts to supervising the day-to-day operation of the Franchised Cafe and all other Franchised Cafes that you operate unless you have named and we have approved a Multi-Unit Manager. The Operating Partner shall not engage in any other business or activity, directly or indirectly, that requires

substantial management responsibility or time commitments or otherwise may conflict with your obligations under this Agreement. You agree to provide us with an executed copy of any arrangement, agreement or contract, and all amendments thereto, between you and your Operating Partner.

(3) The Operating Partner must complete our initial training program and any additional training programs we require to our satisfaction.

(4) The Operating Partner must maintain a primary residence within a 100-mile radius of the Franchised Cafe.

(5) We must have approved the Operating Partner and not have later withdrawn that approval.

(6) If the Operating Partner no longer qualifies as such, you must designate another qualified person to act as the Operating Partner within 30 days after the date the prior Operating Partner ceases to be qualified. Your designee must satisfy the criteria set forth in this Section 13.F., be approved by us, and sign a Personal Guaranty in our favor.

H. Multi-Unit Manager. If you or your affiliates own or control more than three Franchised Cafes and your Operating Partner devotes less than full time to supervising the operation of the Franchised Cafes, you also shall designate and retain an individual to serve as the Multi-Unit Manager of the Franchised Cafe under the supervision of the Operating Partner. The Multi-Unit Manager shall meet all of the following qualifications:

(1) The Multi-Unit Manager shall devote full time and best efforts to supervising the operation of the Franchised Cafe and your other Franchised Cafes and shall not engage in any other business or activity, directly or indirectly, that requires substantial management responsibility or time commitments or otherwise may conflict with your obligations under this Agreement. You agree to provide us with an executed copy of any arrangement, agreement or contract, and all amendments thereto, between you and your Multi-Unit Manager.

(2) The Multi-Unit Manager shall successfully complete our initial training program and any additional training that we require.

(3) We must have approved the Multi-Unit Manager and not have later withdrawn that approval.

(4) If the Multi-Unit Manager no longer qualifies as such, you shall designate another qualified person to act as Multi-Unit Manager within 30 days after the date the prior Multi-Unit Manager ceases to be qualified. Your designee to become the Multi-Unit Manager must successfully complete the our initial training program and any additional training that we require.

14. TRANSFERS BY US

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

15. TRANSFERS BY YOU

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

B. Transfer Considerations. You shall advise us in writing of any proposed Transfer and submit (or cause the proposed transferee to submit) a franchise application for the proposed transferee, a copy of all contracts and all other agreements or proposals, and all other information requested by us relating to the proposed Transfer. If we do not exercise our right of first refusal as described in Section 15.J., the decision as to whether or not to consent to a proposed Transfer shall be made by us in our sole discretion and shall include numerous factors deemed relevant by us. These factors may include, but will not be limited to, the following:

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

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

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

(4) the proposed transferee's Operating Partner, Multi-Unit Manager (if applicable) General Manager, Assistant Managers, managers and any other personnel that we designate must complete our initial training program or must be currently certified by us to operate and/or manage a Franchised Cafe to our satisfaction and pay all fees in connection with such training;

(5) you and all guarantors of your obligations must execute a general release and a covenant not to sue, in a form satisfactory to us, of any and all claims against us and our affiliates and our respective past and present officers, directors, shareholders, agents and

employees, in their corporate and individual capacities, including, without limitation, claims arising under federal, state and local laws, rules and ordinances, and claims arising out of, or relating to, this Agreement, any other agreements between you and us or our affiliates and your operation of the Franchised Cafe and all other Franchised Cafes that you operate;

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

(7) the proposed transferee must obtain a leasehold or an ownership interest in the Franchised Cafe and obtain all required Licenses from all applicable authorities for the Franchised Cafe;

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

(9) you and your Owners must sign a non-competition covenant, in form and substance satisfactory to us, in favor of us and the proposed transferee agreeing that, for a period of 2 years, starting on the effective date of the Transfer, you and your Owners will not directly or indirectly, such as through members of their immediate families (including a spouse, parent, sibling or child, whether natural or adopted), own any legal or beneficial interest in, or render services or give advice to: any Competitive Business as defined in Section 17.C.(2)(c) that is located within a 10 mile radius of any Corner Bakery Cafe or within any area that is within a Development Area or Protected Area, as those terms are defined in any Corner Bakery Cafe Area Development Agreement or Franchise Agreement; and

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

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

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

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

(3) you or the transferee must pay us a Transfer fee equal to \$3,500 (or the amount set forth in our then-current Franchise Agreement used for new franchises), plus our costs associated with evaluating the Transfer; and

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

D. Effect of our Consent. Our consent to a Transfer does not constitute: (1) a representation as to the fairness of the terms of any agreement or arrangement between you or your Owners and the transferee or as to the prospects of the transferee's success in operating the Franchised Cafe; or (2) a release of you and your Owners, a waiver of any claims against you or your Owners or a waiver of our right to demand the transferee's compliance with this Agreement. Our consent to any Transfer shall apply only to the specific Transfer being proposed and shall not constitute consent to, or have any bearing on, any other proposed Transfer. Our consent to a Transfer will not create any liability on our part to the transferee, if the transferee experiences financial difficulties and our refusal to consent to a Transfer will not create any liability on our part to you, your Owners, or the transferee, if our refusal is pursuant to this Section 15. We, without incurring any liability to you or the transferee, have the right, in our sole discretion, to communicate with, and counsel, you (and your Owners) and the transferee (and its owners) and either party's representatives regarding any proposed Transfer.

E. Permitted Transfers. Notwithstanding the provisions of Section 15.B., we agree that certain Transfers shall be permitted without our prior written approval and without the payment of a Transfer fee, provided all of the following conditions are satisfied:

(1) The Transfer is a transfer of:

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

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

(2) You provide to us written notice of your intent to undertake the Transfer at least 30 days prior to the effective date of the Transfer, together with documents demonstrating that the Transfer meets the requirements of this Section 15.E.

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

F. Transfers for Convenience of Ownership. If you are a partnership, neither our right of first refusal described in Section 15.J. nor our right to collect a Transfer fee as provided by Section 15.C.(3) shall apply to any Transfer of this Agreement to a corporation (or limited liability company) formed for the convenience of ownership. Our consent to the Transfer will be conditioned on the following: (1) the corporation (or limited liability company) must be newly organized; (2) prior to the Transfer, we must receive a copy of the documents specified in Section 13.B., and the transferee shall comply with the remaining provisions of Section 13; and (3) each partner shall have the same proportionate ownership interest in the corporation (or the limited liability company) as prior to the Transfer.

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

H. Offerings by You. Securities or partnership interests in you may be sold, by private or public offering, only with our prior written consent (whether or not our consent is required under any other provision of this Agreement), which consent shall not be unreasonably withheld. In addition to the requirements of Section 15.B., prior to the time that any public offering or private placement of securities or partnership interests in you is made available to potential investors, you, at your expense, shall deliver to us a copy of the offering documents. You, at your expense, also shall deliver to us an opinion of your legal counsel and an opinion of one other legal counsel selected by us (both of which shall be addressed to us and in a form acceptable to us) that the offering documents properly use the Marks and accurately describe your relationship with us and/or our affiliates. The indemnification provisions of Section 22 shall also include any losses or expenses incurred by us and/or our affiliates in connection with any statements made by or on behalf of you in any public offering or private placement of your securities.

I. Changes in Ownership of Voting Securities. If you were a publicly-held entity as of the Effective Date, Section 15.B. shall be applicable to Transfers of ownership interests in you only if the proposed Transfer would result in: (1) 50% or more of your voting securities being held by different shareholders than as of the Effective Date; (2) any change in ownership of your voting securities whereby any existing shareholder acquires an additional 10% or more of your voting securities; or (3) any change in the membership of the Continuity Group (unless such change is a permitted Transfer pursuant to Section 15.E.).

J. Our Right of First Refusal

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

(2) We have the right, exercisable by notice delivered to you or your Owners within 30 days after our receipt of a complete and accurate copy of such offer (or such later time if we decide to Verify The Transaction as described in Section 15.J.(3)), to purchase such interest for the price and on the terms and conditions contained in such offer, provided that: (a) we may substitute cash for any form of payment proposed in such offer; (b) our credit shall be deemed equal to the credit of any proposed purchaser; (c) we shall not be obligated to pay any finder's or broker's fees; and (d) we will have not less than 90 days from the date we exercise the right to close on the transaction. We have the right to investigate and analyze the business, assets and liabilities and all other matters we deem necessary or desirable in order to make an informed investment decision with respect to the fairness of the terms of the proposed transaction. We may conduct such investigation and analysis in any manner we deem reasonably appropriate, and you and your Owners must cooperate fully with us.

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

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

(5) Our failure to exercise our right of first refusal shall not constitute approval of the proposed Transfer nor a waiver of any other provision of this Section 15 with respect to a proposed Transfer. If we do not exercise our right of first refusal, you or your Owners may complete the sale to such offeror pursuant to and on the exact terms of such offer, subject to our consent to the Transfer as provided in Section 15.B., provided that if the sale to such offeror is not completed within 100 days after delivery of such offer to us, or if there is a material change in the terms of the offer, you must promptly notify us and we will have an additional right of first refusal (on the terms of the revised offer, if any, and otherwise as set forth herein) during

the 30-day period following your notification of the expiration of the 100-day period or the material change to the terms of the offer.

16. GENERAL RELEASE

You (on behalf of yourself and your parent, subsidiaries and affiliates) and all guarantors of your obligations under this Agreement (collectively, "Releasers") freely and without any influence forever release and covenant not to sue us, our parent, subsidiaries and affiliates and their respective past and present officers, directors, shareholders, agents and employees, in their corporate and individual capacities, with respect to any and all claims, demands, liabilities and causes of action of whatever kind or nature, whether known or unknown, vested or contingent, suspected or unsuspected (collectively, "claims"), which any Releaser now owns or holds or may at any time have owned or held, including, without limitation, claims arising under federal, state and local laws, rules and ordinances and claims arising out of, or relating to this Agreement and all other agreements between any Releaser and us or our parent, subsidiaries or affiliates, the sale of any franchise to any Releaser, the development and operation of the Franchised Cafes and the development and operation of all other restaurants operated by any Releaser that are franchised by us or our parent, subsidiaries or affiliates.

17. COVENANTS

A. Best Efforts. During the term of this Agreement, you and your Operating Partner shall devote your best efforts to the development, management and operation of the Franchised Cafe.

B. Confidentiality

(1) Pursuant to this Agreement, you will have access to our proprietary and confidential information relating to the development, management and operation of Corner Bakery Cafes ("Confidential Information"), which may include the following: **(a)** ingredients, recipes and methods of preparation and presentation of authorized food products; **(b)** site selection criteria for Corner Bakery Cafes and plans and specifications for the development of Corner Bakery Cafes; **(c)** sales, marketing and advertising programs and techniques for Corner Bakery Cafes; **(d)** identity of suppliers and knowledge of specifications, processes, procedures and equipment, contract terms, and pricing for authorized food products, materials, supplies and equipment; **(e)** knowledge of operating results and financial performance of Corner Bakery Cafes, other than Franchised Cafes you own; **(f)** methods of inventory control, storage, product handling, training and management relating to Corner Bakery Cafes; **(g)** computer systems and software programs used or useful in Corner Bakery Cafes; and **(h)** any information that we provide you that is labeled proprietary or confidential.

(2) You acknowledge and agree that: **(a)** we own all right, title and interest in and to the System; **(b)** the System consists of trade secrets, Confidential Information and know-how that gives us and our affiliates a competitive advantage; **(c)** we and our affiliates have taken all measures necessary to protect the trade secrets, Confidential Information and know-how comprising the System; **(d)** all material or other information now or hereafter provided or disclosed to you regarding the System is disclosed in confidence; **(e)** you have no right to disclose any part of the System to anyone who is not an employee of yours; **(f)** you will disclose to your employees only those parts of the System that an employee needs to know; **(g)** you will have a system in place to ensure that your employees keep confidential our trade secrets and

Confidential Information, and, if requested by us, you shall obtain from those of your employees designated by us an executed Confidential Disclosure Agreement in the form prescribed by us; **(h)** you will not acquire any interest in the System; and **(i)** your use or duplication of the System or any part of the System in any other business would constitute an unfair method of competition, for which we would be entitled to all legal and equitable remedies, including injunctive relief, without posting a bond.

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

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

C. Restrictions

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

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

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

(b) Employ or seek to employ any person who is then employed by us or by any other Corner Bakery Cafe franchisee or developer, or otherwise directly or indirectly induce such person to leave his or her employment. In addition to any other rights and remedies available to us under this Agreement, in the event of a violation of this Section 17.C.(2)(b), we may elect, in our sole discretion, to require you to pay to us (or such other Corner Bakery Cafe developer or franchisee, as the case may be) an amount equal to 3 times the annual salary of the person(s) involved in such violation plus an amount equal to our costs and attorney's fees incurred in connection with such violation.

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

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

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

(5) You further covenant and agree that, for a period of 2 years following the expiration, termination or Transfer of this Agreement, you will not, either directly or indirectly, for yourself, or through, on behalf of, or in conjunction with any person, firm, partnership, corporation, or other entity, sell, assign, lease or transfer the Franchised Location to any person, firm, partnership, corporation, or other entity which you know, or have reason to know, intends to operate a Competitive Business at the Franchised Location. You, by the terms of any conveyance selling, assigning, leasing or transferring your interest in the Franchised Location; shall include these restrictive covenants as are necessary to ensure that a Competitive Business that would violate Section 17.C.(2)(c) or 17.C.(5) is not operated at the Franchised Location for this 2-year period, and you shall take all steps necessary to ensure that these restrictive covenants become a matter of public record.

D. Modification. We shall have the right, in our sole discretion, to reduce the scope of any covenant in this Section 17 effective immediately upon your receipt of written notice, and you agree that you shall comply forthwith with any covenant as so modified, which shall be fully enforceable notwithstanding the provisions of Section 17.

E. Execution of Covenants by Third Parties. At our request, you shall require and obtain the execution of covenants similar to those set forth in this Section 17 (including covenants applicable upon the termination of an individual's relationship with you) from all guarantors of your obligations. Every covenant required by this Section 17.E. shall be in a form satisfactory to us, including, without limitation, specific identification of CBC as a third party beneficiary of such covenants with the independent right to enforce them. Failure by you to obtain execution of a covenant required by this Section 17.E. shall constitute a material breach of this Agreement.

F. Survival. The terms of this Section 17 shall survive the termination, expiration, or any Transfer of this Agreement. The parties agree this Section 17 shall be construed as independent of any other provision of this Agreement. If any part of this Section 17 is found to be unreasonable in time or distance, each month of time or mile of distance may be deemed a separate unit so that the time or distance may be reduced by appropriate order of the court to that deemed reasonable. If, at any time during the 2-year period following expiration, termination or Transfer of this Agreement, you fail to comply with your obligations under this Section 17, that period of noncompliance will not be credited toward your satisfaction of the 2-year obligation.

G. Applicability. The covenants and restrictions contained in this Section 17 shall apply to you and all guarantors of your obligations. With respect to your guarantors, these restrictions shall apply for a 2-year period after any guarantor ceases to be an officer, director, Owner or member of the Continuity Group. The existence of any claim you or any of your guarantors may have against CBC or our affiliates, whether or not arising from this Agreement, shall not constitute a defense to the enforcement by us of the covenants in this Section 17. The preceding sentence, however, does not constitute a waiver of any such claim.

18. DEFAULT AND TERMINATION

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

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

(1) You cease to operate continuously the Franchised Cafe for a period in excess of 3 consecutive days, unless the closing is due to fire, flood, earthquake or other similar causes beyond your control or is approved in writing in advance by us.

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

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

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

(5) There is a material breach by you of any covenant or obligation under Section 17.

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

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

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

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

(10) You lose possession of the Franchised Location through your own fault or your failure to extend the lease for the Franchised Location through the Initial Term.

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

(12) There is a material breach by you of any representation or warranty set forth in Sections 28.G. or 29.F.-J.

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

(14) You fail or refuse to have your employees attend the training programs described in Section 9.

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

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

C. Termination Following Expiration of Cure Period.

(1) Except for those items listed in preceding Section 18.B., you shall have 30 days after written notice of default from us within which to remedy the default and provide evidence of that remedy to us. If any such default is not cured within that time, this Agreement shall terminate without further notice to you effective immediately upon expiration of that time, unless we notify you otherwise in writing. Notwithstanding the foregoing, if the default cannot be corrected within 30 days, you shall have such additional time to correct the default as reasonably required (not to exceed 90 days), provided that you begin taking the actions necessary to correct the default during the 30-day cure period and diligently and in good faith pursue those actions to completion. You will be in default under this Section 18.C. for any failure to comply materially with any of the requirements imposed by this Agreement, the Manual or otherwise in writing, or to carry out the terms of this Agreement in good faith.

(2) Notwithstanding the provisions of preceding Section 18.C.(1), if you default in the payment of any monies owed to us when such monies become due and payable and you fail to pay such monies within 10 days after receiving written notice of default, then this Agreement will terminate effective immediately upon expiration of that time, unless we notify you otherwise in writing.

(3) If you have received 2 or more notices of default within the previous 12 months, we shall be entitled to send you a notice of termination upon your next default within that 12-month period under this Section 18.C. without providing you an opportunity to remedy the default.

D. Termination Following Inspection. We shall have the right to conduct periodically inspections of the Franchised Cafe to evaluate your compliance with the System and this Agreement. Following each inspection, we will provide you an inspection report listing your score on the inspection and those conditions at the Franchised Cafe that must be rectified. If you fail to achieve a passing score on an inspection, the inspection report shall constitute a notice of default. If you fail to achieve a passing score on the next inspection (which shall be conducted at least 10 days after your receipt of the inspection report for the prior inspection), we may terminate this Agreement, without opportunity to cure, by providing you written notice of termination along with the inspection report.

E. Continuing Royalty Fee Upon Termination. Should this Agreement terminate due to a material breach or default by you, you shall pay to us for a period of 4 years (or the remainder of the Initial Term if that period is less than 4 years) a continuing Royalty Fee (as

partial compensation for the future fees that would have been paid by you under this Agreement) in an amount equal to the total Royalty Fees due from you for the 52 Reporting Periods preceding the termination divided by 52. If the Franchised Cafe was open fewer than 52 Reporting Periods, then the average of all Reporting Periods for which the Franchised Cafe was open shall be used. 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 to us. Your payment of the continuing Royalty Fees to us shall be in addition to all amounts provided in Section 19.A. and any attorney's fees and other costs and expenses to which we are entitled pursuant to Sections 4.H. and 26. Your payment of the continuing Royalty Fee shall not affect our right to obtain appropriate injunctive relief and remedies to enforce Section 17 and specific performance to enforce Section 19.

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

19. OBLIGATIONS ON TERMINATION OR EXPIRATION

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

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

(2) You shall immediately cease to operate the Franchised Cafe and shall not thereafter, directly or indirectly, represent to the public or hold yourself out as a present or former franchisee of the System.

(3) You shall immediately and permanently cease to use, in any manner whatsoever, the System, the Marks, the Manual, and the Confidential Information.

(4) If we do not exercise our option to purchase the Franchised Cafe building shell pursuant to Section 20, you shall, at your own cost, immediately de-identify (and make non-structural changes to) the Franchised Cafe in accordance with a "De-Identification Schedule" to be prepared by us so as to reasonably distinguish the building shell (and its interior) from other Corner Bakery Cafes. In the event you fail or refuse to comply with the requirements of this Section 19.A.(4), then we shall have the right to enter the Franchised Location, without being guilty of trespass or any other tort, for the purpose of making or causing to be made such changes as may be required under this Section 19.A.(3), at your expense, which expense you agree to pay upon demand.

(5) You shall immediately deliver to us the Manual, Confidential Information, all written materials bearing the Marks or identifying the Franchised Cafe, all computer hardware and software which may have been provided or licensed by us, such items as may be listed in the De-Identification Schedule, and all other records, files, instructions, correspondence, brochures, agreements, invoices, and other materials relating to the operation of the Franchised

Cafe. You shall retain no copy or record of any of the foregoing, except your copy of this Agreement and copies of any correspondence between the parties.

(6) You shall take such action as may be necessary to cancel any assumed name or equivalent registration that contains the Marks, and you shall furnish us with evidence satisfactory to us of compliance with this obligation within 5 days after termination or expiration of this Agreement

(7) We shall have the option, exercisable by written notice within 30 days after the termination of this Agreement, to take an assignment of all telephone numbers, facsimile numbers, domain names, or other numbers, names and telephone directory listings (collectively "Listings") associated with any Mark or the Franchised Cafe, and you shall notify the telephone company, all telephone directory publishers, and all domain name registries and Internet service providers of the termination or expiration of your right to use any Listing associated with the Cafe, and authorize and instruct their transfer to us or to a third party, at our direction and/or to instruct the telephone company, domain name registries and Internet service providers to forward all calls, e-mails and electronic communications made to your names, numbers or addresses to names, numbers or addresses we specify. You are not entitled to any compensation from us if we exercise this option.

(8) If we have authorized you to use the Marks, in whole or in part, in connection with the Internet, any website or email address, you shall, at our option, cancel or assign to us, or our designate, all of your rights, title and interest in any Internet websites or web pages, email addresses, domain name listings and registrations which contain or which previously contained the Marks, or any of them, in whole or in part, and you shall notify Verisign (Network Solutions), register.com, or other applicable domain name registrar and all listing agencies, upon the termination or expiration of this Agreement, of the termination of your right to use any domain name, web page and other Internet device associated with the System, the Marks or the Franchised Cafe, and authorize and instruct their cancellation or transfer to us, as directed by us. You are not entitled to any compensation from us if we exercise these rights or options. For the avoidance of doubt, nothing in this Section 19.A.(8) shall be deemed to permit you to use the Marks, or any of them in whole or in part, in connection with the Internet, except with our prior written consent as provided in this Agreement.

(9) Within 10 days after such termination or expiration, you shall pay all sums owing to us under this Agreement. In the event of termination for your default, such sums shall include all damages, costs and expenses, including costs under Section 19.A.(4) and reasonable legal fees and reasonable hourly charges of our administrative and other employees incurred by us as a result of such default. In the event you fail to comply with this Section 19.A.(9), in addition to any rights and remedies available to us, such failure shall give rise to and remain a lien in favor of us (until paid in full) against any and all of the personal property, FFE&S and inventory owned by you at the Franchised Cafe.

B. Evidence of Compliance. You shall furnish to us, within 30 days after the effective date of termination or expiration, evidence (certified to be true, correct and complete, by an officer or Owner) satisfactory to us of your compliance with Section 19.A.

C. Other Business Operations. You shall not, except with respect to a Corner Bakery Cafe franchised by CBC or our affiliates that is then open and operating pursuant to an effective Franchise Agreement: (1) operate or do business under any name or in any manner

that might tend to give the public the impression that you are connected in any way with CBC or our affiliates or have any right to use the System or the Marks; (2) make, use or avail yourself of any of the materials or information furnished or disclosed by CBC or our affiliates under this Agreement or disclose or reveal any such materials or information or any portion thereof to anyone else; or (3) assist anyone not licensed by CBC or our affiliates to construct or equip a foodservice outlet substantially similar to a Corner Bakery Cafe.

D. Survival. The terms of this Section 19 shall survive the termination or expiration of this Agreement. You shall pay to us all damages, costs and expenses, including reasonable attorneys' fees, incurred by us subsequent to the termination or expiration of this Agreement in obtaining injunctive or other relief for the enforcement of any provisions of this Section 19.

20. OPTION TO PURCHASE

A. Scope. Within 30 days before the expiration or termination of this Agreement, we shall have the option (but not the obligation) to purchase from you the Cafe building shell including any or all of the FFE&S, supplies, or inventory related to the Franchised Cafe and excluding any liabilities related to you and/or the Franchised Cafe at the Purchase Price, defined below (collectively, the "Franchised Business").

B. Purchase Price.

(1) The "Purchase Price" shall be equal to the fair market value ("FMV") (as if the sale were an "asset sale") of the Cafe building shell and any or all of the FFE&S, supplies, or inventory related to the Franchised Cafe and shall exclude any liabilities related to you and/or the Franchised Cafe. We may, at our option, elect to calculate the Purchase Price based upon the value of the Franchised Cafe as a "going-concern" as determined by a multiple of EBITDA for such Cafe.

(2) If you and we are unable to agree upon a FMV within a period of 10 days after our exercise of such option, then the parties shall engage an independent third party, knowledgeable and reputable in valuing restaurant business operations, to appraise the FMV of the Franchised Business as if the sale were to be an "asset sale" and assuming (a) the sale of the Franchised Business in an active marketing process and (b) there were no restrictions on the transfer of the equity interests in you.

(3) For this valuation, the parties agree that CBC will pay the lesser of: (a) 50% of the cost of such third party appraiser, or (b) \$5,000; and that you will pay the balance of the cost of such third party appraiser. Once the appraiser provides the FMV of the Franchised Business, the parties will then agree either: (i) to proceed to close the transaction as soon as reasonably practicable, taking into account the need for reasonable due diligence and obtaining the approval of any necessary third parties; or (ii) to discontinue such discussions.

(4) All amounts due and owing to us under the Franchise Agreement shall be deducted from the Purchase Price, and the Purchase Price shall exclude any items which are required to be returned or delivered to us under Section 19.

C. Closing

(1) The closing of this transaction will take place no later than 30 days after the determination of the Purchase Price or such later date as agreed by the parties, taking into account the need for reasonable due diligence and obtaining the approval of any necessary third parties. Closing shall take place at our corporate offices or at such other location as the parties may agree.

(2) At closing, you will deliver all instruments required to transfer to us good and merchantable title to the Franchised Business purchased, free and clear of all liens and encumbrances and with all sales and other transfer taxes paid by you, and with all licenses or permits of Franchised Cafes which may be assigned or transferred.

(3) At closing, you will also deliver to us an assignment of the lease for the Franchised Location (or, if assignment is prohibited, subleases for the full remaining term and on the same terms and conditions as your lease). If you own the Franchised Location, then you agree to lease the Franchised Location to us pursuant to the terms of our standard lease, for a term of 5 years with 2 successive 5-year renewal options at fair market rental during the term.

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

(5) Prior to closing, you and we will comply with any applicable Bulk Sales provisions of the Uniform Commercial Code enacted in the state where your Franchised Business is located.

D. Management of the Franchised Cafe

(1) If we exercise the option to purchase the Franchised Business, then (pending the closing of such purchase), we have the right to appoint a manager to maintain the operation of the Franchised Cafe or, at our option, require you to close the Franchised Cafe during such time period without removing any assets of the Franchised Cafe.

(2) If we appoint a manager to maintain the operation of the Franchised Cafe pending closing of such purchase, all funds from the operation of the Franchised Cafe during the period of management by our appointed manager will be kept in a separate account, and all expenses of the Franchised Cafe, including compensation, other costs, and travel and living expenses of our appointed manager, will be charged to such account.

(3) As compensation for such management services, we will charge such account 10% of the Gross Sales of the Franchised Cafe during the period when we manage the Franchised Cafe. We will operate the Franchised Cafe during any such period on your behalf, provided that we will have a duty only to utilize our good faith effort and will not be liable to you for any debts or obligations incurred by the Franchised Cafe or to any of your creditors for any merchandise, materials, supplies or services purchased by the Franchised Cafe during this period. You shall maintain in force all insurance policies required by this Agreement until the date of closing.

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

21. RELATIONSHIP OF THE PARTIES

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

B. You are an independent contractor, and you are solely responsible for all aspects of the development and operation of the Franchised Cafe, subject only to the conditions and covenants established by this Agreement. Without limiting the generality of the foregoing, you acknowledge that we have no responsibility to ensure that the Franchised Cafe is developed and operated in compliance with all applicable laws, ordinances and regulations and that we shall have no liability in the event the development or operation of the Franchised Cafe violates any law, ordinance or regulation.

C. The sole relationship between you and us is a commercial, arms' length business relationship, and, except as provided in Section 22, there are no third party beneficiaries to this Agreement. Your business is, and shall be kept, totally separate and apart from any that may be operated by us. In all public records, in relationships with other persons, and on letterheads and business forms, you shall indicate your independent ownership of the Franchised Cafe and that you are solely a franchisee of CBC. You shall post a sign in a conspicuous location in the Franchised Cafe that will contain your name and state that the Franchised Cafe is independently owned and operated by you under a franchise agreement with us.

22. INDEMNIFICATION

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

B. At your expense and risk, we may elect to assume (but under no circumstances will we be obligated to undertake), the defense and/or settlement of any action, suit, proceeding, claim, demand, investigation, inquiry, judgment or appeal thereof subject to this Section 22. Such an undertaking shall, in no manner or form, diminish your obligation to indemnify and hold

harmless us and Indemnitees. We shall not be obligated to seek recoveries from third parties or otherwise mitigate losses.

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

23. CONSENTS, APPROVALS AND WAIVERS

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

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

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

24. NOTICES

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

Appendix A) with electronic confirmation of receipt; (3) mailed in the United States mail, postage prepaid, certified mail, return receipt requested; or (4) mailed via overnight courier.

25. ENTIRE AGREEMENT

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

26. DISPUTE RESOLUTION

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

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

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

D. Limitations of Actions. Except for payments owed by one party to the other, and unless prohibited by applicable law, any legal action or proceeding (including the offer and sale of a franchise to you) brought or instituted with respect to any dispute arising from or related to this Agreement or with respect to any breach of the terms of this Agreement must be

brought or instituted within a period of 2 years after the initial occurrence of any act or omission that is the basis of the legal action or proceeding, whenever discovered.

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

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

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

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

27. SEVERABILITY AND CONSTRUCTION

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

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

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

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

28. MISCELLANEOUS

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

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

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

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

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

F. Injunctive Relief. You recognize that your failure to comply with the terms of this Agreement, including, but not limited to, the failure to fully comply with all post-termination obligations, is likely to cause irreparable harm to us, our affiliates and the System. Therefore, you agree that, in the event of a breach or threatened breach of any of the terms of this Agreement by you, we shall be entitled to injunctive relief (both preliminary and permanent) restraining that breach and/or to specific performance without showing or proving actual damages and without posting any bond or security. Any equitable remedies sought by us shall be in addition to, and not in lieu of, all remedies and rights that we otherwise may have arising under applicable law or by virtue of any breach of this Agreement.

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

29. REPRESENTATIONS

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

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

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

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

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

E. System Modifications. We may change or modify the System, from time to time, including the Manual, and you will be required to make such expenditures as such changes or modifications in the System may require.

F. Franchise Application. All information that you provided to us in connection with your franchise application and our grant of this Franchise is truthful, complete and accurate.

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

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

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

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

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

L. Limited Exclusivity. You understand that there are certain limitations to your exclusive rights in the Protected Area during the term of this Agreement and that, following termination or expiration of the term of this Agreement, we may develop and operate, and license others to develop and operate, restaurants identified in whole or in part by the name and mark "Corner Bakery Cafe" at any location in the Protected Area.

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

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

ATTEST:

CORNER BAKERY CORPORATION

By: _____

By: _____

Print Name: _____

Print Name: _____

Title: _____

Title: _____

Date: _____

ATTEST:

By: _____

By: _____

Print Name: _____

Print Name: _____

Title: _____

Title: _____

Date: _____

PERSONAL GUARANTY AND ASSUMPTION OF FRANCHISEE'S OBLIGATIONS

In consideration of, and as an inducement to, the execution of the Corner Bakery Cafe Franchise Agreement dated as of _____ ("Agreement") by Corner Bakery Corporation ("CBC"), entered into with _____ ("Franchisee"), the undersigned ("Guarantors"), each of whom is an officer or director of Franchisee, member of Franchisee's Continuity Group or a direct owner of a legal or beneficial interest in Franchisee of 10% or more ("Owner"), hereby personally and unconditionally: **(1)** guarantee to CBC and its successors and assigns, for the term of the Agreement and thereafter as provided in the Agreement, that Franchisee shall punctually pay and perform each and every undertaking, agreement and covenant set forth in the Agreement; **(2)** agree personally to be bound by the provisions of Sections 17 and 22 of the Agreement; and **(3)** agree personally to be liable for the breach of Section 17 of the Agreement.

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

Each Guarantor consents and agrees that: **(i)** his direct and immediate liability under this Guaranty shall be joint and several; **(ii)** he shall render any payment or performance required under the Agreement upon demand if Franchisee fails or refuses punctually to do so; **(iii)** such liability shall not be contingent or conditioned upon pursuit by CBC of any remedies against Franchisee or any other person; **(iv)** such liability shall not be diminished, relieved or otherwise affected by any amendment of the Agreement, any extension of time, credit or other indulgence which CBC may from time to time grant to Franchisee or to any other person including, without limitation, the acceptance of any partial payment or performance or the compromise or release of any claims, none of which shall in any way modify or amend this Guaranty, which shall be continuing and irrevocable during the term of the Agreement and for so long thereafter as there are monies or obligations owing from Franchisee to CBC or its affiliates under the Agreement; and **(v)** monies received from any source by CBC for application toward payment of the obligations under the Agreement and under this Guaranty may be applied in any manner or order deemed appropriate by CBC. In addition, if any Guarantor ceases to be a member of the Continuity Group, an Owner, an officer or a director of Franchisee or to own any interest in Franchisee prior to termination or expiration of the Agreement, that person agrees that his obligations under this Guaranty shall continue to remain in force and effect unless CBC in its sole discretion, in writing, releases that person from this Guaranty. Notwithstanding the provisions of the previous sentence, unless prohibited by applicable law, the obligations contained in Section 17.C. shall remain in force and effect for a period of 2 years

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

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

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

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

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

Sections 26 of the Agreement is incorporated by reference into this Guaranty, and all capitalized terms that are not defined in this Guaranty shall have the meaning given them in the Agreement.

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

GUARANTORS:

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

APPENDIX A

FRANCHISE INFORMATION

1. **Franchised Location (Recitals):** _____

2. **Protected Area (Section 1.B.):** _____

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

3. **Initial Franchise Fee (Section 4.A.):** _____

4. **Interests in Other Restaurants (Section 17.C.(4)):** _____

5. **Your Notice Address, Facsimile Number and Email Address (Section 24):** _____

PROTECTED AREA MAP

APPENDIX B

ADDENDUM TO LEASE

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

Franchisee has executed or intends to execute a Franchise Agreement (“Franchise Agreement”) with CBC Restaurant Corporation (“Franchisor”) for the operation of a Corner Bakery Cafe at the Premises, and as a requirement thereof, the lease for the Premises must contain the provisions contained in this Addendum.

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

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

1. Landlord shall deliver to Franchisor a copy of any notice of default or termination of the Lease at the same time such notice is delivered to Franchisee.
2. Franchisee hereby assigns to Franchisor, with Landlord’s irrevocable and unconditional consent, all of Franchisee’s rights, title and interests to and under the Lease upon any termination or non-renewal of the Franchise Agreement, but no such assignment shall be effective unless: (a) the Franchise Agreement is terminated or expires without renewal; and (b) Franchisor notifies the Franchisee and Landlord in writing that Franchisor assumes Franchisee’s obligations under the Lease.
3. Franchisor shall have the right, but not the obligation, upon giving written notice of its election to Franchisee and Landlord, to cure any breach of the Lease and, if so stated in the notice, to also succeed to Franchisee’s rights, title and interests thereunder.
4. The Lease may not be modified, amended, supplemented, renewed, extended or assigned by Franchisee without Franchisor’s prior written consent.
5. Franchisee and Landlord acknowledge and agree that Franchisor shall have no liability or obligation whatsoever under the Lease unless and until Franchisor assumes the Lease in writing pursuant to Section 2 or Section 3, above.
6. If Franchisor assumes the Lease, as provided above, Franchisor may further assign the Lease to another person or entity to operate the Corner Bakery Cafe at the Premises, subject to Landlord’s consent, which consent shall not be unreasonably withheld or delayed. Landlord

agrees to execute such further documentation to confirm its consent to the assignment permitted under this Addendum as Franchisor may reasonably request.

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

8. Landlord and Franchisee agree that if Landlord is an affiliate or an Owner of Franchisee, as defined in the Franchise Agreement, and Landlord proposes to sell the Premises, prior to the sale of the Premises, the Lease upon the request of Franchisor shall be amended to reflect a rental rate and other terms that are the reasonable and customary rental rates and terms prevailing in the community where the Corner Bakery Cafe is located.

9. Landlord agrees that during and after the term of the Lease, it will not disclose or use Confidential Information (as defined below) for any purpose other than for the purpose of fulfilling Landlord's obligations under the Lease. "Confidential Information" as used herein shall mean all non-public information and tangible things, whether written, oral, electronic or in other form, provided or disclosed by or on behalf of Franchisee to Landlord, or otherwise obtained by Landlord, regarding the design and operations of the business located at the Premises, including, without limitation, all information identifying or describing the floor plan, equipment, furniture, fixtures, wall coverings, flooring materials, shelving, decorations, trade secrets, trade dress, "look and feel," layout, design, menus, recipes, formulas, manner of operation, suppliers, vendors, and all other products, goods, and services used, useful or provided by or for Franchisee on the Premises. Landlord acknowledges that all Confidential Information belongs exclusively to Franchisor. Landlord agrees that should it breach or threaten to breach this provision of this Addendum, Franchisor will suffer irreparable damages and Franchisor's remedy at law will be inadequate. Therefore, if Landlord threatens or actually breaches this provision, Franchisor (which, along with its successors and assigns, is an intended third party beneficiary of the provisions of this paragraph), shall be entitled to all remedies available to Franchisor at law or in equity, including, without limitation, injunctive relief.

10. Copies of any and all notices required or permitted hereby or by the Lease shall also be sent to Franchisor at 12700 Park Central Drive, Suite 1300, Dallas, Texas 75251 (Attn: General Counsel), or such other address as Franchisor shall specify by written notice to Landlord.

11. Under the Franchise Agreement, any lease for the location of a Corner Bakery Cafe is a subject to Franchisor's approval. Accordingly, the Lease is contingent upon such approval.

WITNESS the execution hereof under seal.

LANDLORD:

FRANCHISEE:

DATE: _____

DATE: _____

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

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

Notary Public

Notary Public

My Commission expires: _____

My Commission expires: _____

APPENDIX C
PRE-AUTHORIZED BANK TRANSFER
(DIRECT DEBITS)

Name of Person or Legal Entity: _____

ID Number: _____

Account Name: _____

Address: _____

The undersigned depositor ("Depositor") hereby authorizes Corner Bakery Corporation ("CBC") to initiate debit entries and/or credit correction entries to Depositor's checking and/or savings account(s) indicated below and the depository designated below ("Depository") and to debit such account pursuant to CBC's instructions for any and all amounts due to CBC. The Depositor understands that all amounts debited from the account below will be credited to CBC's account. IN LIEU OF COMPLETING THE INFORMATION REQUIRED ON THE FOLLOWING FOUR LINES, FRANCHISEE MAY ATTACH A CANCELLED OR VOIDED CHECK HERETO.

Depository

Branch

City

State

Zip Code

Telephone Number of Bank

Contact Person at Bank

Bank Transit/ABA Number

Account Number

[Remainder of page intentionally left blank]

This authority is to remain in full force and effect until Depository has received joint written notification from CBC and Depositor of Depositor's termination of such authority in such time and in such manner as to afford Depository a reasonable opportunity to act on it. Notwithstanding the foregoing, Depository shall provide CBC and Depositor with 30 days' prior written notice of the termination of this authority. If an erroneous debit entry is initiated to Depositor's account, Depositor shall have the right to have the amount of such entry credited to such account by Depository, if within 15 calendar days following the date on which Depository sent to Depositor a statement of account or a written notice pertaining to such entry or 45 days after posting, whichever occurs first, Depositor shall have sent to Depository a written notice identifying such entry, stating that such entry was in error and requesting Depository to credit the amount thereof to such account. These rights are in addition to any rights Depositor may have under federal and state banking laws.

Depositor

By: _____

Title: _____

Date: _____

Depository

By: _____

Title: _____

Date: _____

APPENDIX D

FRANCHISEE'S WEEKLY MARKETING OBLIGATION

Your WAO under Section 6 of the Franchise Agreement shall be allocated as set forth below, unless and until modified by us as provided in Section 6:

- 1. Production Fee _____ % of Gross Sales
(Section 6.C.)
- 2. Brand Development Fund _____ % of Gross Sales
(Section 6.D.)
- 3. Regional Advertising Fund _____ % of Gross Sales
(Section 6.E.)
- 4. Field Marketing _____ % of Gross Sales
(Section 6.G.)

TOTAL WAO: _____ % of Gross Sales

APPENDIX E
OWNERSHIP INTERESTS
CORPORATION

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

| Name | Address | No. of Shares | Office Held |
|------|---------|---------------|-------------|
| | | | |
| | | | |
| | | | |

LIMITED LIABILITY COMPANY

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

| Name | Address | Percentage Interest |
|------|---------|---------------------|
| | | |
| | | |
| | | |

PARTNERSHIP

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

| Name | Address | Partnership Interest |
|------|---------|----------------------|
| | | |
| | | |
| | | |

CONTINUITY GROUP, OPERATING PARTNER AND MULTI-UNIT MANAGER

The Continuity Group is comprised of the following persons: _____

Your Operating Partner and Multi-Unit Manager (if applicable) are: _____

FRANCHISEE:

By: _____
 Print Name: _____
 Title: _____

Date: _____

RIDER 1

FRANCHISE AGREEMENT EXPIRATION DATE

TO: _____

The Franchised Cafe located at _____ first opened for business on _____ . The Initial Term of the Franchise Agreement for the Franchised Cafe expires on _____. If you desire to remain a franchisee for a Successor Term, you must give us your Renewal Notice no earlier than _____ (12 months before the expiration date of the Franchise Agreement) and no later than _____ (6 months before the expiration date).

CORNER BAKERY CORPORATION

By: _____

Print Name: _____

Title: _____

Date: _____