

FRANCHISE DISCLOSURE DOCUMENT



Bruegger's Franchise Corporation
a Delaware corporation
1720 S. Bellaire Street, Suite Skybox
Denver, Colorado 80222
(303) 568-8000
franchisesales@bagelbrands.com
www.brueggers.com

Bruegger's franchises offer fresh bakery bagels, baked goods, coffee, cream cheese, sandwiches, soups, salads and other food and beverage items to the public for carry-out and/or consumption on the premises.

The total investment necessary to begin operation of a "Bruegger's Bagels" franchise ranges from \$693,800 to \$1,227,150. This includes \$35,000 that must be paid to us. The total investment necessary to begin operation of a "Bruegger's Bagels" franchise at a "non traditional location" ranges from \$689,592 to \$1,168,400. This includes \$12,500 that must be paid to us.

If you enter into a multi-Bakery Development Agreement, the development fee will be \$10,000 for each Bakery to be opened under that agreement; the minimum commitment is two Bakeries and there is no maximum commitment. The total initial investment necessary to begin operation of each Bakery, including amounts that are paid to us, is noted above and will apply to each Bakery developed under a multi-Bakery Development Agreement.

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

You may wish to receive your disclosure document in another format that is more convenient for you. To discuss the availability of disclosures in different formats, contact Matthew Copenhaver, Chief Development Officer, at the address and telephone number listed above.

The terms of your written contract (i.e. your Development Agreement and Franchise Agreements) will govern your franchise relationship. Don't rely on the Disclosure Document alone to understand your contract. Read your entire contract carefully. Show your contract and this Disclosure Document to an advisor, like a lawyer or an accountant.

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

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

Date of Issuance: April 24, 2024

HOW TO USE THIS FRANCHISE DISCLOSURE DOCUMENT

Here are some questions you may be asking about buying a franchise and tips on how to find more information:

QUESTION	WHERE TO FIND INFORMATION
How much can I earn?	Item 19 may give you information about outlet sales, costs, profits or losses. You should also try to obtain this information from others, like current and former franchisees. You can find their names and contact information in Item 20 or Exhibit F.
How much will I need to invest?	Items 5 and 6 list fees you will be paying to the franchisor or at the franchisor's direction. Item 7 lists the initial investment to open. Item 8 describes the suppliers you must use.
Does the franchisor have the financial ability to provide support to my business?	Item 21 or Exhibit I includes financial statements. Review these statements carefully.
Is the franchise system stable, growing, or shrinking?	Item 20 summarizes the recent history of the number of company-owned and franchised outlets.
Will my business be the only "Bruegger's Bagels" business in my area?	Item 12 and the "territory" provisions in the franchise agreement describe whether the franchisor and other franchisees can compete with you.
Does the franchisor have a troubled legal history?	Items 3 and 4 tell you whether the franchisor or its management have been involved in material litigation or bankruptcy proceedings.
What's it like to be a "Bruegger's Bagels" franchisee?	Item 20 or Exhibit F list current and former franchisees. You can contact them to ask about their experiences.
What else should I know?	These questions are only a few things you should look for. Review all 23 Items and all Exhibits in this disclosure document to better understand this franchise opportunity. See the table of contents.

WHAT YOU NEED TO KNOW ABOUT FRANCHISING *GENERALLY*

Continuing responsibility to pay fees. You may have to pay royalties and other fees even if you are losing money.

Business model can change. The franchise agreement may allow the franchisor to change its manuals and business model without your consent. These changes may require you to make additional investments in your franchise business or may harm your franchise business.

Supplier restrictions. You may have to buy or lease items from the franchisor or a limited group of suppliers the franchisor designates. These items may be more expensive than similar items you could buy on your own.

Operating restrictions. The franchise agreement may prohibit you from operating a similar business during the term of the franchise. There are usually other restrictions. Some examples may include controlling your location, your access to customers, what you sell, how you market, and your hours of operation.

Competition from franchisor. Even if the franchise agreement grants you a territory, the franchisor may have the right to compete with you in your territory.

Renewal. Your franchise agreement may not permit you to renew. Even if it does, you may have to sign a new agreement with different terms and conditions in order to continue to operate your franchise business.

When your franchise ends. The franchise agreement may prohibit you from operating a similar business after your franchise ends even if you still have obligations to your landlord or other creditors.

Some States Require Registration

Your state may have a franchise law, or other law, that requires franchisors to register before offering or selling franchises in the state. Registration does not mean that the state recommends the franchise or has verified the information in this document. To find out if your state has a registration requirement, or to contact your state, use the agency information in Exhibit G.

Your state also may have laws that require special disclosures or amendments be made to your franchise agreement. If so, you should check the State Specific Addenda. See the Table of Contents for the location of the State Specific Addenda.

SPECIAL RISKS TO CONSIDER ABOUT *THIS* FRANCHISE

Certain states require that the following risk(s) be highlighted:

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

Spousal Liability. Your spouse must sign a document that makes your spouse liable for all financial obligations under the franchise agreement even though your spouse has no ownership interest in the franchise. This guarantee will place both your and your spouse's marital and personal assets, perhaps including your house, at risk if your franchise fails.

Certain states may require other risks to be highlighted. Check the "State Specific Addenda" (if any) to see whether your state requires other risks to be highlighted.

TABLE OF CONTENTS

Item 1 The Franchisor And Any Parents, Predecessors And Affiliates	1
Item 2 Business Experience.....	5
Item 3 Litigation	7
Item 4 Bankruptcy	7
Item 5 Initial Fees	7
Item 6 Other Fees	8
Item 7 Estimated Initial Investment	14
Item 8 Restrictions On Sources Of Products And Services	21
Item 9 Franchisee's Obligations	25
Item 10 Financing.....	27
Item 11 Franchisor's Assistance, Advertising, Computer Systems, Manuals and Training ...	27
Item 12 Territory	37
Item 13 Trademarks	40
Item 14 Patents, Copyrights And Proprietary Information	42
Item 15 Obligation To Participate In The Actual Operation Of The Franchise Business.....	43
Item 16 Restrictions On What The Franchisee May Sell.....	43
Item 17 Renewal, Termination, Transfer And Dispute Resolution	44
Item 18 Public Figures.....	50
Item 19 Financial Performance Representations	50
Item 20 Outlets And Franchisee Information.....	51
Item 21 Financial Statements.....	57
Item 22 Contracts	57
Item 23 Receipts	57

EXHIBITS

<p>A. Franchise Agreement</p> <p>B. Development Agreement</p> <p>C. License Agreement for Non-Traditional Locations</p> <p>D. Table of Contents of Operations & Training Manuals</p> <p>E. Sample of Release to be signed when you develop, renew, or transfer a Bakery</p>	<p>F. Current Franchisees/Licensees and Former Franchisees</p> <p>G. List of State Administrators; Agents for Service of Process</p> <p>H. Additional State-Required Information and State-Required Contract Addenda</p> <p>I. Financial Statements</p>
---	---

ITEM 1 THE FRANCHISOR AND ANY PARENTS, PREDECESSORS AND AFFILIATES

This Franchise Disclosure Document describes “Bruegger’s” franchises. To simplify the language in this Franchise Disclosure Document:

“**BFC**” or “**we**,” “**us**,” or “**our**” means Bruegger’s Franchise Corporation, the Franchisor.

“**You**” means the individual or company that signs a Franchise Agreement, License Agreement, or Development Agreement with us.

“**Owners**” means the individuals identified in the Franchise Agreement, License Agreement, or Development Agreement as owners of your company; it also includes any other persons whom we may subsequently approve to acquire an interest in your business.

If the franchisee is a corporation, limited partnership, limited liability company, or other business entity, certain provisions of the Franchise Agreement, License Agreement, and Development Agreement will apply to some of the Owners by virtue of the requirement that they personally guarantee the franchisee’s obligations and agree to be personally bound. The personal obligations of the Owners are addressed in this Franchise Disclosure Document where appropriate. Except as specifically stated otherwise, “you” does not include the Owners of a franchisee that is a corporation, general or limited partnership, limited liability company or limited liability partnership.

BFC is a Delaware corporation incorporated on March 11, 1992. We do business under our corporate name and the names “Bruegger’s” and “Bruegger’s Bagels.” Our principal business address is 1720 S. Bellaire Street, Suite Skybox, Denver, Colorado 80222. Exhibit G to this Franchise Disclosure Document lists our agents for service of process, to the extent that we have appointed agents in other states.

Our predecessor for purposes of this Franchise Disclosure Document is our direct parent company, Bruegger’s Enterprises, Inc. (“**BEI**”), whose business address is the same as ours. BEI owns the Bruegger’s trademarks, the recipes and manufacturing process for the dough, certain recipes for cream cheese, and other proprietary aspects of the Bruegger’s concept.

On October 5, 2017, BEI was acquired by Caribou Coffee Company, Inc. (“**Caribou**”). Accordingly, Caribou is now our parent company. JAB Holding Company (“**JAB**”) is the parent company to Caribou and its subsidiaries, including us. JAB is a member of the Joh. A Benckiser Group, a German-based firm. JAB also owns majority interests in Einstein Bros. Bagels Franchise Corporation (“**EBBFC**,” the franchisor of the “Einstein Bros. Bagels” and “Noah’s New York Bagels” systems), Manhattan Bagel Company, Inc. (“**MBC**,” the franchisor of the Manhattan Bagel” system), Peet’s Coffee, Inc. (“**Peet’s Coffee**,” the franchisor of the “Peet’s Coffee” brand), Pret Intermediate Company, Inc. (“**Pret**,” the franchisor of the “Pret A Manger” brand), D.E. Master Blenders 1753 N.V. (a Dutch a coffee and tea brand), as well as other consumer products companies.

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

BFC itself does not operate any Bruegger's outlets. However, BEI operates 132 Bakeries as of the date of this disclosure document. We refer to the Bakeries operated by BEI as "Company-owned Bakeries" for purposes of this disclosure document. Until December 2023, BEI also owned and operated a few bagel bakeries under the trade name "Bagel Factory" in the Philadelphia and Pittsburgh, Pennsylvania markets.

We began offering Bruegger's franchises in March 1993. We have not offered franchises in any other line of business. We have no affiliates that offer Bruegger's franchises. However, we have affiliates that offer franchises and licenses for other brands, as shown below:

Name and Address of Affiliate	Brand	Type of Business Year Began Offering Franchises	Number of Franchises or Licenses as of last FYE
Caribou Coffee Company, Inc. (" Caribou ") 3900 Lakebreeze Avenue Minneapolis, Minn. 55429	<i>Caribou Coffee</i>	Coffeehouses 2006	270 international franchised or licensed
Caribou Coffee Development Company, Inc. (" CCDC ") 3900 Lakebreeze Avenue Minneapolis, Minn. 55429	<i>Coffee and Bagels</i>	Coffeehouses 2009	146
Einstein Bros. Bagels Franchise Corp. (" EBBFC ") 1720 S. Bellaire St. Suite Skybox, Denver, CO 80222	<i>Einstein Bros.</i>	Bagel restaurants 2006	56 franchised, 289 licensed
Manhattan Bagel Company, Inc. (" MBC ") 1720 S. Bellaire St. Suite Skybox, Denver, CO 80222	<i>Manhattan Bagel</i>	Bagel restaurants 1987	68
Peet's Coffee, Inc. (" Peet's ") 1400 Park Avenue Emeryville, Calif. 94608	<i>Peet's Coffee</i>	Coffeehouses 2001	56
Intelligentsia Coffee Inc. 1850 West Fulton Street, Chicago, Ill. 60612	<i>Intelligentsia</i>	Coffeehouses	0
Krispy Kreme Doughnut Corporation (" KKDC ") 370 Knollwood Street Winston-Salem, N.C. 27103	<i>Krispy Kreme</i>	Doughnut shops 1950	118
Panera Bread Company (" PBC ") 1400 South Highway Drive, Suite 100, Fenton, Missouri 63026	<i>Panera Bread Saint Louis Bread Company</i>	Bakery restaurants 1993	1,112

Name and Address of Affiliate	Brand	Type of Business Year Began Offering Franchises	Number of Franchises or Licenses as of last FYE
Jacobs Douwe Egberts BR Comercialização de Cafés Ltda. Av. Dr. Marcos Penteadó de Ulhoa Rodrigues, 939, 2nd floor Cond. Castelo Branco Office Park, 06460-040 Barueri, Brazil	<i>Café do Ponto Casa Pilao</i>	Coffeehouses 1954	40 Café do Ponto 18 Casa Pilao
Pret Intermediate Company, Inc. ("Pret") 75B, 10 Bressenden Place London, SW1E 5DH United Kingdom	<i>Pret A Manger</i>	Restaurants 1986	181

In addition, we have affiliates that offered franchises in the past for certain brands for which franchises are no longer being offered:

Einstein Noah Restaurant Group, Inc. ("**ENRG**") offered franchises for "New World Coffee" and "New World Coffee & Bagel" restaurants from 1992 to 2005; and

Chesapeake Bagel Franchise Corp. offered "Chesapeake Bagels" franchises from 1999 until 2009.

Also, two of our affiliates operate similar foodservice businesses but have never offered franchises for their brands. Specifically, Noah's New York Bagels Company operates bagel restaurants under the "Noah's New York Bagels" brand. There were 55 company-owned "Noah's New York Bagels" outlets at the end of 2023.

We or our affiliates may acquire other food or beverage service brands and concepts that may have locations near your Bakery or in your Development Area (defined below) and that may directly or indirectly compete with your operations. We reserve the right to acquire and develop those other brands, subject to restrictions that you and we agree upon in writing.

The Bruegger's Franchise

Bruegger's Bakeries specialize in the retail sale of bagels, baked goods, sandwiches, soups, salads, coffees, beverages, and other menu items and merchandise related to the Bruegger's concept, as we may authorize from time to time. The Bakeries serve breakfast, lunch, and dinner, with a preponderance of sales in the breakfast and lunch segments.

If we approve you for a "Bruegger's" franchise, you will have the opportunity to sign a Franchise Agreement with us. Our current form of Franchise Agreement is in Exhibit A to this disclosure document. Under the Franchise Agreement, we grant you the right to operate one Bakery at a location that we have approved (the "**Premises**"). You must operate your Bakery using the marks we designate for the operation of Bruegger's Bakeries (collectively, the "**Proprietary Marks**") and using our system (the "**System**"), which is described in our confidential systems manuals (the

“Manuals”). The Manuals contain technical information and expertise we provide to you relating to the preparation and production of food products; the use of special dough and cream cheese which are identified by the public with our products; special recipes and menu items; distinctive exterior and interior design, decor, fixtures, and furnishings; standards and specifications for products and supplies; service standards; specifications and procedures for operations; training and assistance; and advertising and promotional programs, all of which we may change in our sole discretion.

We offer franchises only to persons and business entities that meet our qualifications and are willing to undertake the investment and effort necessary to operate and grow the “Bruegger’s Bagels” business. We particularly seek existing successful multi-unit foodservice operators.

If you qualify, we may offer you the opportunity to develop multiple Bakeries by signing a Development Agreement with us. Our current form of Development Agreement is in Exhibit B to this disclosure document. Under the Development Agreement, you will have the right and the obligation to develop a specified number of Bakeries (or Licensed Bakeries (defined below)) by certain deadlines. You will negotiate both the number of Bakeries and the deadlines with us, but the minimum commitment is two Bakeries. We can reduce the Development Area or terminate the Development Agreement entirely if you do not have the required number of Bakeries open and in operation by the agreed-upon deadlines.

You do not have to enter into any Franchise Agreements at the time you sign the Development Agreement. However, for each Bakery you develop under the Development Agreement, you must sign the form of Franchise Agreement that we are then offering to new franchisees, the terms and conditions of which may be substantially different from those in the Franchise Agreement in Exhibit A (including, for example, with respect to higher fees, shorter term, or other factors more burdensome to you).

Non-traditional locations. In some cases, we may offer a License Agreement for the operation of a Bruegger’s outlet in a Non-Traditional Facility. **“Non-Traditional Facility”** means a facility where the primary function is not a restaurant business, such as (but not limited to) a performing arts center, arena, stadium, shopping mall, department store, retail store, wholesale club, grocery store, supermarket, casino, amusement park, fairground, college or university, factory, hospital, penal institution, military base, airport, turnpike, limited access highway rest stop, or other transportation facility. Our current form of License Agreement for Non-Traditional Facilities appears in Exhibit C to this disclosure document. We refer to outlets operating under a License Agreement as a “Licensed Bakery.”

While Licensed Bakeries are typically similar in concept to traditional Bakeries, they differ in that they often operate in smaller-sized locations, sometimes in a multi-brand environment, and in a setting where the needs of the host institution may have a substantial impact upon the operation of the unit. Licensed Bakeries therefore operate in a different way than traditional Bakeries. Unless otherwise specified in this disclosure document, references to Bakeries include Licensed Bakeries, and references to “Franchise Agreement” refer to both the Franchise Agreement and the License Agreement.

* * *

Bruegger’s Bakeries operate according to a distinctive format, appearance, and set of specifications and operating procedures that we and our affiliates have developed and continue to develop (collectively, the **“System”**). Our mandatory and recommended standards, policies and

procedures are represented in our confidential and proprietary training systems and materials (the “**Manuals**”) which may be available in hard copy, electronic or web-based. We will give you access to the Manuals for the term of your franchise. We have the right to change the Manuals and the elements of the System at any time without consultation with you.

The bagels and baked goods that you will serve in the Bakeries are made from dough produced according to the proprietary recipe and manufacturing process owned by BEI. The dough products are central to the Bruegger’s concept. In order to protect the distinctive and proprietary nature of these items, you must purchase the dough from the Bruegger’s approved vendor. Please see Item 8 for additional information.

You will sell food and beverage items at retail to the public for carry out and consumption on the premises of the Bakery. In addition, we may permit you to establish a catering and take-out program (“**Off-Premises Programs**”), or we may establish a mandatory Off-Premises Program. You must pay any fees and costs associated with participating in Off-Premises Programs and comply with all other rules and procedures that we specify for each program.

Industry-Specific Laws

We are not aware of any laws applicable to a Bruegger’s Bakery that would not apply to restaurant businesses generally. You must obtain various permits and licenses and operational licenses, which may include permits for patio seating, awnings, boilers and signage. In constructing and operating each Bakery, you must comply with all applicable local, state, and federal laws, including health, sanitation, no smoking, service of alcohol, the sale and administration of gift cards, discrimination, employment, and sexual harassment laws. The Americans with Disabilities Act (“**ADA**”) requires that public accommodations, including restaurants, be readily accessible to disabled persons. The ADA may affect your building construction, site elements, entrance ramps, doors, seating, bathrooms, drinking facilities, and the like. It is your responsibility to investigate, satisfy and stay current on all local, state, and federal laws and regulations since they vary from place to place and can change over time. You should consult with your attorney concerning these and other laws and ordinances that may affect your operations.

Market and Competition

The market for the retail sale of food and beverage items like those offered in the Bakeries is highly competitive. You will compete with other bagel concepts, bakery-café concepts, coffee bars, quick-service restaurants, fast food restaurants, and grocery stores, including both local businesses and units of regional and national chains. Your competitors may include outlets of the brands operated by our affiliates, as described above in this item.

ITEM 2 BUSINESS EXPERIENCE

Chief Executive Officer and Director:

Jose Duenas

Mr. Duenas has been our Chief Executive Officer and a Member of our Board of Directors since January 2019. He is also currently, and has been since January 2019, Chief Executive Officer of MBC and EBBFC. He was our President from January 2019 to March 2024. Mr. Duenas previously served as Executive Vice President and Chief Brand Officer for Sonic Franchising, LLC and Sonic Industries Services, Inc. in Oklahoma City, Oklahoma from August 2017 until December 2018.

Georgia from September 2018 to November 2019, and was Operations Manager at VVC Enterprises in Dunwoody, Georgia from September 2017 to September 2018.

Senior Director, Business Development: **Tina Welch**

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

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

Ms. D'Ottavio has been our Senior Director, Franchise and License Operations since January 2017. Ms. Ottavio is also Senior Director, Franchise and License Operations for MBC and EBBFC since January 2008.

Vice President, Controller: **Tony Vincelli**

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

Unless otherwise indicated above, the location of the employer is Denver, Colorado or Brooklyn Center, Minnesota.

**ITEM 3
LITIGATION**

No litigation is required to be disclosed in this item.

**ITEM 4
BANKRUPTCY**

No bankruptcy is required to be disclosed in this item.

**ITEM 5
INITIAL FEES**

Franchise Fee. You must pay us a non-refundable initial franchise fee when you sign the Franchise Agreement. The initial franchise fee is \$35,000. The initial franchise fee is uniform for all new franchisees receiving this offering. We have no obligation to refund the initial franchise fee under any circumstances.

Development Fee. If we offer and you sign a Development Agreement, you must pay us a non-refundable fee ("**Development Fee**") based on the number of Bakeries that you commit to open in the Development Area in accordance with your Development Schedule. Unless otherwise agreed, the minimum number of Bakeries you will be required to develop is two. The Development Fee is \$10,000 per Bakery that you commit to open. This formula is uniform for all new developers receiving this offering.

As you develop each Bakery required by your Development Schedule, you must sign the form of Franchise Agreement that we are then offering to new franchisees and pay us the initial franchise fee required by that agreement, less a credit of \$10,000 from the Development Fee. The initial franchise fee and other terms and conditions of the Franchise Agreement we are then offering may be substantially different from those of the Franchise Agreement in Exhibit A to this disclosure document.

Non-traditional locations. If you enter into a License Agreement with us, you must pay us a non-refundable initial license fee of \$12,500. You must pay the initial license fee in full when you sign the License Agreement. The initial license fee is uniform for all new licensees receiving this offering.

* * *

The Development Fee, Initial Franchise Fee, and License Fee are fully earned upon receipt and are nonrefundable, even if you do not open the Bakery to which the fee applies, if you do not satisfactorily complete the requisite training, if contingencies in your lease are not satisfied, if you later close the Bakery, or if the Franchise Agreement, License Agreement, or Development Agreement is terminated for any reason.

Opening Inventory. Before opening each Bakery, you must also purchase an opening inventory of proprietary products from designated suppliers, some of whom may be us or our affiliates. You decide the amount of initial inventory you wish to purchase, and from whom you want to purchase that inventory. We estimate that your initial inventory of proprietary products will range from \$6,000 to \$10,000, some of which may be paid to us or our affiliates if you choose to do so. All amounts paid for initial inventory from us or our affiliates are non-refundable.

ITEM 6 OTHER FEES

Type of Fee (Note 1)	Amount	Date Due	Remarks
Royalty	5% of Gross Sales	Weekly	See Note 2 for the definition of "Gross Sales." Unless otherwise designated, our "Accounting Week" begins on Wednesday and ends on the following Tuesday.
Marketing Contribution (Note 3)	Currently 3.5% of Gross Sales under the Franchise Agreement Currently 1.0% of Gross Sales under the License Agreement	Weekly	Under the Franchise Agreement, we have the right to allocate your Marketing Contribution in the proportion we designate among the following: (a) our system-wide marketing fund (the " Systemwide Marketing Fund "); (b) any Marketing Co-op established for your area (but we are not required to establish a Marketing Co-op for

Type of Fee (Note 1)	Amount	Date Due	Remarks
			your area); and (c) local store marketing (“ LSM ”).
Grand Opening Marketing Plan	\$10,000 under the Franchise Agreement	Within 180 days of opening	We reserve the right to require you to deposit with us the funds required for the Grand Opening marketing, to distribute as necessary to conduct the grand opening marketing plan.
System Support Fees and Approved Software Fees (Franchised Bakeries only) for legacy POS system (Note 4)	Currently \$300 - \$500 per Bakery	Monthly	We have the right to develop ourselves, have developed for us, or designate certain third party computer software programs and web-based programs and applications that you must use in connection with the operation of your Bakery (“ Approved Software ”), and you may be required to pay initial and ongoing fees in order to install and continue to use the Approved Software. These fees also may be paid directly to third party vendors for our online ordering platform and our gift card program.
System Support Fees (Franchised Bakeries only) for subscription-based system	\$200 - \$300 per Month		For franchised Bakeries that have migrated to our new POS subscription model (see Note 8) that leverages a mobile order platform. These fees support the cost of our service desk, ongoing maintenance of the POS menu database and back office system databases, ongoing maintenance and development of our mobile application, as well as franchise reporting software and vendor management.
Interest and Late Fees	\$100 per week plus interest on the unpaid amount at the rate of one and one-half percent (1.5%) per month or the maximum rate permitted by state law, whichever is less (“ Default Rate ”)	Upon demand or with payment of overdue amount	We can charge a late fee to compensate us for our administrative costs incurred in enforcing your obligation to pay us. We calculate interest from the date the payment was due until paid in full. Payments will be applied to any late fee first, then interest due, then the principal amount due.

Type of Fee (Note 1)	Amount	Date Due	Remarks
Audit Costs	All costs and expenses associated with the audit, reasonable accounting and legal costs	Upon demand	Only payable if we audit because you did not submit sales statements or keep books and records, or if you underreport your sales by 2% or more or underpay your royalties by 2% or more. This is in addition to applicable interest and late fees.
Supplier Testing (Note 5)	Will vary (Note 6)	Upon demand	Only payable if you propose a new supplier, and we inspect the supplier or test the supplier's products, in which case we may charge you or the supplier for our costs in conducting those inspections or running those tests.
Re-Inspection Fee	Currently \$1,500	Upon Demand	Payable for re-audit of your operations after you fail to pass an operations inspection
Renewal Fee	10% of the then current initial franchise fee under the Franchise Agreement Greater of 10% of then-current initial license fee or \$1,250 for Licensed Bakery	When you sign successor Franchise Agreement or License Agreement	Upon expiration of your initial Franchise Agreement or License Agreement, if you choose to and are approved to continue operating the Bakery, you must sign our then current form of Franchise Agreement or License Agreement, as applicable. The Development Agreement is not renewable.
Transfer Fee (Note 6)	Under the Franchise Agreement, 50% of the then-current initial franchise fee for each Bakery being transferred Under the License Agreement, 50% of the then-current initial license fee	With request for approval of transfer	Payable if you propose to sell or transfer your business (or partial ownership interest).

Type of Fee (Note 1)	Amount	Date Due	Remarks
Private Securities Offering	Up to \$10,000	When you submit offering materials for our review	For review of offering materials; we may impose this fee in addition to the regular transfer fee.
Additional training and Onsite Assistance (Note 7)	\$350 per trainer per day, plus our per-diem charges and our out-of-pocket costs	Upon demand	Only payable if you ask that we send trainers to your Bakery for additional training or request onsite assistance, and we do so.
Additional and Replacement Certified Manager Personnel Training	<p>\$1,600 under the Franchise Agreement, and \$850 under the License Agreement, for each additional individual to be trained</p> <p>Our personnel's wages, per diem charges, and travel, hotel, and living expenses under the License Agreement.</p>	Before training begins	We will provide training for two Certified Managers (defined in Item 12 below); If you want to send additional individuals to the Certified Manager initial training program, the training fee will be \$850 (for Licensed Bakeries) and \$1,600 (for Franchised Bakeries) for each additional individual to be trained. .
Enforcement Expenses	Our reasonable costs, including attorney's fees, incurred as a result of your default	Upon demand	Payable if we terminate the franchise based on your default or if we have to take any action to enforce your post-termination obligations
Liquidated Damages	3 years' worth of projected royalty fees	Upon demand	Payable if we terminate the Franchise Agreement based on your default.
Indemnification	Will vary under circumstances	As incurred	You must reimburse us and our affiliates for any liability, loss, cost, threat, suit or expense, including attorneys' fees, investigative fees and court costs which may arise out of your operation of your Bakery or your performance under any agreement with us, without regard to our actions (other than our intentional and willful acts or omissions.)

NOTES TO ITEM 6 CHART:

1. All fees are payable to us, uniformly applied to new system franchisees, and non-refundable. However, in some instances in which it was appropriate to do so, we have waived some or all of these fees for a particular franchisee or licensee. The amounts stated may be subject to increases based on changes in market conditions, our cost of providing services, and future policy changes. You must designate an account at a commercial bank for payment of weekly royalty fees and any other amounts you owe us. We will obtain payment by electronic debit to your account each week, and you must sign and return to us the forms we periodically require in order to authorize such debits. You must keep the account balance sufficient to pay all amounts owed. Failure to do so will be subject to the default provisions of your Franchise Agreement or License Agreement. You must reimburse any costs or expenses we incur as a result of your designated account being insufficient.
2. Gross Sales. "**Gross Sales**" is defined as all sales generated through the Bakery including fees for any products or goods you sell, whether for cash or credit (regardless of collectability, except as provided below), and income of every kind or nature related to the Bakery, including, without limitation, revenues from the sale of branded merchandise and food products, whether from sales on the Premises, by delivery, from catering if the Bakery provides the product, by on-line, internet or phone-app ordering if picked up at the Bakery or at wholesale (whether the sales method is permitted or not) and from the use of vending machines or similar arcade-like machines. In the event your business operations are interrupted and you receive business interruption insurance proceeds, then the amount of Gross Sales used by you to determine your loss will be deemed the Gross Sales for that period and deemed made when you receive the insurance proceeds. But "Gross Sales" does not include any sales tax or other taxes you collect from customers for transmittal to the appropriate taxing authority. Gross Sales includes the retail value of all products sold in connection with the redemption of coupons, gift certificates, gift cards or vouchers; however, at the time such coupons, gift certificates, gift cards or vouchers are purchased, the retail price may be excluded from Gross Sales for the purpose of determining the amount of Gross Sales upon which fees are due. When calculating Gross Sales, you may deduct that portion of the normal full menu price of any item that you do not collect as a result of BFC approved promotions (whether local or system-wide, including coupons) and manager discounts (collectively, "**Sales Discounts**"), as well as discounted employee meals. Sales Discounts and discounted employee meals must be fully disclosed on all reports you submit to BFC, and BFC reserves the right, in its sole discretion, to disallow any Sales Discounts not meeting the requirements we set forth. We reserve the right to modify our policies consistent with restaurant industry practices regarding revenue recognition, revenue reporting, and the inclusion in or exclusion of certain revenue from "Gross Sales" as circumstances, business practices, and technology change.

3. Marketing Contribution. Our current allocation of the Marketing Contribution is as follows:

This amount:	Into this fund:
50% of the Marketing Contribution (that is, 1.75% of your Gross Sales)	Systemwide Marketing Fund
50% of the Marketing Contribution (that is, 1.75% of your Gross Sales)	LSM

We have the right to change the allocation of the Marketing Contribution by giving you written notice of the change. The change will take effect at the end of that month. We reserve the right to collect and hold LSM funds, and seek your guidance on how LSM funds are to be spent; however, if you do not provide timely guidance, we reserve the right to direct the expenditure of LSM funds. The Marketing Contribution (whether deposited in the Systemwide Marketing Fund, provided to a Marketing Co-Op, or designated for LSM) is not subject to refund or repayment under any circumstances. If we establish a Marketing Co-op for a geographic territory in which you have one or more Bakeries, you must join the Marketing Co-op. See Item 11 for details. Company-owned Bakeries must also join if they are located within the designated territory. Each Bakery within the geographic territory of a Marketing Co-op (including Company-owned Bakeries) will have one vote with respect to fees imposed by the cooperative. BEI could have voting control based on the number of company-owned Bakeries in the Marketing Co-op.

4. The cost per Bakery may fluctuate based on the number of Bakeries open and operating under the System. Under the legacy system these costs range from \$300-\$500 each month. These costs are reduced to \$200-\$300 per Month upon enrollment in our subscription model (through NCR) in which franchisees and licensees may enter a direct agreement with NCR. Unlike franchisees, licensees are not required to subscribe to the NCR services. Our present policy is to have the systems support fee cover the cost of our software, support desk (which presently operates 7 days a week), as well as remote installation of software upgrades that are provided by the vendor (provided your computer conforms to our standards and communication specifications). The systems support fee will also include the fees and costs associated with the Catering Program. We currently make the same systems support fee payments for each of the company-owned Bakeries as our franchisees will do for each of their Bakeries, but we are not contractually obligated to do so.
5. If you request to use a supplier that we have not previously approved, we can charge you a fee to evaluate the new supplier. For proposed new suppliers of products and supplies for the Bakery, our fee for this evaluation will vary depending on the product, service, or supplies at issue. If you wish to use an architect, engineer, a general contractor, an exterior sign manufacturer, an equipment consolidator, source your own equipment that meets our specifications, and/or a millwork manufacturer that we have not previously qualified, we will charge you a fee to evaluate the proposed services from these vendors. Currently, that fee is \$2,000 for each proposed vendor.
6. Transfer Fee. The transfer fee will not apply if the transfer is to a corporation or other business entity you form solely for the convenience of ownership. The transfer fee is non-

refundable and must be fully paid before the closing of the transfer. If you or any Owner desires to offer securities in a private offering, in addition to the regular transfer fee, you must pay a non-refundable fee of 50% of our then-current initial fee to reimburse us for our costs and expenses associated with reviewing the proposed offering materials.

7. Additional Training. This fee will be charged if, after we train you and your original Store Manager, you are unable to train replacement Store Managers and other Bakery personnel on your own and you ask that we conduct that training at an approved local training bakery, the location of your Bakery, or if you ask that we provide additional onsite assistance to you. If that occurs, we will retrain you and train your new Store Manager (or other Bakery personnel) at your Bakery and/or provide the requested onsite assistance, and you will have to pay us the fee indicated.

ITEM 7 ESTIMATED INITIAL INVESTMENT

YOUR ESTIMATED INITIAL INVESTMENT Franchised Bakery				
Type of Expenditure (Note 1)	Amount	Method of Payment	When Due	To Whom Payment is to be Made
Initial Franchise Fee (Note 2)	\$35,000	Lump sum	Upon signing the Franchise Agreement	Us
Real Property (Note 3)	\$25,000 to \$56,250	As Arranged	As Arranged	Lessor
Design, Permitting Fees (Note 4)	\$36,000 to \$79,000	As Arranged	As Incurred	Contractors and Government Agencies
Building and Leasehold Improvements (Note 5)	\$278,000 to \$508,000	As Arranged	As Incurred	Contractors and Vendors
Signage (Note 6)	\$21,000 to \$103,000	As Arranged	As Incurred	Vendors
Furniture, Fixtures & Equipment (Note 7)	\$222,800 to \$272,900	As Arranged	As Incurred	Vendors
Site Work (Note 8)	\$0 to \$10,000	As Arranged	As Incurred	Vendors
Technology Suite (Note 9)	\$24,000 to \$42,000	As Arranged	As Incurred	Vendors
Start-up Inventory & Supplies (Note 10)	\$10,000 to \$14,000	As Arranged	As Incurred	Distributors, us, or our affiliates
Grand Opening Advertising (Note 11)	\$10,000	As Arranged	As Arranged	Vendors, Printers, Media

YOUR ESTIMATED INITIAL INVESTMENT Franchised Bakery				
Type of Expenditure (Note 1)	Amount	Method of Payment	When Due	To Whom Payment is to be Made
Insurance (Note 12)	\$3,000 to \$5,000	As Arranged	As Arranged	Insurance Company
Utility Deposits & Licenses (Note 13)	\$3,000 to \$5,000	Lump Sum	As Incurred	Utility Companies, Governmental Agencies
Legal and Accounting (Note 14)	\$5,000 to \$30,000	As Arranged	As Incurred	Attorney, Accountant
Training (Note 15)	\$6,000 to \$12,000	As Arranged	As Incurred	Employees, Hotels, Airlines, Vendors, etc.
Additional Funds – 3 months (Note 16)	\$15,000 to \$45,000	As Arranged	As Incurred	Vendors, Suppliers, Employees, Utilities, Landlord, etc.
Total	\$693,800 to \$1,227,150			

Explanatory Notes – Franchised Bakery:

- (1) The estimated costs for a Franchised Bakery are based on open shop bidding practices with no premium built in for the cost of union labor. The estimated costs are for a new Bakery. Except as indicated, these fees are not refundable. We do not finance your investment.
- (2) These amounts are discussed in detail in Item 5. The initial franchise fee must be paid when the Franchise Agreement is signed. Please see the information provided above in Item 5 regarding the Development Agreement. If you have also signed a Development Agreement, and you are in compliance with your obligations under the Development Agreement and all of your Franchise Agreements, then we will apply a credit from your development fee toward the initial franchise fee. The amount of the credit will be \$10,000 for each Bakery you agree to develop. Unless otherwise agreed, the minimum number of Bakeries you will be required to develop is two. Item 5 for more details.
- (3) We expect that you will lease a location for the Franchised Bakery, which will vary in size between 2,100 to 2,700 square feet, generally for a facility located in a suburban mall, strip center, or mixed use development. We will consider on a case-by-case basis a franchisee's request to convert an existing facility to a Bakery, as well as sites that may be larger or smaller than our proto-type, provided that the site can be transformed to meet the standards and specifications of the System. The cost of purchasing or leasing and developing a suitable site varies widely depending on the size, type, and location of the Bakery and the local real estate market.

- (4) This range is representative of architectural design fees and building permit cost only and is only an average estimate. Additional construction fees such as tap/pro-rata fees, the costs of which are distributed to participants based on the authority of each city for items such as water and sewer usage fees, meter fees, environmental impact fees, electrical service fees, utility deposit fees, etc. are not included. You should contact your state and local governmental agencies to inquire as to the amount and requirements of these items. This range applies only to the average locality; however, some areas operate under a quota system for permits and the costs associated with obtaining a license in these areas can be extremely expensive and time consuming. Other permits may be required before you open your Bakery.
- (5) The estimate is for a typical Franchise Bakery developed in a suburban shopping center with the premises delivered in "vanilla box" condition (that is, primed drywall ready to be painted, but without improvements). Typical improvements required include floor covering, wall covering, electrical modifications, partitions, installation of heating and cooling systems, painting, and lighting and other components typical of our trade dress. For your first two Bakeries, you must engage a qualified architect from our approval list to prepare preliminary and final architectural and engineering drawings and specifications for the Bakery consistent with our representative plans for a Bakery. For your first two Bakeries, we also require that you retain the services of a professional construction manager. In addition, for your first two Bakeries, you must use a general contractor, equipment, and material providers from our approved list or receive our written approval in the case of your general contractor from us. If the franchisee should wish to utilize the services of a vendor not on the approved list, a fee of \$10,000 will be required for the review and approval process of the alternate vendor. No changes to the equipment or material vendors will be permitted for your first two Bakeries. After your second Bakery is built and operational, you can choose your own architect and general contractor, but we must approve the floor plan layout and the final drawings and specifications before you begin the permitting process. Your lessor may offer, or you may be able to negotiate, a tenant improvement allowance to reduce your cost of site improvements, but the estimate does not include any such allowance. Your lessor may offer, or you may be able to negotiate, a tenant improvement allowance to reduce your cost of site improvements, but the estimate does not include any such allowance.
- (6) This estimate includes both exterior and interior signage. Also included in the signage estimate are the costs for exterior awnings.
- (7) This estimate includes the equipment typically needed for a franchised Bakery, including foodservice equipment and smallwares.
- (8) This estimate includes the costs for site preparation and site improvements.
- (9) This estimate is for the current Approved Software and hardware for a Bakery. See Items 6 and 11 for additional information on the Technology Suite.
- (10) This estimate is for inventory and supplies in quantities typically sufficient for the first week of operation of a franchised Bakery.
- (11) You must conduct a Grand Opening of your Bakery within 180 days of opening, in accordance with our prescribed Grand Opening marketing plan. We reserve the right to require you to deposit with us the funds required for the Grand Opening, to distribute as

necessary to conduct the grand opening marketing plan. You may have additional expenses for promotional materials.

- (12) This estimate is for the first year's premiums for insurance meeting our current requirements. See Item 6 and Item 8 for further information about your obligations with respect to insurance.
- (13) Some utility companies may require you to provide deposits or pay installation charges for utility services, including electrical, gas, water, sanitation, and telephone service. Local, municipal, county and state regulation may require that you obtain licenses and permits to operate your Bakery.
- (14) We strongly recommend that you engage the services of an attorney and/or accountant to assist you in evaluating this franchise offering. You may also wish to use an attorney to assist you in lease negotiations and/or to form an entity to own the franchise. This is the estimated cost of basic legal and accounting services.
- (15) Within 120 days before your first Bakery opens for business, you (or your approved Operator), your manager, and your baker must complete our management training program to our satisfaction. This is an estimate of the cost of your and your trainees' lodging, meals, travel expenses, wages and uniforms (Bruegger's Designated Logo Manager shirt, blue jeans and certified slip resistant shoes). Please see Item 11 for further details on training.
- (16) This is an estimate of the additional funds you will need during the initial period of operation, which we define as three months from the opening of the Bakery. The estimate includes items such as rent, payroll costs, food costs, utilities, licenses and permits. The estimate does not include royalties, Marketing Contributions, or any compensation that you may choose to pay yourself. We relied on the experience of the company-owned Bakeries in formulating the estimate of additional funds.

YOUR ESTIMATED INITIAL INVESTMENT Licensed Bakery				
Type of Expenditure (Note 1)	Amount	Method of Payment	When Due	To Whom Payment is to be Made
Initial License Fee (Note 2)	\$12,500	Lump sum	Upon signing the License Agreement	Us
Real Property (Note 3)	\$8,750 to \$45,000	As Arranged	As Arranged	Lessor
Design, Permitting Fees (Note 4)	\$36,000 to \$79,000	As Arranged	As Incurred	Contractors and Government Agencies
Building and Leasehold Improvements (Note 5)	\$400,000 to \$550,000	As Arranged	As Incurred	Contractors and Vendors

YOUR ESTIMATED INITIAL INVESTMENT Licensed Bakery				
Type of Expenditure (Note 1)	Amount	Method of Payment	When Due	To Whom Payment is to be Made
Signage (Note 6)	\$21,000 to \$50,000	As Arranged	As Incurred	Vendors
Furniture, Fixtures & Equipment (Note 7)	\$149,342 to \$272,900	As Arranged	As Incurred	Vendors
Site Work (Note 8)	\$0 to \$10,000	As Arranged	As Incurred	Vendors
Technology Suite (Note 9)	\$24,000 to \$42,000	As Arranged	As Incurred	Vendors
Start-up Inventory & Supplies (Note 10)	\$6,000 to \$10,000	As Arranged	As Incurred	Distributors
Insurance (Note 11)	\$3,000 to \$5,000	As Arranged	As Arranged	Insurance Company
Utility Deposits/ Licenses (Note 12)	\$3,000 to \$5,000	Lump Sum	As Incurred	Utility Companies, Gov't Agencies
Legal, Accounting (Note 13)	\$5,000 to \$30,000	As Arranged	As Incurred	Attorney, Accountant
Training (Note 14)	\$6,000 to \$12,000	As Arranged	As Incurred	Employees, Hotels, Airlines, Vendors, etc.
Additional Funds – 3 months (Note 15)	\$15,000 to \$45,000	As Arranged	As Incurred	Vendors, Suppliers, Employees, Utilities, Landlord, etc.
Total	\$689,592 to \$1,168,400			

Explanatory Notes – Licensed Bakery:

- (1) The estimated costs are for an airport location. Except as indicated, these fees are not refundable. We do not finance your investment.
- (2) These amounts are discussed in detail in Item 5. The initial license fee must be paid when the License Agreement is signed. Please see the information provided above in Item 5 regarding the Development Agreement. If you have also signed a Development Agreement, and you are in compliance with your obligations under the Development Agreement and all of your License Agreements, then we will apply a credit from your development fee toward the initial license fee. The amount of the credit will be \$10,000 for each Licensed Bakery you agree to develop. Unless otherwise agreed, the minimum number of Licensed Bakeries you will be required to develop is two. Item 5 for more details.
- (3) We expect that Licensed Bakery will vary in size between 600 and 1,500 square feet.

- (4) This range is representative of architectural design fees and building permit cost only and is only an average estimate. Additional construction fees such as tap/pro-rata fees, the costs of which are distributed to participants based on the authority of each city for items such as water and sewer usage fees, meter fees, environmental impact fees, electrical service fees, utility deposit fees, etc. and liquor license fees are not included. You should contact your state and local governmental agencies to inquire as to the amount and requirements of these items. This range applies only to the average locality; however, some areas operate under a quota system for permits and the costs associated with obtaining a license in these areas can be extremely expensive and time consuming. Other permits may be required before you may open your Licensed Bakery.
- (5) The estimate is for a Licensed Bakery developed in a host facility with the premises delivered in “vanilla box” condition (that is, primed drywall ready to be painted, but without improvements). Typical improvements required include floor covering, wall covering, electrical modifications, partitions, installation of heating and cooling systems, painting, lighting, and other components typical of our trade dress. Unless we waive the requirement, you must engage an architect from our approved list to prepare preliminary and final architectural drawings and specifications for your Licensed Bakery consistent with our representative plans for a Bakery. For your first two Bakeries, we also require that you retain the services of a professional construction manager. In addition, for your first two Bakeries, you must use a general contractor, equipment, and material providers from our approved list or receive our written approval in the case of your general contractor from us. If the licensee should wish to utilize the services of a vendor not on the approved list, a fee of \$10,000 will be required for the review and approval process of the alternate vendor. No changes to the equipment or material vendors will be permitted for your first two Bakeries. After your second Bakery is built and operational, you can choose your own architect and general contractor, but we must approve the floor plan layout and the final drawings and specifications before you begin the permitting process. Your lessor may offer, or you may be able to negotiate, a tenant improvement allowance to reduce your cost of site improvements, but the estimate does not include any such allowance. Your lessor may offer, or you may be able to negotiate, a tenant improvement allowance to reduce your cost of site improvements, but the estimate does not include any such allowance.
- (6) This estimate includes both exterior and interior signage.
- (7) This estimate includes the equipment typically needed for a Licensed Bakery, including foodservice equipment and smallwares.
- (8) This estimate is to allow for atypical site conditions or restrictions that you may encounter in a host facility.
- (9) This estimate is for the current Approved Software and hardware for a Bakery. See Items 6 and 11 for additional information on the Technology Suite.
- (10) This estimate is for inventory and supplies in quantities typically sufficient for the first week of operations operation of a Licensed Bakery.
- (11) This estimate is for the first year's premiums for insurance meeting our current requirements. Insurance costs will vary depending upon the size and location of the

Bakery, your claims history, and other factors. See Item 6 and Item 8 for further information about your obligations with respect to insurance.

- (12) Some utility companies may require you to provide deposits or pay installation charges for utility services, including electrical, gas, water, sanitation, and telephone service. Local, municipal, county and state regulation may require that you obtain licenses and permits to operate your Bakery.
- (13) We strongly recommend that you engage the services of an attorney and/or accountant to assist you in evaluating this franchise offering. You may also wish to use an attorney to assist you in lease negotiations and/or to form an entity to own the franchise. This item is the estimated cost of basic legal and accounting services.
- (14) You must designate a manager and at least one baker for the Bakery. Within 30 days before your Licensed Bakery opens for business, you must select up to two of the following individuals to attend our initial training program: you (or your approved Operator Principal), your general manager, or assistant managers and complete our management training program to our satisfaction. This is an estimate of the cost of your and your trainees' lodging, meals, travel expenses, wages and uniforms (Bruegger's Designated Logo Manager shirt, blue jeans and certified slip resistant shoes). Please see Item 11 for further details on training.
- (15) This is an estimate of the additional funds you will need during the initial period of operation, which we define as three months from the opening of the Licensed Bakery. The estimate includes items such as rent, payroll costs, food costs, utilities, licenses and permits. The estimate does not include royalties, Marketing Contributions, or any compensation that you may choose to pay yourself. We relied on the experience of our operating company affiliates in formulating the estimate of additional funds.

YOUR ESTIMATED INITIAL INVESTMENT Development Agreement				
Type of Expenditure	Amount (Note 1)	Method of Payment	When Due	To Whom Payment is to be Made
Development Fee (Note 2)	\$10,000 per Bakery you commit to open; minimum commitment is two Bakeries	Lump sum	Upon signing the Development Agreement	Us
Total (Note 3)	\$20,000			

Explanatory Notes – Development Agreement:

- (1) You may incur additional legal, accounting and other fees for reviewing the Development

Agreement. The table does not include an estimate for this. Except as indicated, these fees are not refundable. We do not finance your investment.

(2) For each Bakery you develop under the Development Agreement, you will also incur the expenses in the above tables for a Franchised Bakery or Licensed Bakery, including initial fees.

(3). This is the initial fee total for all Franchised Bakeries established under a Development Agreement. There are no additional initial fee amounts relevant to a Development Agreement, aside from the initial fees due under a Franchise Agreement or License Agreement for each Bakery to be developed, as noted in Note 2 above.

* * *

The amounts noted in Item 7 as payable to us are not refundable.

ITEM 8 RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES

You must purchase your food and beverage products, ingredients, packaging materials, menus, signs, technology suite, equipment, furniture, smallwares, décor items, and other products and services in accordance with our specifications and quality standards and, if applicable, only from suppliers we have designated or approved (which may include us or our affiliates). We and our affiliates may earn a profit on products and services sold to you and other Bakery franchisees or receive rebates or other consideration from unaffiliated suppliers with respect to their sales of products or services to you or other Bakery franchisees, whether or not the product or service is presently mentioned in this Item. We have the right to designate only one supplier (which may be us or our affiliates) for certain items (such as distribution of food products, soft drinks, etc.) in order to take advantage of marketplace efficiencies.

If we do not require you to use a designated source or approved supplier for a particular item, you may purchase the item from any vendor you choose, so long as your purchases conform to our standards and specifications. We have the right to restrict the sourcing of current and future items. We and our affiliates may earn a profit on products and services sold to you and other Bruegger's franchisees, and may receive rebates or other consideration from unaffiliated vendors with respect to their sales of products or services to you or other Bruegger's franchisees, whether or not the product or service presently mentioned in this Item.

Proprietary Food Items. Certain of the food items in Bruegger's Bakeries are proprietary (such as dough and cream cheese). We will have the right to periodically introduce additional or new proprietary items. Proprietary items are considered integral components of a Bruegger's franchise and are inextricably interrelated with the Proprietary Marks and the System. The proprietary items that are offered and sold in Bakeries are manufactured in accordance with the secret blends, standards, and specifications that we or our affiliates own. In order to maintain the high standards of quality, taste, and uniformity associated with proprietary items sold at all Bakeries in the System, you must purchase proprietary items only from us, our affiliate, our parent company, or our designees, and you may not offer or sell any proprietary item that has not been purchased from us, our affiliate, our parent company, or our designated supplier at or from the Franchised Bakery. We and our affiliates are not currently the only approved suppliers for any category of products (including proprietary items). We have designated a number of third party suppliers from whom proprietary items may be purchased, including third party suppliers and, in limited circumstances, our affiliates BEI and Caribou.

Lease. If you lease the site for your Bakery, you must submit the proposed lease to us for approval before you sign it. We may require the Landlord to sign an agreement with us providing us certain rights. We will provide a template of this agreement when your site is approved. See Item 11 under the heading "Site Selection" for more details.

Design and Construction. For your first two Bakeries, you must engage an architect from our approved list to prepare preliminary and final architectural drawings and specifications consistent with our representative plans for a Bakery. In addition, for your first two Bakeries, you must use a general contractor from our approved list or receive our written approval of your general contractor. After your second Bakery is open and operational, you can choose your own architect and general contractor, but we must approve the final drawings and specifications before you begin the permitting process.

Technology Suite. Under the Franchise Agreement, you must subscribe to and install an approved technology suite of computer hardware, software and other technology components for the Bakery. We do not require a specific system, but your system must meet industry standards and be approved by us.

You may be required to purchase and install a new technology suite, or particular components, in the course of your franchise, regardless of the age or condition of your existing technology suite when the new requirement takes effect.

You must purchase and install the technology suite before opening the Bakery. Contracts with service providers and processors are directly between you and the provider. We are not affiliated with these vendors.

Other Equipment, Products and Supplies. You must use and/or offer for sale only food products, beverages, ingredients, packaging materials, menus, forms, labels and other supplies and other products and services that conform to our specifications and quality standards and/or are purchased from vendors we have approved. If we do not require you to use a designated or approved vendor for a particular item, you may purchase the item from any vendor you choose so long as your purchases meet our standards. For those items on which we issue specifications, the specifications will be published in the Manuals or otherwise in writing. We will furnish a copy of the relevant standards and specifications to vendors who wish to become approved vendors to the Bruegger's system; see below under "Vendor Approval Process."

We have identified for you a single recommended brand of many of the equipment and fixture items required to construct and equip a Bakery. We list these items and the manufacturers in the Design & Equipment Manual. You may purchase the recommended brands from any wholesaler or distributor that we have approved.

Guest Satisfaction Program. You must offer a guest satisfaction survey on your guest receipts and catering invoices. The current program, which we reserve the right to change with reasonable notice, is administered by Service Management Group, a vendor based in Kansas City, Missouri. SMG is not affiliated with BFC. You agree to pay all fees due to us or the vendor for third party surveys including fees for services, audit failure, or non-compliance with vendors.

Quality Assurance Audits. You must submit to culinary, administrative, quality of operations, and sanitation audits and safety inspections by us and third party auditors that we may select. We and our third party auditors may, at any time, access your Bakeries for the purpose of assessing compliance with our standards, specifications, requirements and instructions or for any other

reason. We will attempt to minimize any disruptions to the operation of the Bakeries during these audits. We have the right to change the vendor and the inspection schedule at any time. This is in addition to our own right to inspect the premises and operations at any time. You agree to pay all fees due to us or the vendor for third party food safety audits, including fees for services, audit failure, or non-compliance with vendors.

Accounting Services. Your annual financial statements must be reviewed by an independent certified public accountant. We do not designate or approve vendors of accounting services.

Insurance. Before undertaking any activities in connection with your franchise or license, you must obtain insurance policies meeting our current requirements, at your expense. You must maintain general liability insurance against all types of liability, including comprehensive third party liability and product liability. We currently require minimum policy limits of \$2,000,000 per occurrence, \$5,000,000 general aggregate, and \$5,000,000 of umbrella coverage. This insurance must protect you, us, and our affiliates, officers, directors, owners, employees, successors and assigns against all claims for personal injury, death, or property damage, or any loss, liability or expense arising from the operation of your Bakeries. All insurance policies must be written by a carrier with an industry A. M. Best Rating of "A XV" or above. Liability policies must name us as an additional insured, and you must provide us with 30 days prior written notice of termination, expiration, or cancellation of the policy. Upon obtaining your policies and annually upon renewal of your policies and upon demand, you must provide us with certificates of insurance evidencing the proper types and at least the minimum amounts of coverage that we require.

We have the right to increase the amounts of coverage required and require different or additional kinds of insurance at any time, including excess liability insurance, to reflect inflation, new risks, changes in the law or standards of liability, higher damage awards or other relevant changes in circumstances.

All public liability and property damage policies must contain a waiver by the insurance company of subrogation rights against us and our affiliates, officers, directors, owners, employees, successors and assigns. If you fail to maintain the required coverage, we have the right (but no obligation) to obtain insurance on your behalf. If we do so, you must reimburse us for the cost of insurance, plus a reasonable fee for our services.

Pest Control. You must contract for monthly interior and exterior pest service by a certified (licensed and bonded) company. We do not designate or approve vendors for this service.

Supplier Approval Process

If we require you to use an approved supplier or distributor for a particular item, but you wish to purchase the item from a source that we have not approved, you may submit a written request for approval of the supplier or distributor, unless it is an item for which we have designated a specific vendor. We will furnish a copy of the relevant standards and specifications to the proposed supplier, provided that the proposed supplier signs a confidentiality agreement. To obtain approval, proposed suppliers must demonstrate the ability to meet our standards and must possess adequate quality controls and capacity to supply your needs promptly and reliably. However, we have no obligation to approve any specific supplier or any minimum number of suppliers for any item, and any proposed supplier relationship must not jeopardize the availability of any special pricing or other benefits offered by existing suppliers based on system-wide purchases. We may require you to pay a fee to cover our costs of reviewing a proposed supplier,

which you must pay whether or not we approve the supplier. We may require that the proposed supplier allow our representatives to inspect the supplier's facilities.

We generally will give you written notice of approval or disapproval of the proposed supplier within 90 days after receiving your request and completion of evaluation and testing, if required. You may not sell or offer for sale any products or services of the proposed supplier until you receive our written approval.

We have the right to revoke approval of particular vendors if we determine that the vendor or its products or services no longer meet our standards. Upon receipt of written notice of revocation, you must stop buying from the disapproved vendor. In addition, if we revoke our approval of the products because they fail to meet our standards, you may be required not to use your remaining inventory of those products.

Revenue from Required Purchases

BFC is not itself an approved vendor of any products or services to franchisees as of the date of this disclosure document. BFC does not currently derive any revenue from franchisee purchases or leases. No officer of BFC owns an interest in any of our approved vendors.

In 2023, some of our franchisees in California no longer purchased certain products from outside vendors and instead, purchase bagels and coffee through our affiliates. Our affiliate ENRG owns a bagel manufacturing plant that manufactures bagels that are ultimately distributed to certain west coast Bruegger's franchisees. In the fiscal year ended December 26, 2023, ENRG had revenue of \$1,870 from the sale of bagels to these Bruegger's franchisees, which represented less than one percent of ENRG's revenue of \$636 million.

For the fiscal year ending December 26, 2023, BEI and its affiliates did not receive revenues from franchisee purchases of goods or services.

You and the Company-owned Bakeries may each be entitled to volume rebates or marketing contributions from vendors based on your own purchases. In some cases, your payments may come to us or BEI first, in which case we or BEI will pass the rebate on to you in approximately 90 days. Payments that BEI passed through to franchisees in 2023 are not included in the revenue figure above. In some cases, the vendor requires us or BEI to use the vendor's rebates or marketing contributions at the national level rather than forwarding them to individual Bakeries. In these cases, we deposit the monies in the SMF (see Item 11 for details about the SMF).

We estimate that 90% to 100% of your total purchases and leases in establishing a Bakery and 65% to 80% of your total purchases and leases in operating a Bakery will be subject to at least one of the restrictions described in this item.

As of the date of this disclosure document, there are no purchasing cooperatives or distribution cooperatives in our franchise system, and none of our officers owns an interest in any of our approved suppliers. We do not provide material benefits to franchisees based on their purchase of particular products or services or use of particular suppliers.

**ITEM 9
FRANCHISEE'S OBLIGATIONS**

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

Obligation	Section in Agreement	Disclosure document item
a. Site selection and acquisition/lease	Section 4 of Development Agreement	Items 5, 7, 8, 11 and 12
b. Pre-opening purchases/ leases	Sections 6 and 8 of Franchise Agreement; Sections 6.2 and 6.3 of License Agreement	Items 5, 7, 8, 11 and 12
c. Site development and other pre-opening requirements	Section 4 of Development Agreement; Sections 6, 8 and 14 of Franchise Agreement; Sections 6.2 and 6.3 of License Agreement	Items 5, 6, 7, 8, 11 and 12
d. Initial and ongoing training	Section 5 of Development Agreement; Section 7 of Franchise Agreement; Section 5.1 and 5.2 of License Agreement; Paragraph 8 of Franchise Agreement Addendum	Items 6, 7 and 11
e. Opening	Section 6 of Franchise Agreement; Section 6.3 of License Agreement; Paragraphs 4, 7 and 11 of Franchise Agreement Addendum	Item 11
f. Fees	Sections 3 and 8 of Development Agreement; Sections 3, 5, 14, and 16 of Franchise Agreement; Section 1.3 of License Agreement; Paragraphs 5 and 6 of Franchise Agreement Addendum	Items 5, 6 and 7
g. Compliance with standards and policies/Operating Manuals	Section 6 of Development Agreement; Sections 8, 10 and 11 of Franchise Agreement; Sections 3, 4 and 5 of License Agreement	Items 11 and 14
h. Trademarks and proprietary information	Sections 10, 11 and 12 of Franchise Agreement; Sections 3 and 4 of License Agreement; Paragraphs 3 and 9 of Franchise Agreement Addendum	Items 13 and 14
i. Restrictions on products/ services offered	Section 8 of Franchise Agreement; Section 6.3 of License Agreement	Items 8 and 16

Obligation	Section in Agreement	Disclosure document item
j. Warranty and guest service requirements	Section 8 of Franchise Agreement; Section 6.3 of License Agreement	Not applicable
k. Territorial development and sales quotas	Section 1 and Exhibits A and B of Development Agreement	Item 1 and 12
l. Ongoing product/service purchases	Section 8 of Franchise Agreement; Section 6.3 of License Agreement	Items 6, 7 and 8
m. Maintenance, appearance and remodeling requirements	Sections 3 and 8 of Franchise Agreement; Sections 2.1 and 6.3 of License Agreement; Paragraph 12 of Franchise Agreement Addendum	Item 11
n. Insurance	Section 15 of Franchise Agreement; Section 11.1 of License Agreement	Items 6, 7 and 8
o. Advertising	Section 14 of Franchise Agreement; Section 3.9 of License Agreement; Paragraph 10 of Franchise Agreement Addendum	Items 6 and 11
p. Indemnification	Section 14 of Development Agreement; Section 22 of Franchise Agreement; Section 11.2 of License Agreement	Item 6
q. Owner's participation/management/staffing	Section 12 of Development Agreement; Sections 8 and 20 and Exhibit A of Franchise Agreement; Section 6 of License Agreement	Items 11 and 15
r. Records and reports	Sections 8 and 13 of Franchise Agreement; Section 7 of License Agreement	Item 6
s. Inspections and audits	Sections 8 and 13 of Franchise Agreement; Sections 7.4 and 7.5 of License Agreement	Items 6 and 11
t. Transfer	Section 8 of Development Agreement; Section 16 of Franchise Agreement; Section 9 of License Agreement	Item 17
u. Renewal	Section 3 of Franchise Agreement; Section 2.2 of License Agreement	Item 17
v. Post-termination obligations	Sections 10 and 12 of Development Agreement; Sections 12, 18 and 19 of Franchise Agreement; Section 10.4 of License Agreement	Item 17

Obligation	Section in Agreement	Disclosure document item
w. Non-competition covenants	Section 10 and 11 of Development Agreement; Section 19 of Franchise Agreement	Item 17
x. Dispute resolution	Section 20 of Development Agreement; Sections 27, 28 and 29 of Franchise Agreement; Section 14 of License Agreement	Item 17
y. Other – Personal Guarantee	Exhibit D of the Development Agreement; Exhibit B to Franchise Agreement; Exhibit E to the License Agreement	Item 15

ITEM 10 FINANCING

We do not offer direct or indirect financing to franchisees. We will not guarantee your promissory note, lease, or other obligation.

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

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

Pre-Opening obligations

Before your first Bakery opens, we will:

- a) Provide site selection guidelines and criteria. (Section 4.3.1 of the Development Agreement; Section 4.1 of the Franchise Agreement; not applicable to Licensed Bakeries)
- b) Review sites you propose for the Bakery, as described in more detail below. (Section 4.1 of the Development Agreement)
- c) Provide on-site evaluations, if we deem them advisable, in response to your request for our approval of a proposed site. (Section 4.3.2 of the Development Agreement)
- d) Provide one set of our prototypical plans for the construction and layout of a Bakery. (Section 4.3.3 of the Development Agreement; Section 4.1 of the Franchise Agreement; Section 6.2 of the License Agreement)
- e) Review your complete set of preliminary and final drawings and specifications, and notify you of our approval or rejection of them. (Section 6.1 of the Franchise Agreement; Section 6.4 of the License Agreement)

- f) Provide access to the Manuals for the term of the Agreement. (Section 4.2 of the Franchise Agreement; Section 5.5 of the License Agreement)
- g) Provide Management Training for two individuals. See below under "Training." (Sections 4.3 and 7 of the Franchise Agreement; Section 5.1 of the License Agreement). In addition, for a Licensed Bakery, upon reasonable request, we will provide a reasonable amount of training or assistance to additional personnel at your sole cost and expense. (Section 5.4 of the License Agreement)
- h) We may provide our then-current on-site opening assistance for all hourly associate positions. Thereafter, we will provide pre-opening and opening supervision and assistance as we deem advisable. (Section 4.4 of the Franchise Agreement). For a Licensed Bakery, we will provide on-site support for a period of one week, commencing with the Grand Opening (Section 6.3(b) of the License Agreement).
- i) Develop a grand opening marketing plan that you must implement (Section 14.6 of the Franchise Agreement; Section 6.3(q) of the License Agreement).

Continuing obligations

After your Bakery opens, we will:

- a) Designate one or more vendors of Bruegger's cream cheese and other products. (Section 4.5 of the Franchise Agreement; Section 6.3 of the License Agreement)
- b) Administer the SMF, as described below in this Item 11 in the section entitled "Advertising." (Section 14.3 of the Franchise Agreement; Section 3.9 of the License Agreement)
- c) Make available to you for purchase any advertising and promotional materials that we may produce independently from the SMF. (Section 4.6 of the Franchise Agreement; Section 6.3 of the License Agreement)
- d) Provide advice and written materials concerning techniques of managing and operating the Bakeries. (Section 4.7 of the Franchise Agreement)
- e) At your request, review any proposed supplier to determine whether the supplier and its products or services meet our standards. (Section 8.8 of the Franchise Agreement; Section 6.3 of the License Agreement)
- f) Defend you against any claim that your use of the Proprietary Marks (as defined in Item 13) or the Works (as defined in Item 14) infringes the rights of third parties. (Section 10.5 of the Franchise Agreement; Section 3.7 of the License Agreement)

Site Selection

Before acquiring a site for the Bakery, you must submit any information that we reasonably request to evaluate the proposed site. In order to accomplish this, you must provide fully executed site control documentation, related addenda, a preliminary site plan, and a site selection form. The criteria that we evaluate in the site approval process include, but are not limited to, accessibility, visibility, traffic counts, traffic patterns, demographics, available parking, and local

competition. We will provide the standard site selection assistance for each Bakery. We may physically review your proposed sites and provide on-site evaluations, if we deem them advisable. We will accept or reject the proposed site in writing within 30 days after we receive all requested information from you for a proposed site. After site approval, we will provide you with a Franchise Agreement or License Agreement for that site. The site that we approved will be designated as the "Premises" in Exhibit A to the Franchise Agreement. If we reject your proposed site, we will encourage you to submit alternative site(s). If we do not approve a site, and accordingly you are not open and in operation within nine months after signing the Franchise Agreement, the Franchise Agreement will terminate.

Any binding commitment to purchase or lease the site must be made contingent upon our approval of the site and the preliminary site drawings. You must submit a copy of the proposed lease or purchase agreement for the site to us for approval. Our approval of the lease or purchase agreement will be conditioned upon the inclusion in the lease or purchase agreement of terms acceptable to us.

We may condition our decision to approve or reject the lease on the following factors:

1. The lessor must consent to your use of the Proprietary Marks and required signs.
2. The lease must restrict the use of the Premises solely to the operation of the Bakery at the time you sign the Franchise Agreement.
3. The lease must prohibit you from subleasing or assigning all or any part of your occupancy rights without our prior written consent. The lease must also prohibit extension of the term or renewal of the lease without our prior written consent.
4. The lessor must provide us with copies of all notices of default given to you under the lease.
5. We must have the right to enter the Premises to make modifications necessary to protect the Proprietary Marks or the System or to cure any default under the applicable Franchise Agreement or under the lease.
6. We must have the option, upon default, expiration, or termination of the applicable Franchise Agreement, and upon notice to the lessor, to assume all of your rights under the lease, including any right to assign or sublease, and to require landlord to terminate your lease and enter into a new lease with us for the balance of the term of the lease upon the same terms and conditions.
7. You must have the right to remodel the Premises without the lessor's prior approval.
8. You must have the right, without the lessor's prior approval, to assign the lease or sublet the leased Premises to us, any of our affiliates, any other person or entity we designate, or any franchisor, franchisee or developer of Bruegger's Bakeries.
9. The lessor must agree not to lease space in property owned, managed or controlled by it within one mile of the Premises to any Competing Business, as defined below. "**Competing Business**" includes any entity that is open for both breakfast and lunch and whose primary business consists of the sale of both: 1) freshly-baked bakery goods such as breads and/or bagels, muffins, scones, Danishes or other pastries, and 2) made-to-

order café items such as sandwiches, salads, soups, and desserts. The lessor must also agree to insert in any lease, deed or other agreement affecting the shopping center property a restrictive clause prohibiting use of the property in any way that conflicts with the lease for the Premises.

Time to Opening

After securing the site, you must construct the Bakery at your own expense. The procedure for constructing and opening a Bakery is outlined in Section 6 of the Franchise Agreement. We will provide you with one set of our prototypical plans for the construction and layout of a Bakery. Within 30 days after receipt of the complete set of drawings and specifications, we will review them and either approve or reject them. For your first two Bakeries, you must engage an architect from our approved list to prepare preliminary and final architectural drawings and specifications for your Bakeries consistent with our representative plans for a Bakery. In addition, for your first two Bakeries, you must use a general contractor from our approved list or receive our written approval of your general contractor. After your second Bakery is built and operational, you can choose your own architect and general contractor, but we must approve the final drawings and specifications before you begin the permitting process. You cannot start the permitting process for the Bakery until we have approved the drawings and specifications, and once they have been approved they cannot be changed without our written consent. You must construct the Bakery and install all furniture, fixtures, equipment and signs in accordance with the plans and specifications that we have approved. You are responsible for obtaining all zoning and health permits at your own expense.

The typical time for a new Bakery to open is nine months after we sign the Franchise Agreement. The actual time will vary depending on the availability of financing, the type of retail development in which the Bakery is to be located, and the time you need to obtain the necessary permits and licenses for the construction and operation of the Bakery. None of these factors is within our control.

We will provide our then-current on-site opening assistance for the first two Bakeries you develop. For a Licensed Bakery, we will provide on-site support for a period of one week commencing with the Grand Opening.

We have the right to terminate the Franchise Agreement if you do not open the Bakery within nine months after signing the Franchise Agreement. If you have a Development Agreement, failure to open the Bakery on time may also affect whether you meet your Development Schedule. If you have not opened the required number of Bakeries by the deadlines set out in the Development Schedule, we can terminate the Development Agreement, and by cross-default, any other Franchise Agreements.

Advertising

Under the Franchise Agreement, you have a required weekly Marketing Contribution equal to 3.5% of the Gross Sales of your Bakery during the preceding Accounting Week. Franchisees who entered the Bruegger's system before you (or who enter after you) may have different obligations, depending on their form of Franchise Agreement. There is no required Marketing Contribution under the License Agreement.

We have the right to allocate your Marketing Contribution in the proportion that we designate among the following: (a) the Systemwide Marketing Fund ("**SMF**"); (b) any Marketing

Co-op we establish for your area (but we are not required to establish a Marketing Co-op for any area); and (c) local store marketing (“**LSM**”). Although likely to change, we presently allocate the Marketing Contribution as follows:

- We collect 50% of the Marketing Contribution (that is, 1.75% of your Gross Sales) for the SMF; and
- You must spend 50% of the Marketing Contribution (that is, 1.75% of your Gross Sales) on LSM.

SMF. The SMF is a common fund for the advertising and promotion of Bruegger’s Bakeries. There is no contractual obligation for Company-owned Bakeries to contribute to the SMF. Company-owned Bakeries have contributed at times in the past, but our current policy is that they do not contribute.

We have the right to direct all advertising, media placement, marketing and public relations programs and activities financed by the SMF, with final discretion over strategic direction, creative concepts, materials and endorsements used, and the geographic, market and media placement and allocation. We may use the SMF to pay various costs and expenses as we determine, including: preparation and production of video, audio, written, and online advertising materials; production of promotional materials; sponsorship of sporting, charitable, or similar events; design, establishment, and maintenance of websites, search rankings, social media profiles and other online and mobile presence; endorsement contracts; reasonable salaries and expenses of our and our affiliates’ employees working for or on behalf of the SMF or on advertising, marketing, public relations, materials, programs, activities or promotions prepared, planned or undertaken on behalf of the SMF; professional fees and administrative costs and overhead incurred in activities reasonably related to the administration and activities of the SMF (including accounting fees, legal fees, and interest on monies borrowed by the SMF); implementation of advertising programs, including purchasing direct mail and media advertising and employing advertising agencies to assist us; and other public relations, marketing, consumer research, and promotional activities, including testing and test marketing programs, fulfillment charges, and development and implementation and testing of trade dress and design prototypes.

We have no obligation to spend any specific portion of the SMF in the geographic area of your Bakery. The media that we use may be local, regional, or national in coverage. We or an advertising agency may prepare the advertising for the SMF. We also use the SMF to support our web site, which has a section describing our franchise opportunity. Otherwise, we do not use any SMF monies for advertising that is principally a solicitation for the sale of franchises.

We have established an Advisory Board to provide input on the administration of the SMF. All franchisees who are in full compliance with their obligations under their agreements with us are eligible to become members of the Advisory Board. The Advisory Board does not have decision-making authority, and we retain the right to dissolve the Advisory Board at any time.

In addition to your regular Marketing Contribution, you may incur charges for copies of SMF-produced materials that you order. We maintain all sums received for the SMF in an account separate from our other monies, but not as a trustee for the SMF or as a fiduciary in any capacity. We also maintain separate bookkeeping accounts for the SMF. Contributions not spent in the year collected remain in the SMF for use in the following year.

We are not required to have the SMF audited, and we do not currently plan to do so. If you request, we will provide you with an annual accounting of the receipts and disbursements of the SMF.

During the fiscal year that ended December 26, 2023, the SMF's expenditures were: 51% digital marketing; 15% traditional marketing; 11% agencies/production; 9% business intelligent & supportive systems; 15% administrative/overhead; and 2% consumer insights & research.

Other than our obligation to administer the SMF as described above, we have no obligation to conduct advertising or to spend any amount on advertising in your territory. If we conduct other advertising, the media that we use may be local, regional, or national in coverage. We or an advertising agency may prepare the advertising.

Joint Marketing Programs and Cooperatives. We have the right to establish: (1) co-marketing programs in which we, franchisees and licensees join with suppliers or other third parties to cross-promote goods and services; (2) joint marketing efforts in which multiple franchisees and/or licensees contribute to a specific ad or event; and/or (3) local or regional marketing co-operatives ("**Marketing Co-ops**") that pool funds of franchisees on an ongoing basis to jointly promote the Proprietary Marks and the Bakeries of the members. You must participate in each applicable joint marketing program and comply with the rules of the program. The following provisions apply to Marketing Co-ops:

- We have the right to designate any geographic area or set of common characteristics for purposes of establishing a Marketing Co-op. If a Marketing Co-op is applicable to your Bakery, you must become a member and begin contributing. You will not have to contribute to more than one Marketing Co-op for the same Bakery at the same time. We (or our affiliates, as the case may be) will become a member of any Marketing Co-op that is applicable to a Bakery owned by us or our affiliates.
- Each Marketing Co-op will adopt a cooperative agreement governing its organization and operation, subject to our approval. If the members of the Marketing Co-op do not sign an agreement within a reasonable time, you agree to sign our recommended form of Cooperative Agreement. We reserve the right to change the form of organization, governing documents, and manner of operation of any Marketing Co-op. No changes in the bylaws or other governing documents of a Marketing Co-op may be made without our prior written consent.
- Each Marketing Co-op will be organized for the exclusive purpose of developing, administering, and executing advertising programs for its members. No advertising or promotional plans or materials may be used by the Marketing Co-op or furnished to its members without our prior approval as described below.

We may grant any franchisee an exemption for any length of time from the requirement of membership in a Marketing Co-op, upon written request stating reasons that we deem sufficient to support the exemption. Our decision concerning any request for exemption will be final.

Local Store Marketing. Although we presently require you to spend LSM funds directly, we reserve the right to collect and hold your funds for LSM. If we do so, we will seek your guidance on how those funds are to be spent; however, if you do not provide timely guidance, we will be free to direct the expenditure of the funds. There are different marketing needs in different types

of markets; for example, Bakeries that operate in resort or vacation areas may need a different kind and volume of marketing than do Bakeries that operate in suburban areas or in cities.

You can use your own advertising and promotional material if it conforms to our standards. We must approve the type and format (print, radio, television, and Internet) of all advertising and promotion. You must submit written samples of all proposed advertising and promotional plans and materials to us for approval at least 30 days before their intended use. If we prepared or approved those plans and materials within the last 12 months, then you need not obtain additional approval. If we do not reject plans or materials within 15 days after receiving them, then you may consider those plans and materials approved. (Sections 14.5 and 14.9 of the Franchise Agreement)

Grand Opening. Franchisees must conduct grand opening marketing activities during the first 180 days after the Bakery opens, in accordance with a Grand Opening marketing plan. The required Grand Opening expenditure is currently \$10,000. For franchised Bakeries, we reserve the right to require you to deposit the funds with us to distribute as necessary to conduct the grand opening marketing plan. Under the License Agreement, during the 90-day period beginning 30 days before opening the Licensed Restaurant and ending 60 days after that opening, you must conduct an opening campaign.

Approval Requirement. All advertising and promotion by you and by any Marketing Co-op must be in the type of media and format that we approve, must be conducted in a dignified manner, and must conform to our standards and requirements. You or the Marketing Co-op must submit written samples of all proposed advertising and promotional plans and materials for our approval at least 30 days before their intended use, unless the plans and materials were prepared by us or have been approved by us within the last twelve months.

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

Pricing and Promotional Activities. To the extent permitted by applicable law where each Bakery is located, we have the right to establish maximum and/or minimum prices that you must follow for menu items, merchandise, and other products and services sold in the Bakery. Unless you are restricted from doing so by your lease or other third party contract related to the facility in which you operate the Licensed Bakery, you must participate in and comply with the terms of special promotional events and activities that we prescribe generally or in specific geographic areas or for specific types of venues. These events and activities may include value menu, special offer, limited time offer, and other pricing promotions and the featured price(s) may be less than your cost for the promoted item(s). If required by our agreement with a supplier, you may have to

purchase a certain amount of products from the supplier in connection with a promotion and you might not be able to use or sell all of the products. You must bear your own costs of participating in these promotional events and activities. You must display promotional signs and materials and otherwise participate in the manner we specify.

Technology Suite. Under the Franchise Agreement, you must purchase and install a technology suite for the Bakery. As of the date of this disclosure document, the approved Bakery solutions are the following systems:

- *NCR/Aloha* Point of Sale and Kitchen Display Systems
- *NCR Menulink/NBO* Inventory Management System
- *MonkeyMedia* Catering and Online Ordering System

You may be required to purchase and install a new technology suite, or particular components, in the course of your franchise, regardless of the age or condition of your existing technology suite when the new requirement takes effect.

You must purchase/subscribe to these items directly from the vendor. The cost of purchasing or subscribing to computer hardware and software for the Bakery will vary depending upon the Bakery's size, style, and the volume of products offered. For example, a Bakery with a drive-thru window will require an additional POS terminal. We currently estimate the cost of purchasing the required POS system, computer hardware, and Approved Software to range from \$26,000 to \$34,000 per Bakery, or estimated at \$200 to \$300 per month on a subscription based program, though in exceptional circumstances for franchisees who inherit legacy contracts from former franchisees, costs may vary from \$300 to \$500 per month.

You must comply with the then-current Payment Card Industry Data Security Standards (PCI/DSS), as those standards may be revised by the PCI Security Standards Council, LLC (see www.pcisecuritystandards.org) or successor organization.

Some of the hardware and software that you will use is the proprietary property of third parties. We have not approved any hardware or software in place of these proprietary systems and programs, although we reserve the right to do so in the future. We have the right to specify the brands, types, makes, and models of your computer system. You will have to abide by our requirements concerning the computer system, including, among other things: (a) back office systems; (b) POS systems; (c) security systems; (d) printers and other peripheral devices; (e) archive and back-up systems; (f) internet access mode (for example, broadband) and speed; (g) front-of-the-house WiFi and other internet service for customers; and (h) processing gift and loyalty cards. You must participate in our online ordering system and pay the fees that we and/or our vendor reasonably specify for that system. You must comply with our requirements respect to establishing and maintaining telecommunications connections between your computer system and us and/or such other computer systems as we may reasonably require.

We reserve the right to have independent access to your computer for the purpose of downloading sales and other data. There is no contractual limitation on our right to receive this information.

We reserve the right to require you to bring any computer hardware and software, related peripheral equipment, communications systems, as well as the cash register system, into

conformity with our then-current standards for new Bakeries. We have no obligation to assist you in obtaining upgrades and updates of hardware, software or related services and there are no contractual limits on the frequency or cost of your obligations to implement these upgrades. We currently estimate the annual cost of maintaining, updating, upgrading your computer system, and obtaining support, to range from \$4,800 to \$7,200 per year.

Under the License Agreement, you are not required to purchase a particular POS system or Approved Software, but you are expected to have a computerized POS system. The POS system for a Licensed Bakery must have the systems or components necessary for you to accept and process our gift and loyalty cards and participate in our gift card, customer loyalty, and similar programs, unless you are restricted from doing so by your lease or other third party contract related to the facility in which you operate the Licensed Bakery. The POS system that a Licensed Bakery uses will, in many circumstances, be mandated by the host facility in which the Licensed Bakery is located. For that reason, we cannot estimate the cost of purchasing the POS system for a Licensed Bakery; however, in our experience, such POS systems typically cost between \$10,000 and \$16,000 per Licensed Bakery. You must participate in our online ordering system and pay the fees that we and/or our vendor reasonably specify for that system.

Manuals

The table of contents of the Manuals is attached in [Exhibit D](#). The Manuals have 1,028 pages as of the date of this disclosure document.

Training

Under the Franchise Agreement, if the franchisee is a corporation, partnership, limited liability company, or limited liability partnership, you must designate one of your principals with an ownership interest and who we have previously approved to supervise the operation of the Bakery as an “**Operating Partner**.” The Operating Partner must (a) own and control, or have the right to own and control (subject to terms and conditions reasonably acceptable to us), not less than 10% of the equity of the franchisee; (b) have the authority to bind the franchisee regarding all operational decisions with respect to the Bakery; and (c) have completed our training program to our satisfaction.

Before you open the Bakery, you or your Operating Partner, and up to one additional one full-time general manager responsible for the day-to-day operation of the franchise (the “**Store Manager**”) or additional manager must attend and successfully complete, to our satisfaction, the initial training program we offer. Under the License Agreement, before you open the Licensed Bakery, at least two individuals must attend and successfully complete, to our satisfaction, the initial training program we offer.

The Bakery must at all times be under the active full-time management of you, your Operating Partner, Store Manager, or additional managers who have passed operations and proficiency tests and successfully completed the applicable training program to graduate from the program as a “**Certified Manager**.” At your option, we will also provide our training program for additional Certified Managers or shift supervisors for a fee. All training will take place at our support center in Denver, Colorado or a designated training store as we may determine. The Store Manager must have at least three years of experience working in a management capacity in a quick service restaurant or fast casual restaurant, and the Store Manager may serve as the Operating Partner regardless of the equity interest the Store Manager holds in the franchisee entity.

In addition to attending our initial training program, the Certified Managers must obtain the food safety certifications that we designate, such as “ServSafe” certification. You must pay all costs and expenses incurred in connection with obtaining any required third party food safety certifications. All training and certification requirements must be met before your Restaurant opens.

If you (or the Operating Partner) or any Certified Manager ceases active management or employment at the Bakery, then you must train a qualified replacement (who must be reasonably acceptable to us) not more than 30 days after the end of the former person’s full-time employment or management responsibilities. The replacement must successfully complete the initial training program, to our reasonable satisfaction, as soon as it is practical to do so.

We may require that any or all of the Certified Managers attend refresher courses, seminars, and other training programs periodically.

We will bear the cost of all initial training (instruction and required materials) for training up to two individuals. If you request that we provide initial training to more than two individuals, you will pay our current charge for this training (specified in the Manuals and discussed in Item 6 above). You will bear all other expenses incurred in attending training, such as the costs of transportation, lodging, meals, wages, benefits, and worker’s compensation insurance (see Items 6 and 7 of this disclosure document).

If you ask that we provide additional on-site training, and we are able to do so, then you will pay us \$350 per person to be trained per day plus our then-current per diem charges and out-of-pocket expenses. Our per diem charges will be specified in our Manuals, and the current amount is described in Item 6 of this disclosure document.

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

The subjects covered in the initial training program (under the Franchise Agreement and License Agreement) are described below.

Franchisee training will be conducted over an approximately five-week period at locations of our choosing (typically, but not always, this includes one week at our headquarters and training store location in Denver, Colorado, and up to eight weeks at one of our approved training Bakeries across the U.S.). Training is conducted as frequently as we determine it necessary in order to hold a training class.

Licensee training will be conducted over an approximately five-week period at locations of our choosing (typically, but not always, this includes one week at our headquarters and training store in Denver, Colorado, and up to eight weeks at one of our approved training Bakeries across the U.S.). Licensee training is conducted as frequently as we determine it necessary in order to hold a training class.

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

The instructional materials for our training program include the Manuals.

TRAINING PROGRAM

Subject Topics to be Covered	Hours of Classroom Training	Hours of On- the-Job Training	Location
Franchisee orientation	15	0	Denver, Colorado or a designated training bakery.
Bakery management	50	200-300	Denver, Colorado or a designated training bakery.
Baker Training	4	60-80	Denver, Colorado or a designated training bakery.
New Bakery Opening	0	120	Your location
Total	69	380-500	

ITEM 12 TERRITORY

Franchise Agreement. Each Franchise Agreement is granted for a specific site that we approve (the “**Premises**”). Except as described below regarding Off-Premises Programs, you must operate the Bakery only at the Premises. You may not relocate the Bakery without our prior written approval to relocate, which we may withhold in our sole discretion.

You do not receive an exclusive territory under the Franchise Agreement. You may face competition from other franchisees, from outlets that we own, or from other channels of distribution or competitive brands that we control. However, while the Franchise Agreement is in effect, we will not establish within the “Protected Area” defined in the Franchise Agreement, or franchise others to establish within the Protected Area, Bakeries of the same type that you will operate. The restriction on Bakeries of the same type does not apply to Bruegger’s outlets at Co-Branded Locations, Licensed Bakeries at non-traditional facilities, sales of Bruegger’s products through other channels of distribution, or sales of Bruegger’s-branded products or similar products and services through other brands that we or our affiliates control or may acquire in the Protected Area, as described below in this Item.

The Franchise Agreement typically will define the Protected Area as a radius of one-and-a-half miles from the front door of the Premises. In urban areas, however, the Protected Area may be smaller.

The Protected Area does not depend on your achievement of a minimum sales volume or other contingency. We do not grant you any options, rights of first refusal, or similar rights to acquire additional franchises under the Franchise Agreement.

You receive only the right to sell food and beverage items at retail to the public for carry-out and/or consumption on the Premises. Your customers can come from outside of the Protected Area, but unless we expressly authorize it, you may not sell products through other channels of distribution, such as the Internet, catalog sales, telemarketing, or other direct marketing, either inside or outside of the Protected Area. If we permit you to market through the Internet and other electronic means, we have the right to approve and control any electronic, mobile or Internet presence that uses or displays any of our Proprietary Marks or any derivative thereof.

Off-Premises Programs. You may request our permission to establish Off-Premises Programs either on your own or in conjunction with one or more outside vendors. Off-Premises Programs may be mandatory or optional for franchisees and may include online and telephone ordering features. If we establish a mandatory Off-Premises Program or you choose to participate in a voluntary program, you agree to pay the fees and costs associated with participation and to comply with all other rules and procedures that we specify for the program in the Manual or otherwise in writing. You may have to purchase equipment, including a delivery vehicle, in order to participate in an Off-Premises Program. We may define service areas for Off-Premises Programs that differ from your Protected Area. If multiple Bakeries are able to provide catering services in the same area, we may establish rules and policies to coordinate their activities and prevent customer confusion. Upon receipt of notice from us, you must stop directly soliciting catering customers and providing catering services in the adjacent area and turn over all customer information that you have acquired relating to that area.

As noted in Item 8, we currently use the “MonkeyMedia” online ordering platform for our catering program and online take-out orders. This platform selects a list of Bakeries to fulfill each order based on the address input by the customer. Customers have the ability to override the automatic selection and to send the order to a different Bakery, provided that the chosen Bakery is located within the distance limits that we set for catering services based on quality and safety parameters. We have the right to change to a different platform at any time.

License Agreement. Each License Agreement is granted for a specific Premises at a Non-Traditional Facility that we approve. You must operate the Licensed Bakery only at the Premises. You may not relocate the Licensed Bakery without our prior written approval to relocate, which we may withhold in our sole discretion.

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

Development Agreement. If you sign a Development Agreement, it will define a specific geographic area within which you will have the right to develop Bakeries (the “**Development Area**”). We will negotiate the boundaries of the Development Area with you. We focus on various factors, including natural and political boundaries, population density, advertising markets, the proximity of other Bakeries and/or development areas, and other relevant geographic and demographic factors in negotiating the Development Area. The Development Agreement will include, as an exhibit, a description of the negotiated Development Area. You may not modify the Development Area without our prior written approval, which we may withhold in our sole discretion. You and we will also agree on the number of Bakeries that you will develop in your Development Area and the pace at which you must build them.

You do not receive an exclusive territory under the Development Agreement. You may face competition from other franchisees, from outlets that we own, or from other channels of

distribution or competitive brands that we control. However, while the Development Agreement is in effect, we will not establish within the Development Area, or franchise others to establish within the Development Area, the same type of Bakeries that you have the right to develop within the Development Area. The restriction on Bakeries of the same type does not apply to Bruegger's outlets at Co-Branded Locations, Licensed Bakeries at non-traditional facilities, sales of Bruegger's products through other channels of distribution, or sales of Bruegger's-branded products or similar products and services through other brands that we or our affiliates control or may acquire in the Development Area, as described below in this Item.

Your right to develop Bakeries in the Development Area is contingent on satisfaction of the development schedule attached to your Development Agreement (the "**Development Schedule**"). The Development Schedule sets out the number of Bakeries that you must develop and the dates by which they must be open. If you fail to meet the Development Schedule, we can terminate your right to develop new Bakeries in the Development Area.

If the Development Agreement is terminated or expires, we can own, operate, franchise, and license others to operate Bakeries in the Development Area.

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

Co-Branded Locations, Non-traditional Outlets, Alternative Channels of Distribution, and Competitive Brands. We and our affiliates reserve all rights not expressly granted to you regarding your Development Area and/or Protected Area. Specifically:

- We and our affiliates can operate and franchise others to operate Bruegger's outlets at Co-Branded Locations, as well as Licensed Bakeries at Non-Traditional Facilities, as defined in Item 1.
- We and our affiliates can establish restaurants or other food service units selling the same or similar products or services but using different trademarks and service marks. As noted in Item 1, we have affiliates that operate and franchise businesses under other trademarks that sell products similar to the products that you will offer, such as baked goods, coffee, soups and salads. Outlets of our affiliates' brands could exist or be established in your Development Area or Protected Area, and your Bakeries may have to compete with them. We do not have a policy to resolve conflicts between the different brands regarding territory, customers, and franchisor support.
- We and our affiliates can offer and sell Bruegger's-branded products or similar products through any other distribution channel, such as the Internet, catalog sales, telemarketing, mobile networks, other direct marketing, outlets of affiliated brands, wholesale distributors, supermarkets, and other retail outlets, using the Proprietary Marks or any other marks.

We can also authorize any of our franchisees or licensees to do these things. We have no obligation to compensate you in connection with any such activities.

As noted in Item 1, BEI owns and operates bagel bakeries under the trade name “Bagel Factory” exclusively in the Pittsburgh, Pennsylvania market. BEI has no present plans to expand this concept and has established no policy to resolve conflicts between Bagel Factory and Bruegger’s Bagels outlets regarding territory, guests, or corporate support. The principal business address for Bagel Factory is the same as BEI’s address, and BEI has no plans to maintain separate offices or training facilities for the brands. In addition, MBC operates restaurants under the “Noah’s New York Bagels” marks, and EBBFC owns and operates, as well as franchises, restaurants under the “Einstein Bros.” marks, which offer bagels, sandwiches and other products similar to those offered in Bakeries. EBBFC and MBC operate from our corporate offices and do not maintain separate offices or training facilities. Despite anything else in the Franchise Agreement and the Development Agreement, you will have no rights regarding any other business that we (or our affiliates) operate, including for example, operations under the Noah’s New York Bagels, Manhattan Bagel and Einstein Bros. brands, or any brands that JAB’s affiliates operate, such as “Caribou Coffee”, “Peet’s Coffee”, “CoffeeCompany”, “Café do Ponto”, “Casa Pilao”, “Baresso”, “Krispy Kreme”, “Panera Bread”, and “Pret A Manger” (the “**Other Brands**”).

We (and our affiliates) will have the right to operate and license others to operate businesses under the Other Brands at any location whatsoever, even though those businesses (such as restaurants) may be near the Approved Location of your Bakery or may operate within the Protected Area under your Franchise Agreement (or the Development Area under your Development Agreement), and even though those restaurants may appear to (or actually) have an impact on sales at your Bakery. Other than our obligations to you under the Franchise Agreement, we are not obligated to resolve conflicts among us and any operators (or between operators) of Other Brands regarding territory, customers, and franchisor support.

ITEM 13 TRADEMARKS

The principal marks that you will use are “Bruegger’s” and “Bruegger’s Bagels.” We may also authorize or require you to use other current or future trademarks to operate your Bakeries. By trademark, we mean trade names, trademarks, service marks and logos we use to identify Bakeries and the products sold in them.

Our affiliate, BEI (Bruegger’s Enterprises, Inc.) is the owner of the trademarks, service marks, and logos used in the System (the “**Proprietary Marks**”). BEI has granted us a license to use the Proprietary Marks and the Works (as defined in Item 14) and to license others to use them. BEI has registered the principal marks on the Principal Register of the United States Patent and Trademark Office, as follows:

Trademark or Service Mark	Registration Date	Registration Number
Bruegger’s	November 11, 1988	1513741

Trademark or Service Mark	Registration Date	Registration Number
	August 31, 1993	1790827
	August 31, 1993	1790828
Bruegger's	September 9, 1993	1792050
	April 22, 1997	2054479
BagelNet	April 22, 1997	2054916
	December 2, 2014	4648272

Registrations for the marks listed above have been renewed, as applicable, and all affidavits required before the date of this disclosure document for the marks listed above have been filed. BEI intends to file affidavits of use, affidavits of incontestability, and renewal applications, when due, for each of the marks listed above.

The license between BEI, its successors and assigns, and us will remain in effect as long as we have a Franchise Agreement in effect. We and BEI may change the license agreement only if we both agree to the changes. BEI can stop us from using the Proprietary Marks only if we fail to maintain standards for products or services sold or provided under any of the Proprietary Marks. BEI can also license others to use the Proprietary Marks for any business activities allowed under the contract provisions described in Item 12. Otherwise, the license from BEI does not limit our right to use, or to license you to use, the Proprietary Marks. Other than the license from BEI, there are no agreements that limit our rights to use or license the use of the Proprietary Marks.

Neither the United States Patent and Trademark Office, the Trademark Trial and Appeal Board, the trademark administrator of any state, nor any court, has made any adverse determination or ruling involving the principal Marks, nor are we aware of any pending infringement, opposition, or cancellation proceedings or material litigation involving the principal

Marks. We are not aware of any infringing uses that could materially affect your use of the Proprietary Marks. Other than BEI's ownership rights described above, we are not aware of any superior rights that could affect your use of the Proprietary Marks.

You must notify us of any unauthorized use of the Proprietary Marks. You must also notify us of any challenge to the validity of, or the right to use, any of the Proprietary Marks. We and BEI have the right to control any administrative proceeding or litigation that involves the Proprietary Marks. This right includes the right to settle any of those disputes. We and BEI may, but are not required to, try to stop other people from using the Proprietary Marks.

We will defend you against any infringement claims that arise from your proper use of the Proprietary Marks or the Works (as defined in Item 14) at our expense, including the cost of any judgment or settlement, if your use of the Proprietary Marks and the Works complied with the Franchise Agreement, but at your expense if your use of the Proprietary Marks and the Works was not proper or did not comply with the Franchise Agreement. You must assist us in any action we take to protect the Proprietary Marks. Unless this action results from your improper use of the Proprietary Marks or violation of the Franchise Agreement, we will reimburse you for your out-of-pocket costs in assisting us.

You must follow our rules when you use the Proprietary Marks. You may not use any of the Proprietary Marks as part of your corporate name, Internet domain name, or e-mail address, or with modifying words, designs or symbols. You may not use the Proprietary Marks for the sale of an unauthorized product or in any other manner not authorized by the Franchise Agreement.

We can modify the Proprietary Marks and/or substitute different proprietary marks for use in identifying our restaurants and the System. You must promptly implement any modification or substitution at your own cost and expense. We will have no obligation or liability to you as a result of the modification or substitution.

ITEM 14 PATENTS, COPYRIGHTS AND PROPRIETARY INFORMATION

There are no patents or patent applications that are material to the franchise.

We and our affiliates claim copyright protection for certain materials (the "Works"), which include, but are not limited to, the Manuals, training materials, advertisements, promotional materials, labels, menus, posters, coupons, gift certificates, signs, websites, store designs, and prototype plans and specifications. Neither we nor our affiliates have registered the copyrights in any of the Works. You can use the Works only for the purpose of developing and operating Bakeries.

As noted in Item 8, our affiliates claim proprietary rights in the recipes and manufacturing process for the dough from which you must prepare the bagels sold in your Bakery (see Item 8). BEI also claims proprietary rights in the recipes for certain varieties of Bruegger's cream cheese. Our affiliates protect the recipes and manufacturing processes for these items as trade secrets.

You must maintain strict secrecy of the recipes and manufacturing processes, the Manuals, our training materials, our approved suppliers and supply arrangements, advertising and promotional plans, sales performance, financial records, and other information and materials that we designate as confidential. You may not reproduce any portion of the confidential information or make it available to any unauthorized person. You may reveal confidential

information only to those of your employees who must have access to it in order to operate the Bakery, and to your contractors and landlord with our prior written approval. The Manuals and all other confidential materials remain our and our affiliates' property. You must keep the Manuals in a secure place on the Premises of the Bakery or if held electronically, in a secure and protected system. You must promptly tell us when you learn about unauthorized copying or use of any confidential information or the Works. We have no obligation to take any action, but we will respond to this information as we think appropriate.

At our request, you must require your employees, landlord, contractors, and any other person to whom you wish to disclose any of our confidential information to agree in writing not to disclose that information to others or to use it for their own benefit. We must approve these agreements.

All data that you create or collect in connection with your operation of the Bakery (including but not limited to customer and transaction data), is and will be owned exclusively by us during the term of, and following termination or expiration of, the Franchise Agreement. You agree to transfer to us, upon request, all data that we do not automatically collect. We license use of the data back to you, at no additional cost, solely for the term of the Franchise Agreement and solely for your use in connection with operating the Bakery. We reserve the right to use or transfer these records as we deem appropriate and to provide the information to our affiliates. Furthermore, we reserve the right to contact customers of the Bakeries, as well as your employees, suppliers and other service providers, for purposes of conducting quality control, market research and for other business reasons as we deem appropriate.

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

The Bakery must at all times be under the active, full-time management of your Operating Partner (as defined in Item 11) or a Certified Manager who has passed operations and proficiency tests and successfully completed the applicable training program.

If the franchisee is a corporation, partnership, limited liability company, or other legal entity, all Owners must personally guarantee all of the franchisee's obligations under the Development Agreement, Franchise Agreement, and License Agreement. The Owners must also agree to certain personal non-competition provisions contained in either the guaranty or in a separate agreement. In states where community property laws apply, we also require the spouses of these individuals to sign personal guaranties and non-competition agreements.

We may require that the Store Manager and certain other employees sign an agreement with you not to compete with the Bakeries for a period after their employment with you. We may also require that you have them sign an agreement not to reveal confidential information they obtain in the course of their employment with you. These agreements must be in a form we approve and specifically identify us as a third party beneficiary with the independent right to enforce the agreement.

ITEM 16 RESTRICTIONS ON WHAT THE FRANCHISEE MAY SELL

You must offer for sale in each Bakery all products and services that we designate as "Required Items." We discuss two of the Required Items, the dough products and cream cheese,

in Item 8. You may also offer for sale any items that we designate as “Optional Items” approved for sale in a Bakery. You may not offer or sell any products or services not listed without obtaining our prior written consent. You must sell products only in the weights, sizes, forms, and packages that we have approved. You must cease selling or offering for sale any products or services that we disapprove at any time. We may change the types of authorized products and services, and there are no limits on our right to make changes.

You must participate in any customer loyalty programs we prescribe. You must also participate in programs we establish relating to gift cards, gift certificates, stored value cards, online or mobile coupons or credits, online or mobile ordering systems, and other electronic money programs. Participation includes both issuing program benefits or credits and accepting them for payment by customers, and may require you to purchase additional equipment. We will coordinate the crediting and debiting of funds among Bakeries based on customer purchases and redemption of stored value. You may not offer your own gift card, electronic money, or loyalty program for the Bakery without our prior approval.

ITEM 17 RENEWAL, TERMINATION, TRANSFER AND DISPUTE RESOLUTION

THE FRANCHISE RELATIONSHIP

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

Provision	Section in Franchise Agreement or License Agreement	Summary
a. Length of the franchise term	Section 3.1 of the Franchise Agreement; Section 2.1 of the License Agreement; Paragraph 2 of Franchise Agreement Addendum	The term under the Franchise Agreement is the earlier of 10 years from the date the Bakery opens, or 11 years from the effective date of the agreement; the term under the License Agreement is five years from the effective date of the agreement, and 10 years for all airport locations.
b. Renewal or extension of the term	Section 3.2 of the Franchise Agreement; Section 2.2 of the License Agreement	Provided we are still franchising and have not made a decision to withdraw from the geographic market of the Bakery, and if you are in good standing, you can request a successor franchise agreement for one additional 10-year term. Under the License Agreement: two additional five year terms, and one additional 10-year term for airport locations.
c. Requirements for you to renew or extend	Section 3.2 of the Franchise Agreement; Section 2.2 of the License Agreement	Written notice, sign successor agreement, remodel, sign general release, and pay one-half of the then-current franchise fee. The Successor Franchise Agreement may contain terms that are materially different

Provision	Section in Franchise Agreement or License Agreement	Summary
		from your expiring Franchise Agreement, such as different fee requirements.
d. Termination by you	Franchise Agreement: Not applicable	Not applicable (subject to applicable state law)
	License Agreement: Section 10.2(e)	If you are in compliance with the agreement and upon 60 days' notice to us the lease or concession agreement with your host facility is terminated, expires or is not renewed (subject to applicable state law).
e. Termination by BFC without cause	Not applicable	Not applicable
f. Termination by BFC with cause	Section 17 of the Franchise Agreement; Section 10.1 of the License Agreement	See g. and h. below.
g. "Cause" defined - defaults which can be cured	Sections 17.3, 17.4 and 17.5 of the Franchise Agreement; Section 10.1 of the License Agreement	You have 7 days to cure non-payment of fees or non-submission of reports; 24 hours to cure unsafe products/practices; and 30 days to cure other defaults, except for those described in h. below. In addition, your default under any other agreement that you or an affiliate has with us or our affiliates will constitute a default, subject to any applicable provisions for notice and cure set forth in the other agreement.
h. "Cause" defined – non-curable defaults	Section 17.1 and 17.2 of the Franchise Agreement; Section 10.1 of the License Agreement	Non-curable defaults: includes insolvency, bankruptcy; failure to complete training; failure to open; abandonment; commission of felony; threat to public safety; unapproved transfers; operating Competing Business (see q. below); disclosure of trade secrets; filing false reports; repeated defaults even if cured; refusing access to records; and termination of any other agreements between you or your affiliates and us or our affiliates
i. Your obligations on termination/ non-renewal	Section 18 of the Franchise Agreement; Section 10.3 and 10.4 of the License Agreement	Obligations include complete de-identification, payment of amounts due and return of all of our materials (also see o. and r. below)

Provision	Section in Franchise Agreement or License Agreement	Summary
j. Assignment of contract by BFC	Section 16.1 of the Franchise Agreement; Section 9.1 of the License Agreement	No restriction on our right to assign
k. "Transfer" by you – definition	Section 16.2 and 16.6 of the Franchise Agreement; Section 9.2 of the License Agreement	Restrictions apply to transfer of any direct or indirect interest in the Franchise Agreement, in you (if you are a corporation or other entity), or in the assets of the Bakery
l. BFC's approval of transfer by franchisee	Section 16.4 of the Franchise Agreement; Section 9.2 of the License Agreement	We have the right to approve all transfers
m. Conditions for BFC approval of transfer	Section 16.5 of the Franchise Agreement; Section 9.2 of the License Agreement	We can impose any reasonable conditions, including: new franchisee qualifies; accrued fees paid; no default exists; transfer fee paid; assignment agreement approved; training arranged; you sign release; no adverse effect from price and terms
n. BFC's right of first refusal to acquire your business	Section 16.4 of the Franchise Agreement	We have the right to match any offer
o. BFC's option to purchase your business	Section 18.2 of the Franchise Agreement	Upon expiration or termination of a franchise, we can take assignment of your lease and purchase your furniture, fixtures, etc.
p. Your death or disability	Section 16.6 of the Franchise Agreement	Executor or personal representative must assign your interest to approved party within 1 year. If the deceased or incapacitated person is the Operating Principal, we have the right to manage operation of the Bakery until the transfer is completed. If we exercise this right, we can charge a reasonable management fee for our services.
q. Non-competition covenants during the term of the franchise	Section 19.1 of the Franchise Agreement	No involvement in "Competing Business," defined as a retail business that sells or offers bagels, cream cheese, and/or coffee products that separately or in the aggregate constitute or would constitute thirty percent (30%) or more of that business' gross revenues at any one or

Provision	Section in Franchise Agreement or License Agreement	Summary
		more retail location(s). However, the non-compete restriction does not apply to any business that you operate under a valid franchise agreement or license agreement with us or one of our affiliates.
r. Non-competition covenants after the franchise is terminated or expires	Section 19.2 of the Franchise Agreement	No involvement with Competing Business for 1 year within 10 miles of the Premises or within 5 miles of any other Bakery
s. Modification of the agreement	Section 24 of the Franchise Agreement; Section 12.2 of the License Agreement	Modifications must be in writing, except that the Manuals are subject to change by BFC.
t. Integration / merger clause	Section 25 of the Franchise Agreement; Section 12.1 of the License Agreement	Only the terms of the Franchise Agreement are binding (subject to state law); the parties may not enforce any other promises. However, this clause will not be treated as a disclaimer of our representations in this disclosure document.
u. Dispute resolution by arbitration	Section 28.3 of the Franchise Agreement; Section 14.8 of the License Agreement	Before bringing an action in court, the parties must first submit the dispute to non-binding mediation (except for injunctive relief) in Colorado (subject to applicable state law).
v. Choice of forum	Section 28.2 of the Franchise Agreement; Section 14.7 of the License Agreement	Subject to state law, lawsuits must be filed in the jurisdiction where we have our principal place of business. As of the date of this disclosure document, our principal place of business is in Denver, Colorado.
w. Choice of law	Section 28.1 of the Franchise Agreement; Section 14.6 of the License Agreement	Subject to state law, the law of the state in which we have our principal place of business. As of the date of this disclosure document, our principal place of business is in Denver, Colorado.

DEVELOPMENT AGREEMENT

Provision	Section in Development Agreement	Summary
a. Length of the franchise term	Section 2	Term expires on the last deadline specified in your Development Schedule.

Provision	Section in Development Agreement	Summary
b. Renewal or extension of the term	Not applicable	Not applicable
c. Requirements for you to renew or extend	Not applicable	Not applicable
d. Termination by you	Not applicable	Not applicable. You may terminate under any grounds permitted by law.
e. Termination by BFC without cause	Not applicable	Not applicable
f. Termination by BFC with cause	Section 9	See g. and h. below.
g. "Cause" defined – defaults which can be cured	Section 9.5	You have 30 days to cure defaults. In addition, your default under any other agreement that you or an affiliate has with us or our affiliates will constitute a default, subject to any applicable provisions for notice and cure set forth in the other agreement.
h. "Cause" defined – non-curable defaults	Section 1.3 and 9.2	Non-curable defaults include: failure to develop the minimum number of Bakeries required; termination of any other agreement with us or our affiliates; unapproved transfer; and repeated defaults, even if cured.
i. Your obligations on termination/ non-renewal	Section 10	See r. below
j. Assignment of contract by BFC	Section 8.1	No restriction on our right to assign.
k. "Transfer" by you – definition	Section 8.2	Restrictions apply to any transfer of any direct or indirect interest in the Development Agreement or in the Developer (if a corporation or other entity).
l. BFC's approval of transfer by you	Section 8.2	We have the right to approve all transfers.
m. Conditions for BFC's approval of transfer	Section 8.5	We can impose any reasonable conditions, including: New developer qualifies; accrued fees paid; no default exists; transfer fee paid; assignment agreement approved; you sign release;

Provision	Section in Development Agreement	Summary
		training arranged; no adverse effect from price and terms.
n. BFC's right of first refusal to acquire your business	Section 8.4	We have the right to match any offer.
o. BFC's option to purchase your business	Not applicable	Not applicable.
p. Your death or disability	Section 8.6	Franchise must be assigned by estate to approved party within 1 year.
q. Non-competition covenants during the term of the franchise	Section 11.1	No involvement in Competing Business.
r. Non-competition covenants after the franchise is terminated or expires	Section 11.2	No involvement with Competing Business for 1 year within the Development Area or within 5 miles of any Bakery.
s. Modification of the agreement	Section 17	Modifications must be agreed in writing.
t. Integration / merger clause	Section 17	Only the terms of the Development Agreement are binding (subject to state law); the parties may not enforce any other promises. However, this clause will not be treated as a disclaimer of our representations in this disclosure document.
u. Dispute resolution by arbitration	Section 20.3	Before bringing an action in court, the parties must first submit the dispute to non-binding mediation (except for injunctive relief) in Colorado (subject to applicable state law).as req
v. Choice of forum	Section 20.2	Subject to state law, litigation must be filed where we have our principal place of business. As of the date of this disclosure document, our principal place of business is in Denver, Colorado.

Provision	Section in Development Agreement	Summary
w. Choice of Law	Section 20.1	Subject to state law, the law of the state in which we have our principal place of business. As of the date of this disclosure document, our principal place of business is in Denver, Colorado.

ITEM 18 PUBLIC FIGURES

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

ITEM 19 FINANCIAL PERFORMANCE REPRESENTATIONS

The FTC's Franchise Rule permits a Franchisor to provide information about the actual or potential financial performance of its franchised and/or franchisor-owned outlets, if there is a reasonable basis for the information, and if the information is included in the disclosure document. Financial performance information that differs from that included in Item 19 may be given only if: (1) a franchisor provides the actual records of an existing outlet you are considering buying; or (2) a franchisor supplements the information provided in this Item 19, for example, by providing information about possible performance at a particular location or under particular circumstances.

Bruegger's Franchise Corporation does not make any financial performance representations. We also do not authorize our employees or representatives to make any such representations either orally or in writing. If you are purchasing an existing Bakery, however, we may provide you with the actual records of that Bakery. If you receive any other financial performance information or projections of your future income, you should report it to the franchisor's management by contacting Matthew Copenhaver at 1720 S. Bellaire Street, Suite Skybox, Denver, Colorado 80222, tel. (303) 568-8000, the Federal Trade Commission, and the appropriate state regulatory agencies.

**ITEM 20
OUTLETS AND FRANCHISEE INFORMATION**

**Table 1
SYSTEM-WIDE OUTLET SUMMARY
2021 to 2023 (Note 1)**

Outlet Type	Year	Outlets at Start of Year	Outlets at the End of the Year	Net Change
Franchised	2021	55	53	-2
	2022	53	52	-1
	2023	52	49	-3
Company	2021	141	136	-5
	2022	136	135	-1
	2023	135	132	-3
Total	2021	196	189	-7
	2022	189	187	-2
	2023	187	181	-6

Note 1: The figures in Tables 1-5 are as of the end of each calendar year; however, our fiscal year is a 52/53-week period ending on the last Tuesday in December, and normally consists of 13 four-week periods. Our last fiscal year was a 52-week period ending on December 26, 2023.

**Table 2
TRANSFERS OF OUTLETS FROM FRANCHISEES
TO NEW OWNERS (NOT FRANCHISOR)
2021 to 2023 (Note 1)**

State	Year	Number of Transfers
North Carolina	2021	0
	2022	1
	2023	1
Total	2021	0
	2022	1
	2023	1

Note 1: The figures in Tables 1-5 are as of the end of each calendar year; however, our fiscal year is a 52/53-week period ending on the last Tuesday in December, and normally consists of 13 four-week periods. Our last fiscal year was a 52-week period ending on December 26, 2023.

Table 3

**STATUS OF FRANCHISED AND LICENSED OUTLETS
2021 to 2023 (Note 1)**

State / Year	Outlets at Start of Year	Outlets Opened	Terminations	Non-Renewals	Reacquired by Franchisor	Ceased Operations - other reason	Outlets at the End of the Year ⁽¹⁾
Arizona							
2021	10	0	0	0	0	0	10
2022	10	0	1	0	0	0	9
2023	9	0	0	0	0	0	9
California							
2021	19	0	0	0	0	0	19
2022	19	1	0	0	0	0	20
2023	20	0	2	0	0	0	18
Colorado							
2021	3	0	1	0	0	0	2
2022	2	0	1	0	0	0	1
2023	1	0	0	0	0	0	1
Connecticut							
2021	1	0	0	0	0	0	1
2022	1	0	0	0	0	0	1
2023	1	0	0	0	0	0	1
Florida							
2021	1	0	0	0	0	0	1
2022	1	0	0	0	0	0	1
2023	1	0	0	0	0	0	1
Kentucky							
2021	1	0	0	0	0	0	1
2022	1	0	0	0	0	0	1
2023	1	0	0	0	0	0	1
Minnesota*							
2021	3	0	0	0	0	0	3
2022	3	0	0	0	0	0	3
2023	3	0	0	0	0	0	3
North Carolina							
2021	8	0	0	0	0	1	7
2022	7	0	0	0	0	0	7
2023	7	0	1	0	0	0	6
Ohio							
2021	3	0	0	0	0	0	3
2022	3	0	0	0	0	0	3
2023	3	0	0	0	0	0	3

State / Year	Outlets at Start of Year	Outlets Opened	Terminations	Non-Renewals	Reacquired by Franchisor	Ceased Operations - other reason	Outlets at the End of the Year ⁽¹⁾
Pennsylvania							
2021	1	0	0	0	0	0	1
2022	1	0	0	0	0	0	1
2023	1	0	0	0	0	0	1
South Carolina							
2021	3	0	1	0	0	0	2
2022	2	0	0	0	0	0	2
2023	2	0	0	0	0	0	2
Texas							
2021	2	0	0	0	0	0	2
2022	2	0	0	0	0	0	2
2023	2	0	0	0	0	0	2
Virginia							
2021	2	0	0	0	0	1	1
2022	1	0	0	0	0	0	1
2023	1	0	0	0	0	0	1
Totals							
2021	55	0	1	0	0	1	53
2022	53	1	2	0	0	0	52
2023	52	0	3	0	0	0	49

Table 4
STATUS OF COMPANY-OWNED OUTLETS
2021 to 2023 (Note 1)

State / Year	Outlets at Start of Year	Outlets Opened	Outlets Reacquired From Franchisee	Outlets Closed	Outlets Sold to Franchisee	Outlets at End of the Year
Alabama						
2021	2	0	0	0	0	2
2022	2	0	0	0	0	2
2023	2	0	0	0	0	2
Connecticut						
2021	7	0	0	0	0	7
2022	7	0	0	0	0	7
2023	7	0	0	0	0	7
Florida						

State / Year	Outlets at Start of Year	Outlets Opened	Outlets Reacquired From Franchisee	Outlets Closed	Outlets Sold to Franchisee	Outlets at End of the Year
2021	2	0	0	0	0	2
2022	2	0	0	0	0	2
2023	2	0	0	0	0	2
Iowa						
2021	9	0	0	1	0	8
2022	8	0	0	0	0	8
2023	8	0	0	0	0	8
Kentucky						
2021	1	0	0	0	0	1
2022	1	0	0	0	0	1
2023	1	0	0	0	0	1
Massachusetts						
2021	14	0	0	1	0	13
2022	13	0	0	0	0	13
2023	13	0	0	0	0	13
Michigan						
2021	6	0	0	0	0	6
2022	6	0	0	0	0	6
2023	6	0	0	0	0	6
Minnesota						
2021	25	0	0	1	0	24
2022	24	0	0	1	0	23
2023	23	0	0	0	0	23
Nebraska						
2021	3	0	0	1	0	3
2022	3	0	0	0	0	3
2023	3	0	0	0	0	3
New York						
2021	21	0	0	2	0	19
2022	19	0	0	0	0	19
2023	19	1	0	1	0	19
North Carolina						
2021	16	0	0	0	0	16
2022	16	0	0	0	0	16
2023	16	0	0	1	0	15

State / Year	Outlets at Start of Year	Outlets Opened	Outlets Reacquired From Franchisee	Outlets Closed	Outlets Sold to Franchisee	Outlets at End of the Year
Ohio						
2021	17	0	0	1	0	16
2022	16	0	0	0	0	16
2023	16	0	0	0	0	16
Pennsylvania						
2021	12	0	0	0	0	12
2022	12	0	0	0	0	12
2023	12	0	0	1	0	11
Tennessee						
2021	2	0	0	0	0	2
2022	2	0	0	0	0	2
2023	2	0	0	0	0	2
Vermont						
2021	1	0	0	0	0	1
2022	1	0	0	0	0	1
2023	1	0	0	0	0	1
Virginia						
2021	1	0	0	0	0	1
2022	1	0	0	0	0	1
2023	1	0	0	1	0	0
Wisconsin						
2021	3	0	0	0	0	3
2022	3	0	0	0	0	3
2023	3	0	0	0	0	3
Totals						
2021	141	0	0	5	0	136
2022	136	0	0	1	0	135
2023	135	1	0	4	0	132

Note 1: The figures in Tables 1-5 are as of the end of each calendar year; however, our fiscal year is a 52/53-week period ending on the last Tuesday in December, normally consists of 13 four-week periods. Our last fiscal year was a 52-week period ending on December 26, 2023.

Table 5
PROJECTED OPENINGS FOR 2024

State	Franchise Agreement Signed but Outlet not Open as of December 26, 2023 (Note 1)	Projected New Franchised Bakery Openings in 2023 (Note 1)	Projected New Company-Owned Bakery Openings in 2023
Any State	0	0	0
TOTAL	0	0	0

Note 1: The figures in this column do not reflect the number of Bakeries which franchisees have committed to open under Development Agreements with us. Franchise Agreements for these Bakeries had not yet been signed as of December 26, 2023. Projected franchise openings do not include the anticipated sale of company-owned Bakeries for operation by independent franchisees.

Exhibit F to this disclosure document is a list of franchised Bakeries and Licensed Bakeries as of December 26, 2023. Exhibit G also lists the franchisees or licensees who had an outlet terminated, canceled, or not renewed, or otherwise voluntarily or involuntarily ceased to do business under a Franchise Agreement or License Agreement during our last fiscal year. There are no franchisees or licensees who have not communicated with us within 10 weeks of the date of this Franchise Disclosure Document. If you buy this franchise, your contact information may be disclosed to other buyers when you leave the franchise system.

During the last three fiscal years, we have not signed any confidentiality clauses with current or former franchisees which would restrict them from speaking openly with you about their experience with us.

As of the date of this franchise disclosure document, there are no "Bruegger's Bagels" franchisee associations in existence regardless of whether they use our trademark or not.

ITEM 21 FINANCIAL STATEMENTS

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

Caribou's audited financial statements for the fiscal years ended December 26, 2023 and December 27, 2022 and for each of the three years ended December 26, 2023, December 27, 2022, and December 28, 2021.

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

ITEM 22 CONTRACTS

Attached as Exhibits to this disclosure document are the following contracts:

- Exhibit A Franchise Agreement (including the following agreements as Exhibits: Guaranty; Confidentiality and Non-Competition Agreement; Disclosure Acknowledgement Statement; and Administrative Services Agreement)
- Exhibit B Development Agreement (including the following agreements as Exhibits: Guaranty & Undertaking, Agreement Regarding Leased Location by Tenant, Confidentiality and Non-Competition Agreement, Disclosure Acknowledgement Statement, and Liability Waiver by Developer)
- Exhibit C License Agreement (including the following agreements as Exhibits: Guaranty, Confidentiality and Non-Competition Agreement, and Disclosure Acknowledgement Statement)
- Exhibit E Sample of Release to be signed when you develop, renew or transfer a Bakery
- Exhibit J Additional State-Required Information and State-Required Contract Addenda

You must sign a Disclosure Acknowledgement Statement before signing the Development Agreement, Franchise Agreement, or License Agreement. The Disclosure Acknowledgement Statement is part of Exhibits A through C.

ITEM 23 RECEIPTS

Two copies of a receipt form appear at the end of this disclosure document. Please fill out and sign both receipts, return one copy to us and keep the other for your records.

EXHIBIT A

Franchise Agreement

(Attachments: Premises, Management and Ownership; Guaranty; Confidentiality and Non-Competition Agreement; Disclosure Acknowledgement Statement)

Location:

Franchisee Name:

Agreement Date:



FRANCHISE AGREEMENT

BRUEGGER'S FRANCHISE AGREEMENT

TABLE OF CONTENTS

<u>Section</u>	<u>Page</u>
1. DEFINITIONS	2
2. FRANCHISE GRANT AND TERRITORIAL PROTECTION	3
3. TERM AND SUCCESSOR FRANCHISE AGREEMENT	4
4. DUTIES OF FRANCHISOR	5
5. FEES	5
6. SITE SELECTION, CONSTRUCTION AND OPENING OF THE BAKERY	6
7. TRAINING	8
8. OPERATION OF THE BAKERY	10
9. TECHNOLOGY	15
10. PROPRIETARY MARKS AND COPYRIGHTS	20
11. MANUALS	22
12. CONFIDENTIAL INFORMATION	23
13. ACCOUNTING AND RECORDS	23
14. ADVERTISING AND PROMOTION	24
15. INSURANCE	27
16. SALE OR ASSIGNMENT	28
17. DEFAULT AND TERMINATION	30
18. OBLIGATIONS UPON TERMINATION OR EXPIRATION	34
19. RESTRICTIONS ON COMPETITION	36
20. BUSINESS ENTITY REQUIREMENTS	37
21. TAXES; NOTICE OF SUIT	38
22. INDEPENDENT CONTRACTOR AND INDEMNIFICATION	38
23. APPROVALS AND WAIVERS	40
24. NOTICES	40
25. ENTIRE AGREEMENT	40
26. SEVERABILITY AND CONSTRUCTION	41
27. DISCLOSURE STATEMENT AND DISCLAIMER	42
28. DISPUTES	42
29. LIMITATIONS ON CLAIMS AND DAMAGES	43
30. ACKNOWLEDGMENTS	44

EXHIBIT A - PREMISES, MANAGEMENT AND OWNERSHIP
EXHIBIT B - GUARANTY
EXHIBIT C - CONFIDENTIALITY AND NON-COMPETITION AGREEMENT

BRUEGGER'S FRANCHISE AGREEMENT

THIS AGREEMENT is entered into as of _____ (the "**Agreement Date**") by and between:

- (i) BRUEGGER'S FRANCHISE CORPORATION, a Delaware corporation ("**We**", "**Us**" or "**Franchisor**"); and
- (ii) the person(s) or entity identified immediately below ("**You**" or "**Franchisee**");

Name: _____

Principal Address: _____

If Franchisee is a corporation, partnership, or limited liability company, the owner(s) of Franchisee identified on Exhibit A to this Agreement must execute our standard form of Guaranty.

BACKGROUND

A. We and our affiliates (being any person or entity that directly or indirectly owns or controls us or that is directly or indirectly owned or controlled by us or is under common control with us), through significant expenditures of time, skill and money have developed a proprietary system relating to the preparation and promotion of distinctive bagels, baked goods and cream cheese and the establishment and operation of restaurants specializing in the sale of the bagels, baked goods, cream cheese, sandwiches, soups, salads, and other food and beverage items (the "**System**").

B. The distinguishing characteristics of the System include bagels and cream cheese products prepared in accordance with secret and proprietary recipes and manufacturing processes owned by us and our affiliates; distinctive exterior and interior Bakery design, décor, color scheme, fixtures, and furnishings; standards and specifications for ingredients, food preparation, equipment, supplies, and Bakery operations, as well as uniform standards, specifications, methods, policies and procedures for Bakery operations, proprietary inventory and management control, training and assistance; and advertising and promotional programs; all of which may be changed, improved, and further developed by us and our affiliates from time to time.

C. Through our dedicated operations, marketing methods, and merchandising policies, we have developed the reputation, public image and goodwill of the System in the United States and established a firm foundation for our franchised and corporate owned Bakery operations consisting of the highest standards of training, management, supervision, appearance, services and quality of products.

D. We identify the System and the restaurants operating under it ("**Bakeries**") by means of the marks "Bruegger's" and "Bruegger's Bagels" and such other trade names, service marks, trademarks, logos, emblems, and indicia of origin as we may hereafter designate for use in connection with the System (the "**Proprietary Marks**").

E. Franchisee understands and acknowledges the importance of Franchisor's uniformly high standards of quality and service and the necessity of operating the Bakeries in strict conformity with Franchisor's quality control standards and specifications.

F. Franchisee wishes to obtain the right to establish and operate a Bruegger's Bakery at the Premises (as defined below);

NOW, THEREFORE, the parties agree as follows:

1. DEFINITIONS

The terms defined in the "Background" section and this Section 1 have the meanings set forth in those Sections. Other capitalized terms used in this Agreement are defined where they appear within the text of the Agreement.

1.1. "Bakery" means a bakery restaurant operated by us, our affiliate, or an authorized franchisee using the System and the Proprietary Marks.

1.2. "BEI" means Bruegger's Enterprises, Inc., our parent company.

1.3. "Brand Marketing Fund" means the common pool of funds for advertising and promotion to which Bruegger's Bagels franchisees contribute and which we administer as provided in Section 14.

1.4. "Co-Branded Location" means a facility at which a BRUEGGER'S-branded outlet and an outlet of another brand operate in conjunction with each other.

1.5. "Designated Supplier" means a manufacturer, wholesaler, distributor, dealer, retailer, or other vendor or source that we designate as the source for particular products or services.

1.6. "Development Agreement" means the Bruegger's Bagels Development Agreement in effect between you and us, if any.

1.7. "Franchisee Affiliate" means any business entity that controls, is controlled by, or is under common control with Franchisee.

1.8. "Gross Sales" means all sales generated through the Bakery including fees for any products or goods you sell, whether for cash or credit (regardless of collectability, except as provided below), and income of every kind or nature related to the Bakery, including, without limitation, revenues from the sale of branded merchandise and food products, whether from sales on the Premises, by delivery, from catering if the Bakery provides the product, by on-line, internet or phone-app ordering if picked up at the Bakery or at wholesale (whether the sales method is permitted or not) and from the use of vending machines or similar arcade-like machines. In the event your business operations are interrupted and you receive business interruption insurance proceeds, then the amount of Gross Sales used by you to determine your loss will be deemed the Gross Sales for that period and deemed made when you receive the insurance proceeds. "Gross Sales" does not include any sales tax or other taxes you collect from customers for transmittal to the appropriate taxing authority. Gross Sales includes the retail value of all products sold in connection with the redemption of coupons, gift certificates, gift cards or vouchers; however, at the time such coupons, gift certificates, gift cards or vouchers are purchased, the

retail price may be excluded from Gross Sales for the purpose of determining the amount of Gross Sales upon which fees are due. When calculating Gross Sales, you may deduct that portion of the normal full menu price of any item that you do not collect as a result of BFC-approved promotions (whether local or system-wide, including coupons) and manager discounts (collectively, “**Sales Discounts**”), as well as discounted employee meals. Sales Discounts and discounted employee meals must be fully disclosed on all reports you submit to BFC, and BFC reserves the right, in its sole discretion, to disallow any Sales Discounts not meeting the requirements we set forth. We reserve the right to modify our policies consistent with restaurant industry practices regarding revenue recognition, revenue reporting, and the inclusion in or exclusion of certain revenue from “Gross Sales” as circumstances, business practices, and technology change. We reserve the right to modify our policies consistent with restaurant industry practices regarding revenue recognition, revenue reporting, and the inclusion in or exclusion of certain revenue from “Gross Sales” as circumstances, business practices, and technology change.

1.9. “Non-Traditional Location” means a facility where the primary function is not a restaurant business, such as (but not limited to) a performing arts center, arena, stadium, shopping mall, department store, retail store, wholesale club, grocery store, supermarket, casino, amusement park, fairground, college or university, factory, hospital, penal institution, military base, airport, turnpike, limited access highway rest stop, or other transportation facility.

1.10. “Operating Partner” means the individual whose role is defined in Section 8.21 and who is identified in Exhibit A.

1.11. “Premises” means the location that we have approved for the Bakery, as specified in Exhibit A.

1.12. “Protected Area” means the area determined by drawing a circle, with the front door of the Premises as its center, having a radius of one and a half (1.5) miles, unless a different area is specified in Exhibit A to this Agreement.

2. FRANCHISE GRANT AND TERRITORIAL PROTECTION

2.1. Grant. We grant you the right, and you undertake the obligation, on the terms and conditions set forth in this Agreement, to establish and operate a Bakery at the Premises and to use the Proprietary Marks and the System in strict conformity with our quality control standards and specifications which are a material part of the System, solely in connection with the Bakery.

2.2. Territorial Protection. While this Agreement is in effect, as long as you are not in default beyond any applicable cure period, we will not establish a Bakery or franchise or license anyone other than you to establish a Bakery within the Protected Area, subject to the rights reserved in Section 2.3 below.

2.3. Rights Reserved. Except as expressly provided in Section 2.2 above, we and our affiliates may engage in any business activities, under any name, at any location. Without limiting the generality of the foregoing, we and our affiliates retain the rights, despite anything to the contrary in Section 2.2 and regardless of the proximity to or effect on the Bakery that you operate at the Premises:

2.3.1. To own, acquire, establish, operate, and franchise or license others to operate Bakeries located outside of the Protected Area;

2.3.2. To own, acquire, establish, operate, and franchise or license others to operate outlets at Non-Traditional Locations under the Bruegger's name or any other name, whether inside or outside of the Protected Area;

2.3.3. To own, acquire, establish, operate, and franchise or license others to operate outlets at Co-Branded Locations, whether inside or outside of the Protected Area;

2.3.4. To own, acquire, establish, operate, and franchise or license others to operate businesses that are not operated under the System and that do not use the Proprietary Marks licensed to you under this Agreement, even if those businesses offer or sell products that are the same as or similar to the products offered by Bruegger's Bakeries;

2.3.5. To develop, manufacture, have manufactured, market, sell and distribute, at retail or wholesale, and license others to manufacture, sell or distribute, packaged and prepared food products or any other goods or services under the Bruegger's mark or any other name or mark, through any channel of distribution other than a Bakery, including but not limited to the Internet, Non-Traditional Locations, Co-Branded Locations, supermarkets, specialty food stores, convenience stores, wholesale clubs, and retail food stores, anywhere in the world; and

2.3.6. To use the Bruegger's brand in other lines of business besides the operation of restaurants, anywhere in the world.

3. TERM AND SUCCESSOR FRANCHISE AGREEMENT

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

3.2. Successor Agreement. You will have an option, exercisable upon expiration of the Agreement Term, to obtain a successor Franchise Agreement for the Bakery for a term of the lesser of ten (10) years or the remaining term (including any extensions) of the lease for the Premises, subject to the following conditions:

3.2.1. You must give us written notice of your desire to exercise your option at least six (6) months and not more than nine (9) months before the end of the Agreement Term;

3.2.2. You must remodel and refurbish the Bakery to comply with our then-current standards in effect for new Bakeries (as well as the provisions of Sections 6 and 8.13 below);

3.2.3. You must not be in default of this Agreement or any other agreement with us or our affiliates, and you must have substantially complied with your agreements throughout their respective terms;

3.2.4. You must satisfy all monetary obligations you owe to us and our affiliates, and must have timely met those obligations throughout the Agreement Term;

3.2.5. You must sign our then-current form of Franchise Agreement, which will supersede this Agreement in all respects and your owners must sign our current form of Guaranty;

3.2.6. You and your owners must sign a general release, in a form we prescribe, of any and all claims against us, our affiliates, and their respective past and present officers, directors, shareholders, and employees, in their corporate and individual capacities;

3.2.7. You must comply with our qualification and training requirements for new Bakery franchisees; and

3.2.8. You must pay us a renewal fee equal to ten percent (10%) of our then-current initial franchise fee for a new Bakery.

4. DUTIES OF FRANCHISOR

4.1. Plans and Specifications. We may make available, at no charge to you, a standard layout plan for the construction of a Bakery and for the exterior and interior design and layout, fixtures, furnishings, equipment, and signs. We may also provide the site selection and lease review assistance called for under Section 6 below.

4.2. Manuals. We will provide to you, on loan, one (1) set of our confidential systems manuals (the “**Manuals**”) that shall include specifications for management and operations, equipment, supplies, and inventory. The Manuals are confidential and remain the property of Franchisor. Franchisor may modify the Manuals from time to time in its sole discretion. These may be in written form, electronic or obtained via access to a Website designated by Franchisor.

4.3. Training. We will provide a training program for the persons that we require or permit to attend training under Section 7 of this Agreement.

4.4. Opening Supervision. We will provide pre-opening and opening supervision and assistance as we deem advisable.

4.5. Suppliers. We will name Designated Suppliers as we deem appropriate and review suppliers that you nominate, subject to the limitations in Section 8.6.

4.6. Marketing Materials. In addition to the advertising and promotional materials produced by the Brand Marketing Fund, we will make available to you any advertising and promotional materials that we produce with our own funds. We may charge you a reasonable purchase price for non-Brand Marketing Fund materials.

4.7. Operational Advice. We will provide to you from time to time, as we deem appropriate, advice and written materials concerning techniques of managing and operating a Bakery.

5. FEES

5.1. Franchise Fee. In consideration of the rights granted herein, you must pay us a non-refundable initial franchise fee of Thirty-Five Thousand Dollars (\$35,000). The Initial Franchise Fee is payable when you execute the Franchise Agreement. The Initial Franchise Fee is deemed fully earned upon receipt by Franchisor, and is non-refundable.

5.2. Royalty. You must pay us a weekly royalty fee in an amount equal to five percent (5%) of the Gross Sales of the Bakery for the preceding Accounting Week. Unless otherwise designated by us in writing, an “**Accounting Week**” begins on Wednesday and ends on the following Tuesday.

5.3. Marketing Contribution. You must make a weekly Marketing Contribution as specified in Section 14.2 below.

5.4. Payment Method. You must designate an account at a commercial bank of your choice (the “**Account**”) for the payment of amounts due to us or our affiliates. You must furnish us and the bank with authorizations as necessary to permit us to make withdrawals from the Account by electronic funds transfer. Each week, we will transfer from the Account an amount equal to the royalty fees and NMF contribution due from you based on Gross Sales for the preceding week, as well as any other fees due to us or our affiliates. You agree to maintain sufficient funds in the Account at all times to cover all royalty fees, Brand Marketing Fund contributions and other fees payable to us or our affiliates. If funds in the Account are insufficient to cover the amounts payable at the time we make our weekly electronic funds transfer, the amount of the shortfall will be deemed overdue.

5.5. Interest and Late Fees. If any sums required to be paid by you to us under this Agreement are not received in full by us when due, we will assess a late fee of one hundred dollars (\$100) for each week that any payment is delinquent. In addition, if any payment to us is overdue, you must pay us, in addition to the overdue amount, daily interest on the overdue amount from the date it became overdue until paid, at the rate of one and one-half percent (1.5%) per month or the maximum rate permitted by law, whichever is less. Interest shall be calculated on a daily basis. Interest charges are non-refundable. Such interest shall be in addition to any other remedies we may have. Your failure to have sufficient funds available in the Account to pay any amount then due or your failure to pay all amounts when due, constitutes grounds for termination of the Agreement, as provided in Section 17.3.

6. SITE SELECTION, CONSTRUCTION AND OPENING OF THE BAKERY

6.1. Site Selection. If the Premises have not been identified at the time you sign this Agreement, you must identify and obtain a site for the Bakery at your own expense. Before acquiring a site by lease or purchase, you must submit to us information and materials about the proposed site, including but not limited to the lease and lease terms, the landlord’s contact information, the land acquisition terms, demographic criteria, and preliminary site plans showing building orientation, pad size, parking layout and other information, as we may reasonably request to evaluate the site. Within 30 days after we receive all requested information and materials, we will accept or reject the proposed site in our sole discretion.

6.2. Lease Conditions. Our approval of the lease or purchase agreement will be conditioned upon the inclusion in the lease or purchase agreement of terms acceptable to us. We will have the right to require inclusion in the lease of any or all of the following provisions, which will:

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

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

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

6.2.4. Require that the premises be used solely for the operation of a Bakery;

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

6.2.6. State that any default under the lease shall also constitute a default under this Agreement, and any default under this Agreement shall also constitute a default under the lease.

6.3. Scope of Review. Any reviews that we conduct under this Section 6 are only for our benefit. You acknowledge and agree to all of the following:

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

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

6.3.3. That with respect to any review of your design plans and construction or renovation plans, or other federal, state, or local health regulations, we will not review whether you are in compliance with federal, state, or local laws and regulations, including the Americans with Disabilities Act, and that: (a) you are solely responsible for compliance with all such laws and regulations; and (b) our approval is not, and will not be deemed to be, an assessment as to whether or not you have complied with those laws and regulations.

6.4. Construction. You must construct and equip the Bakery at your own expense. Before starting construction, you must engage a qualified architect or engineer to prepare preliminary and final architectural and engineering drawings and specifications consistent with the representative plans furnished by us pursuant to the Development Agreement. You must engage

an architect from our approved list to prepare preliminary and final architectural drawings and specifications for your Bakeries consistent with our representative plans for a Bakery. In addition, for your first two Bakeries, you must use a general contractor from our approved list or receive our written approval of your general contractor. We must approve the final drawings and specifications before you begin the permitting process. Once approved by us, the drawings and specifications may not be changed or modified without our prior written consent.

6.5. Permits. You must obtain, at your expense, all zoning approvals, clearances, building and other operational permits, including your alcoholic beverage license and including, but not limited to, certificates of occupancy and mall or strip center clearances, which may be required by federal, state, or local laws, ordinances, or regulations and you are solely responsible for constructing your Bakery in compliance with them.

6.6. Approval to Open. During the entire period of construction of the Bakery, you must permit us and our agents to inspect the site at all reasonable times. You must complete construction and installation of all furniture, fixtures, equipment, and signs in accordance with the final plans and specifications approved by us under Section 6.4 above. You must notify us of the anticipated construction completion date. You agree not to open the Bakery for business until we (1) all of your obligations under this Section 6 have been fulfilled; (2) pre-opening training of your personnel has been completed as required by Section 7; and (3) we have been furnished with copies of all certificates of insurance required by Section 15.

6.7. Opening Deadline. You must open the Bakery within nine (9) months after we sign this Agreement. The parties agree that time is of the essence.

7. TRAINING

7.1. We Will Provide Training. Before the opening of your Bakery, we will provide to you and to your Store Manager (defined below), the initial training programs that we designate for new System franchisees (the “**Initial Training Program**”). We will also provide the ongoing training that we periodically deem appropriate, at such places and times that we deem proper. Our training programs will be conducted in the English language. We will be responsible for the cost of instruction and materials (except as set forth in Section 7.2.4 below).

7.2. Your Training and Personnel Obligations. Before opening the Bakery, you (or, if Franchisee is an entity, your Operating Partner) and up to one full-time general manager responsible for the day-to-day operation of the Bakery (the “**Store Manager**”) must attend and successfully complete, to our satisfaction, the initial training program we offer.

7.2.1. The term “**Certified Manager**” is agreed to mean: (a) you (or the Operating Partner); (b) the Store Manager; and (c) additional managers of the Bakery who have successfully completed (to our satisfaction) our initial training program. The Store Manager must have at least three (3) years of experience working in a management capacity in a quick service restaurant or fast casual restaurant, and the Store Manager may serve as the Operating Partner.

7.2.2. You may send up to two (2) individuals (including the Certified Managers) to the initial training program. If you ask to send more than two (2) individuals to the initial training program, then you agree to pay us a training fee in the amount of One Thousand Six Hundred Dollars (\$1,600) for each additional individual that will attend the initial training program, with payment to be made in full before initial training starts.

7.2.3. The Bakery must be under the active full-time management of the Operating Partner or a Certified Manager.

7.2.4. If any of the Certified Managers cease active management or employment at the Bakery, or if we disapprove of any of the Certified Managers, then you agree to enroll a qualified replacement (who must be reasonably acceptable to us) in our initial training program within thirty (30) days after the Certified Manager ended his/her full-time employment and/or management responsibilities. The replacement must attend and successfully complete the basic management training program, to our reasonable satisfaction, as soon as it is practical to do so. We will provide you with two (2) replacement training sessions during the term of this Agreement, for up to a total of three (3) individuals during each such session. If you ask to send more than three (3) individuals to a replacement training session, or if you request more than two (2) replacement training sessions, then you agree to pay us a training fee in the amount of One Thousand Six Hundred Dollars (\$1,600) for each additional individual to be trained, with payment to be made in full before the replacement training starts, plus all other expenses we incur in connection with such training (including the costs of transportation, lodging, and meals).

7.2.5. Your Certified Managers may also be required to attend such refresher courses, seminars, and other training programs as we may reasonably specify from time to time.

7.2.6. We will have the right to require that your trainees execute and deliver to us a personal covenant of confidentiality and non-competition in substantially the form of Exhibit C to this Agreement.

7.2.7. You and your staff must, at all times, cooperate with us and with our representatives. We will have the ongoing right to approve or disapprove of the service of individuals in your Bakery as to the role that they play in your business (including but not limited to the capacity of Certified Managers, such as the Operating Partner and the Store Manager); if any time we disapprove of such an individual, you agree to remove him/her from the role that we disapprove (but you understand and agree that our disapproval of any individual's service in a particular role is not meant to be, and should not be construed as, any instruction or demand on our part that the individual should be dismissed as an employee).

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

7.2.9. We will bear the cost of all training (instruction and required materials, except as otherwise provided above in Section 7.2.4), and you will bear all other expenses incurred in connection with any training (including without limitation the costs of transportation, lodging, meals, wages, benefits, and worker's compensation insurance).

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

8. OPERATION OF THE BAKERY

8.1. Compliance with System Standards. In order to protect our reputation and goodwill and to maintain high standards of operation under the System, you must operate the Bakery in strict conformance with the methods, standards, and specifications we prescribe from time to time in the Manuals or otherwise in writing. You acknowledge that the System standards may relate to any aspect of the appearance, function, cleanliness, and operation of the Bakery. Any material failure to comply with the mandatory System standards or to pass our periodic quality control inspections will constitute a material breach of this Agreement and you will be responsible for the fee we may impose for a re-audit (currently \$1,500). You at no time will engage in deceptive, misleading or unethical practices or conduct any other act which may have a negative impact on the reputation and goodwill of Franchisor or any other franchisee operating under the System. You acknowledge that we have the right to vary our standards and specifications, in our reasonable judgment, to accommodate the individual circumstances of different franchisees.

8.2. Use of Premises; Hours of Operation. You must use the Premises solely for the operation of the Bakery, must keep the Bakery open and in normal operation for the minimum hours and days specified in the Manuals and as permitted by applicable laws, and must refrain from using or permitting the use of the Premises for any other purpose or activity at any time without first obtaining our written consent.

8.3. Employer Responsibilities. You have sole responsibility for all employment decisions and functions of the Bakery, including but not limited to those related to recruiting, hiring, firing, scheduling, training (other than the brand-specific training in Section 7), compensation, benefits, payroll taxes, overtime, break times, recordkeeping, supervision, safety, security, and discipline of employees. In compliance with applicable federal and state law, it is solely your responsibility to maintain and implement written policies prohibiting unlawful harassment, discrimination and retaliation by any person in connection with the operation of the Bakery and to display all required employment-related notifications in compliance with applicable federal and state law. Any information we provide about employment matters, whether voluntarily or in response to your request, and whether directly or by means of any technology tools, is a recommendation only and not intended to exercise control over your employees, their wages, hours or working conditions, or the means and manner by which they carry out their duties. You alone will direct and control all employees of the Bakery, subject only to applicable legal requirements, the terms of this Agreement, and the standards that we prescribe for the preservation of the goodwill associated with the Proprietary Marks. You may not use any of the Proprietary Marks in connection with any employee documents (such as employment applications, paychecks, pay stubs, benefits materials, employee handbooks, and employment agreements) without a prominent notice on the document that you are a franchisee of LMFC and that neither LMFC nor its affiliates is the employer of anyone working in the Bakery. At our request, made not more often than once every six months, you must communicate by a means reasonably calculated to reach all of your current employees a reminder that LMFC is not their employer, and that LMFC and its affiliates do not assume and will not accept any employer, co-employer or joint employer obligations. You agree to indemnify us and our affiliates against any claims by your employees and any claims by government agencies relating to workers employed at the Bakery, as provided in Section 22.

8.4. Customer Relations. You must maintain a competent, conscientious, trained staff with enough workers to operate the Bakery in conformance with our standards. You must take such steps as are necessary to ensure that your employees preserve good customer relations and render competent, prompt, courteous, and knowledgeable service.

8.5. Approved Products and Services. You must offer for sale in the Bakery all products and services that we designate as required items. You may also offer for sale any optional items and services that we have approved in writing for sale in a Bakery, but you may not offer or sell any unapproved products or services without our prior written consent. You must sell products only in the weights, sizes, forms, and packages we have approved. You must discontinue selling or offering for sale any products or services which we, in our sole discretion, disapprove in writing at any time.

8.6. Sourcing of Proprietary Products. A principal purpose of the relationship created by this Agreement is to authorize you to sell bagels and bakery products prepared from dough made in accordance with the proprietary recipe and manufacturing process owned by BEI, and to sell varieties of a special cream cheese product made in accordance with proprietary recipes owned by BEI. In order to protect our and our affiliates' ownership interests in the proprietary recipes and processes and to ensure the quality, uniformity, and distinctiveness of our bakery products and cream cheese, you agree to purchase all of your requirements of dough and cream cheese from a Designated Supplier.

8.7. Sourcing of Other Products and Services. We have the right to require that all current and future food and beverage items, ingredients, supplies, equipment, furnishings, smallwares, merchandise, promotional items, information technology services, third-party audits for food quality and safety, credit card processing services, and other products and services that you purchase for your Bakery and Off-Premises Programs (as defined below): (a) meet specifications that we establish from time to time; and/or (b) be purchased only from suppliers that we have expressly approved; and/or (c) be purchased only from a Designated Supplier (which may be us or an affiliate or a buying cooperative that we organize). To the extent that we have established specifications, require approval of suppliers, and require you to use our named Designated Suppliers for particular items, we will provide the requirements to you in writing. If we elect to name ourselves or an affiliate as the Designated Supplier for a particular item, you must purchase all of your requirements of the item from us or the affiliate. You must submit orders in accordance with the terms and procedures we specify from time to time. Any conflicting terms and conditions of sale stated in your purchase order will have no effect. In case of shortages, we will have complete discretion to allocate products among Bakeries (and, at our option, other channels of distribution). If because of shortages or an event of force majeure we are not able to supply your Bakery with its requirements, you are authorized to purchase from other sources for use at the Bakery until we are again able to meet the Bakeries requirements, provided that the alternative supplies meet our specifications and that we have given prior written approval.

8.8. Supplier Review Process. If we require you to use an approved supplier for a particular item, but you wish to purchase the item from a supplier that we have not approved, you may submit a written request for approval of the supplier, unless it is an item for which there is a Designated Supplier. We have no obligation to review or approve a greater number of suppliers for an item than the number we deem reasonable, and any proposed supplier relationship must not jeopardize the availability of any special pricing or other benefits offered by our existing suppliers based on system-wide purchases. We will provide our standards and specifications to you or to the proposed supplier, subject to the supplier's execution of a confidentiality agreement in a form acceptable to us. We have the right to inspect the proposed supplier's facilities and to require delivery of product samples either to us or to an independent laboratory designated by us for testing. Upon completion of our analysis, we will notify you in writing of approval or disapproval of the proposed supplier within 90 days of your written request for us to review the proposed supplier. You agree to pay a charge not to exceed our reasonable costs incurred in evaluating the supplier, whether or not the supplier is approved. You may not purchase, sell, or offer for sale

any products or services of the proposed supplier until you receive our written approval of the proposed supplier. We have the right to re-inspect the facilities and products of any approved supplier and to revoke approval upon the supplier's failure to meet any of our then-current criteria. If you receive a notice of revocation of approval, you agree to cease purchasing products from the disapproved supplier and, in the case of revocation based on failure of products to meet our standards, you agree to dispose of your remaining inventory of the disapproved supplier's products as we direct.

8.9. Furnishings and Equipment. You must acquire and install in the Bakery at your expense, such fixtures, furnishings, equipment, décor, and signs as we may reasonably direct from time to time. You must not install or permit to be installed on or about the Premises, without our prior written consent, any fixtures, furnishings, equipment, décor, signs, or other items not previously approved by us.

8.10. Access for Inspections. You must permit us, our agents, and health inspectors to enter the Bakery at any time during normal business hours to conduct inspections and to interview employees and customers. You must cooperate with such inspections by rendering such assistance as our representatives may reasonably request. Upon notice from us or our agents, you must immediately begin such steps as may be necessary to correct any deficiencies noted during any such inspection.

8.11. Condition of Premises. You must maintain the Premises (including adjacent public areas) in a clean, orderly condition and in excellent repair. At your own expense, you must make such additions, alterations, repairs, and replacement as may be required for that purpose (but no others without our prior written consent). Upon our request, you must provide us with copies of any report of inspection conducted by a third party.

8.12. Remodeling. At our request (which will not be made more often than once every five (5) years), or as soon as required by your lease, you must refurbish the Bakery to conform to our then-current design and service system, trade dress, and color schemes for a new Bakery. Refurbishment may require you to make expenditures on, among other things, structural changes, installation of new equipment, remodeling, redecoration, and modifications to existing improvements. We will consider the useful life of the capital improvements in developing our standards for regular refurbishment.

8.13. Catering, Take Out and Other Off-Premises Programs. We have the right (but no obligation) to establish delivery, catering, take out and/or wholesaling programs ("**Off-Premises Programs**") either on our own or in conjunction with one or more outside vendors. Off-Premises Programs may be mandatory or optional for franchisees and may include online and telephone ordering systems. If we establish a mandatory Off-Premises Program or you choose to participate in a voluntary program, you agree to pay the fees and costs associated with participating and to comply with all other rules and procedures that we specify for the program in the Manual or otherwise in writing. You acknowledge that you may have to purchase equipment, including a delivery vehicle, in order to participate in an Off-Premises Program. We may define service areas for Off-Premises Programs that differ from your Protected Area. We can modify or terminate an Off-Premises Program by notice to the participating Bakeries.

8.13.1. As of the Agreement Date, we have a mandatory Off-Premises Program for catering and take out services. As part of our catering and take out program, you must use our designated vendor for online ordering which includes a use of our designated vendor's

software online ordering platform. We have the right, in our sole discretion, to change to a different catering and take out vendor at any time.

8.13.2. We can change the rules of the catering and take out program and/or define service areas and solicitation restrictions for catering that differ from the Protected Area. Upon receipt of notice from us of a change in the service area, you must stop providing catering services outside of the newly-defined area and turn over all customer information that you have acquired relating to that area.

8.14. No Other Sales Channels. Unless expressly authorized by us under Section 8.13, you may not sell products or services through any channel or facility other than to retail customers for consumption on the Bakery premises, or for personal carry-out consumption (including any Off-Premises Programs, food trucks, carts, kiosks, or temporary locations). If we approve any one or more activities, we will not be deemed to have given our approval, or waived our right to approve or disapprove, any other activities that you may later propose. We will consider the factors that we deem appropriate, which may include the period of time you have been operating the Bakery, your sales volume, whether you have met certain quality standards and other benchmarks, and other standards that we may determine are applicable.

8.15. Credit Cards and/or Debit Cards. With respect to your acceptance and processing of customer payments by credit and debit cards, you agree to do all of the following:

8.15.1. You agree to maintain, at all times, credit-card relationships with the credit- and debit-card issuers or sponsors, check or credit verification services, financial-center services, merchant service providers, and electronic-fund-transfer systems (together, "**Payment Vendors**") that we may periodically designate as mandatory. The term "Payment Vendors" includes, among other things, companies that provide services for electronic payment, including "Apple Pay", "Google Wallet", as well as other vendors' mobile and other payment applications). The obligations specified in this Section include your agreement to pay the applicable charges imposed by the Payment Vendors for participation in, and transactions conducted through, those methods.

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

8.15.3. We have the right to modify our requirements and designate additional approved or required methods of payment and vendors for processing such payments, and to revoke our approval of any service provider.

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

8.15.5. You agree to comply with our requirements concerning data collection and protection, as specified in Section 9.3 below.

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

(PCI/DSS) as those standards may be revised by the PCI Security Standards Council, LLC (see www.pcisecuritystandards.org) or successor organization. Among other things, you agree to implement the security requirements that the PCI Security Standards Council (or its successor) requires of a merchant that accepts payment by credit and/or debit cards. You must implement and maintain an approved Payment Card Industry (PCI) compliance program for the Bakery. We may suggest third party PCI compliance vendors from time to time, but you are free to submit alternative PCI compliance vendors for our approval or seek approval to perform your own PCI compliance. You must submit PCI compliance reports to us in the manner and frequency that we request, which may include having an independent third party conduct a PCI/DSS audit. Your failure to comply with section will be a material default under this Agreement.

8.16. Electronic Money Programs and Loyalty Programs. You must participate in programs relating to gift cards, gift certificates, stored value cards, online or mobile coupons or credits, online or mobile ordering systems, and other electronic money programs as we may prescribe from time to time. Participation includes both issuing program benefits or credits and accepting them for payment by customers, and may require you to purchase additional equipment. We will coordinate the crediting and debiting of funds among Bakeries based on customer purchases and redemption of stored value. You must also participate in any customer loyalty programs that we prescribe from time to time. You may not offer your own gift card, electronic money, or loyalty program for the Bakery without our prior approval.

8.17. Pricing and Promotional Activities. To the extent permitted by applicable law, we have the right to establish maximum and/or minimum prices that you must follow for menu items, merchandise, and other products and services sold in the Bakery. You must participate in and comply with the terms of special promotional activities that we prescribe for Bakeries generally or in specific geographic areas or for specific types of venues. You acknowledge that these activities may include value menu, special offer, limited time offer and other pricing promotions and that the featured price(s) may be less than your cost for the promotional item(s). If required by our agreement with a Designated Supplier, you may have to purchase a certain amount of products from the Designated Supplier in connection with a promotion and you might not be able to use or sell all of the products. You agree to bear your own costs of participating in these activities. You must conspicuously display for customers the promotional signs and materials and otherwise participate in the manner we specify.

8.18. System Changes. We may unilaterally supplement, improve, and modify the System from time to time. You agree to comply with all reasonable requirements in that regard, including selling new types of products or services as specified by us. You may not implement any change in the System without our prior written consent. You must notify us in writing of any change in the System that you desire to implement, and provide any information we request regarding the proposed change. You acknowledge and agree that we have the right to incorporate the change into the System and thereupon obtain from you all right, title, and interest therein, without compensation to you.

8.19. Quality Assurance Program. You must comply fully with our quality assurance program. The program may include, among other things, customer satisfaction surveys, mystery shopper reports, employee satisfaction and perception surveys, health and safety reviews, product and ingredient testing, and observation of food preparation areas and processes. You must pay any out-of-pocket costs incurred to third parties to carry out quality assurance program activities at your Bakery. If you fail to achieve the minimum score prescribed in the Manuals for a specific quality assurance category, we may require you and/or your employees to complete additional training at the Bakery or a location that we designate, at your expense. If you fail to

achieve the prescribed minimum score on two consecutive assessment occasions or on three or more assessment occasions in any five (5) year period, we will have the right to terminate this Agreement under Section 17.2.13.

8.20. Compliance with Laws. You must operate the Bakery in full compliance with all applicable municipal, county, state and federal laws, rules, regulations and ordinances. You have sole responsibility for compliance despite any information or advice that we may provide. You are prohibited from taking any actions that would jeopardize our ability to comply with the United States Foreign Corrupt Practices Act and the International Money Laundering Abatement and Anti-Terrorist Financing Act, otherwise known as the Patriot Act. Franchisee represents and warrants to Franchisor that neither Franchisee, nor any of its respective affiliates is identified, either by name or an alias, pseudonym or nickname, on the lists of “Specially Designated Nationals” or “Blocked Persons” maintained by the U.S. Treasury Department’s Office of Foreign Assets Control (texts currently available at <http://www.treasury.gov/resource-center/sanctions/Programs/Pages/Programs.aspx>). Further, Franchisee represents and warrants that neither it nor any of its affiliates has violated, and agrees not to violate, any law prohibiting corrupt business practices, money laundering or the aid or support of persons or entities who conspire to commit acts of terror against any person, entity or government, including acts prohibited by the U.S. Patriot Act (text currently available at <http://www.epic.org/privacy/terrorism/hr3162.html>), U.S. Executive Order 13224 (text currently available at <http://www.treasury.gov/resource-center/sanctions/programs/documents/terror.pdc>), or any similar law. The foregoing constitutes continuing representations and warranties, and Franchisee shall immediately notify Franchisor in writing of the occurrence of any event or the development of any circumstance that might render any of the foregoing representations and warranties false, inaccurate or misleading.

8.21. Operating Partner. If Franchisee is a business corporation, partnership, limited liability company or other legal entity, you must designate an “**Operating Partner**” in Exhibit A. The Operating Partner must be an individual approved by us who must (a) own and control, or have the right to own and control (subject to terms and conditions reasonably acceptable to us), not less than 10% of the equity of Franchisee; (b) have the authority to bind Franchisee regarding all operational decisions with respect to the Bakery; and (c) have completed our training program to our satisfaction.

9. TECHNOLOGY

9.1. Computer Systems and Approved Software. With respect to computer systems and required software:

9.1.1. We have the right to specify or require that certain brands, types, makes, and/or models of communications, computer systems, and hardware to be used by, between, or among Bakeries, and in accordance with our standards, including without limitation: (a) back office and point of sale systems, data, audio, video (including managed video security surveillance), telephone, voice messaging, retrieval, and transmission systems for use at Bakeries, between or among Bakeries, and between and among your Bakery, you, and us; (b) POS Systems (defined in Section 9.7 below); (c) physical, electronic, and other security systems and measures; (d) printers and other peripheral devices (e.g., digital menu boards); (e) archival back-up systems; (f) internet access mode (e.g., form of telecommunications connection) and speed; and (g) front-of-the-house WiFi and other internet service for customers; and (h) processing gift and loyalty cards (collectively, all of the above are referred to as the “**Computer System**”).

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

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

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

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

9.1.6. You must pay the system support fee in the amount that we periodically specify in order to install and continue to use the Approved Software. This fee also may be paid directly to third party vendors.

9.2. Data.

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

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

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

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

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

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

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

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

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

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

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

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

Online Site (which we are not obligated to approve), then each of the following provisions shall apply:

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

9.6.2. Any Online site owned or maintained by or for your benefit will be deemed “marketing” under this Agreement, and will be subject to (among other things) our approval under Section 14.8 below.

9.6.3. Before establishing any Online Site, you must submit to us, for our prior written approval, a sample of the proposed Online Site domain name, format, visible content (including, without limitation, proposed screen shots, links, and other content), and non-visible content (including, without limitation, meta tags, cookies, and other electronic tags) in the form and manner we may reasonably require.

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

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

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

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

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

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

9.8. Electronic Identifiers; E-Mail.

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

9.8.2. You agree not to transmit or cause any other party to transmit advertisements or solicitations by e-mail, text message, and/or other electronic media without first obtaining our written consent as to: (a) the content of such electronic advertisements or solicitations; and (b) your plan for transmitting such advertisements. In addition to any other provision of this Agreement, you will be solely responsible for compliance with any laws pertaining to sending electronic communication including, but not limited to, the Controlling the Assault of Non-Solicited Pornography and Marketing Act of 2003 (known as the "CAN-SPAM Act of 2003") and the Federal Telephone Consumer Protection Act. As used in this Agreement, the term "electronic communication" is agreed to include all methods for sending communication electronically, whether or not currently invented or used, including without limitation e mails, text messages, and faxes.

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

9.10. Telephone Service. You agree to use the telephone service for the Bakery that we may require, which may be one or more centralized vendors that we designate for that purpose. You agree that we may designate, and own, the telephone numbers for your Bakery.

9.11. Changes. You acknowledge and agree that changes to technology are dynamic and not predictable within the term of this Agreement. In order to provide for inevitable but unpredictable changes to technological needs and opportunities, you agree that we will have the right to establish, in writing, reasonable new standards for the implementation of technology in the System; and you agree to abide by those reasonable new standards we establish as this Section 9 were periodically revised by us for that purpose.

9.12. Electronic Communication – Including E-Mail, Fax, and Texts. You acknowledge and agree that exchanging information with us by electronic media is an important way to enable quick, effective, and efficient communication, and that we are entitled to rely upon your use of e-mail and faxes for communicating as part of the economic bargain underlying this Agreement. To facilitate the use of electronic communication to exchange information, you authorize the transmission of those electronic communications by us and our employees, vendors, and affiliates

(on matters pertaining to the business contemplated hereunder) (together, "Official Senders") to you during the term of this Agreement.

9.12.1. In order to implement the terms of this Section 9.12, you agree that: (a) Official Senders are authorized to send electronic communications to those of your employees as you may occasionally designate for the purpose of communicating with us and others; (b) you will cause your officers, directors, members, managers, and employees (as a condition of their employment or position with you) to give their consent (in an electronic communication or in a pen-and-paper writing, as we may reasonably require) to Official Senders' transmission of electronic communication to those persons, and that such persons shall not opt-out, or otherwise ask to no longer receive electronic communication, from Official Senders during the time that such person works for or is affiliated with you; and (c) you will not opt-out, or otherwise ask to no longer receive electronic communications, from Official Senders during the term of this Agreement.

9.12.2. The consent given in this Section 9.12 shall not apply to the provision of notices by either party under this Agreement using e-mail unless the parties otherwise agree in a pen-and-paper writing signed by both parties.

9.12.3. We may permit or require you to use a specific e-mail address (that is, one that will contain a Top Level Domain Name that we designate, such as jane.smith@brueggers.com or "john.jones@brueggersfranchisee.com), in connection with the operation of the Bakery. We may require you to sign our current form of E-Mail Authorization Letter and/or an Extranet Agreement. If we assign you an e-mail address, then you agree that you (and your employees) will use only that email account for all official business associated with your Bakery.

10. PROPRIETARY MARKS AND COPYRIGHTS

10.1. Identification of the Bakery. You must operate, advertise, and promote the Bakery only under the Proprietary Marks. In conjunction with any use of the Proprietary Marks, you must identify yourself to the public as an independent franchisee and licensee of the Proprietary Marks, and not the owner of the Proprietary Marks and shall make any necessary filings under state law to reflect such status. In addition, you will identify yourself as a licensee of the Proprietary Marks on all invoices, order forms, receipts, business stationery and contracts, as well as at the Bakery on any signage, which shall be conspicuously displayed, to customers.

10.2. Proprietary Materials. You acknowledge and agree that we and/or our affiliates are the owners of certain copyrighted or copyrightable works (the "Works") and that the copyrights in the Works are valuable property. We authorize you to use the Works on the condition that you comply with all of the terms and conditions of this Section 9.2. You acknowledge and agree that we may create, acquire or obtain licenses for certain additional copyrights in various works of authorship used in connection with the operation of a Bakery, including, but not limited to, all categories of works eligible for protection under the United States copyright law, all of which will be deemed to be part of the Works, as that term is defined herein. The Works include, but are not limited to, the Manuals, advertisements, promotional materials, labels, menus, posters, coupons, gift certificates, signs, World Wide Web and other Internet sites, and store designs, plans and specifications. The Works may incorporate all or part of the Proprietary Marks or other trade dress used as part of the System. You acknowledge that this Agreement does not confer any interest in the Works on you, other than the right to use them in the operation of the Bakery in compliance with the terms of this Agreement. If you prepare any adaptation, translation or work derived from the Works, including, but not limited to, advertisements, promotional materials, labels, menus,

posters, or Web sites, whether or not such adaptation was authorized by us, you agree that such material will be our property and you hereby assign all your right, title and interest therein to us (or a person designated by us). You agree to execute any documents, in recordable form, which we deem necessary to reflect or perfect such ownership. You must submit all such adaptation, translation or derivative works to us for approval prior to use.

10.3. Limitations on Use. Your right to use the Proprietary Marks and the Works is limited to the uses we authorize under this Agreement and any unauthorized use will constitute an infringement of our rights. Therefore, you agree to:

10.3.1. Use only the Proprietary Marks that we designate and use them only in the manner we authorize;

10.3.2. Use the Proprietary Marks and Works only for the operation of the Bakery and only at the Premises or in advertising for the Bakery

10.3.3. Operate and advertise the Bakery only under the names “Bruegger’s” and “Bruegger’s Bagels”, and use all Proprietary Marks without prefix or suffix, and not use the Proprietary Marks as part of your corporate or legal name;

10.3.4. Ensure that all advertising and promotional materials, packaging, signs, decorations, websites, and other items that we may specify, bear the Proprietary Marks in the form, color, size, and location we prescribe;

10.3.5. Identify yourself as a licensee of the Proprietary Marks, and not the owner of Proprietary Marks in conjunction with any use of the Proprietary Marks, including but not limited to on invoices, order forms, receipts, check stock, payroll forms, business stationery, websites, email auto-signatures, and other electronic media, as well as at such conspicuous locations on the Premises;

10.3.6. Not use the Proprietary Marks to incur any obligation or indebtedness on behalf of us or our affiliates;

10.3.7. Comply with our instructions in filing and maintaining any requisite trade name or fictitious name registrations, and execute any documents we deem necessary to obtain protection for the Proprietary Marks and the Works or to maintain their continued validity and enforceability;

10.3.8. Not use the Proprietary Marks as part of your corporate or other legal entity name;

10.3.9. Not directly or indirectly contest the validity of, or take any other action which tends to jeopardize our or our affiliates’ rights to the ownership of or right to use and to license others to use the Proprietary Marks; and

10.3.10. Ensure that the Proprietary Marks and the Works bear the “®”, “TM”, “SM” or copyright notice, respectively, as we may prescribe from time to time.

10.4. Your Acknowledgments. You acknowledge that:

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

10.4.2. Your use of the Proprietary Marks and Works pursuant to this Agreement does not give you any ownership interest or other interest in the Proprietary Marks or the Works;

10.4.3. Any and all goodwill arising from your use of the Proprietary Marks and the Works will inure exclusively to the benefit of us and our affiliates, and upon expiration or termination of this Agreement, no monetary amount will be assigned as attributable to any goodwill associated with your use of the System, the Proprietary Marks, or the Works; and

10.4.4. The license granted hereunder to use the Proprietary Marks and the Works is nonexclusive.

10.5. Third Party Challenges. You must promptly notify us in writing and verbally of any unauthorized use or reproduction of the Proprietary Marks or the Works, any challenge to the validity of the Proprietary Marks or the Works, the ownership by us and our affiliates of the Proprietary Marks and the Works, our right to use and to license others to use the Proprietary Marks and the Works, or your right to use the Proprietary Marks or Works. You acknowledge that we and our affiliates have the right to direct and control any administrative proceeding or litigation involving the Proprietary Marks or Works, including any settlement thereof. We and our affiliates have the right, but not the obligation, to take action against uses by others that may constitute infringement of the Proprietary Marks or Works. We will defend you against any third-party claim that your use of the Proprietary Marks or the Works infringes the rights of the third party. We will bear the cost of defense (including the cost of any judgment or settlement) if you have used the Proprietary Marks and the Works in accordance with the terms of this Agreement, but otherwise you must bear the cost of the defense (including the cost of any judgment or settlement). You must execute any and all documents and do such acts as we deem necessary to carry out the defense or prosecution of any litigation involving the Proprietary Marks or the Works, including, but not limited to, becoming a nominal party to any legal action. Except to the extent that such litigation is the result of your use of the Proprietary Marks or the Works in a manner inconsistent with the terms of this Agreement, you agree to reimburse us for our out-of-pocket costs in doing such acts.

10.6. Changes to the Proprietary Marks. We reserve the right to modify or require you to discontinue use of any of the Proprietary Marks or the Works and/or to substitute different service marks, trademarks or copyrighted material for use in identifying the System and the businesses operating thereunder. When required by us, you must promptly discontinue use of designated Proprietary Marks or Works or implement any modification or substitution at your own cost and expense. We will have no obligation or liability to you as a result of such modification or substitution.

11. MANUALS

11.1. Confidentiality. You must treat the Manuals which includes all information conveyed via written or electronic access through an on-line system and all information contained in them as confidential. You must not misuse, copy, duplicate, record, or otherwise reproduce the Manuals or any other materials containing our confidential information, in whole or in part, or otherwise make them available to any unauthorized person.

11.2. Security. The Manuals remain exclusively our property and you must keep them at all times in a secure place in the Bakery.

11.3. Updates. We may, from time to time, revise the contents of the Manuals. You agree to update your copies of the Manuals and to comply with each new or changed standard upon reasonable notice from us. In the event of a dispute about the contents of the Manuals, the master copies maintained by us at our principal offices will be controlling.

12. CONFIDENTIAL INFORMATION

12.1. Nondisclosure. You must not, during the term of this Agreement or at any time thereafter, communicate, divulge, or misuse for your benefit or for the benefit of any other person or entity any confidential information, knowledge, trade secrets, or know-how which may be communicated to you or of which you may be apprised by virtue of your activities under this Agreement. You may divulge such confidential information only: (i) to your employees who must have access to it in order to operate or develop the Bakery; and (ii) to your contractors and the landlord of the Premises with our prior written approval. All information, knowledge, trade secrets, know-how, techniques, and other data which we designate as confidential will be deemed confidential for purposes of this Agreement, except information which you can demonstrate came to your attention by lawful means prior to disclosure thereof by us, or which, at or after the time of disclosure by us to you, had become or later becomes a part of the public domain, through publication or communication by others.

12.2. Owners and Employees. At our request, you must require your general manager and assistant managers (if applicable) to execute agreements that they will maintain the confidentiality of our information. The agreements must be in a form satisfactory to us and identify us as a third-party beneficiary with the independent right to enforce the agreement. At our request, you must use your best efforts to obtain similar agreements from your landlord, contractors, and any other person to whom you wish to disclose any of our confidential information.

13. ACCOUNTING AND RECORDS

13.1. Books and Records. You must prepare, and must preserve for at least three (3) years from the dates of their preparation, complete and accurate books, records, and accounts, in accordance with generally accepted accounting principles. You must record all Gross Sales, net sales, sales tax, and any other charges collected on behalf of third parties in accordance with the procedures prescribed in the Manuals, on the point of sale system that we specify.

13.2. Reports. You must submit to us, at your expense, in the form we prescribe:

13.2.1. By no later than Friday of each week, a complete and accurate report of Gross Sales for the preceding week, and such other weekly data as we may reasonably require;

13.2.2. Within ninety (90) days after the end of each of your fiscal years, an income statement showing the results of your operations during such fiscal year and a balance sheet as of the end of such fiscal year, both of which must be prepared in accordance with generally accepted accounting principles and reviewed by an independent certified public accountant. If, however, the foregoing income statements and balance sheets are audited by an independent certified public accountant, then you must furnish the audited income statements and balance sheets rather than the reviewed income statements and balance sheets. We reserve the right to

require that your financial statements be audited, at your expense, by an independent certified public accountant approved by us;

13.2.3. Interim unaudited income statements thirty (30) days and sixty (60) days after the Bakery opens; and

13.2.4. Interim unaudited income statements and balance sheets not less often than quarterly, within forty-five (45) days after the end of the period to which the statements relate.

13.3. Parent and Guarantor Financial Statements. At our request, you agree to furnish a statement of financial condition as of the end of the fiscal quarter for each individual or corporate guarantor of your obligations to us and, if applicable, for each of your direct and indirect corporate parents.

13.4. Right to Examine or Audit. We and our designated agents will have the right to examine and copy, at our expense, on reasonable notice and during normal business hours, your books, records, accounts, and sales tax returns. We will also have the right, at any time, to have an independent audit made of your books. If an inspection or audit reveals that any payment to us has been understated, you must immediately pay to us the amount owed, together with applicable interest and late fees as provided in Section 5.5. If an inspection or audit reveals any underreporting of Gross Sales of two percent (2%) or more or underpayment of royalties of two percent (2%) or more, you must, in addition to payment of monies owed with interest, reimburse us for all costs connected with the inspection or audit (including expenses for travel, lodging and wages, and reasonable accounting and legal costs). The foregoing remedies are in addition to any other remedies we may have.

14. ADVERTISING AND PROMOTION

14.1. Advertising Programs. You acknowledge the value of and the need to develop, enhance, and promote the System and the Proprietary Marks. You also acknowledge the importance of the standardization of advertising programs to the furtherance of the goodwill and public image of the System and the Proprietary Marks. This Section 14 describes our marketing, public relations and advertising programs and our right to modify these programs and the manner in which the marketing and advertising funds are used from time to time.

14.2. Marketing Contribution. For each Week during the term of this Agreement, you agree to contribute an amount equal to three and one-half percent (3.5%) of your Gross Sales during the preceding Week (the “**Marketing Contribution**”), allocated as provided in Section 14.3 below. You agree to pay the Marketing Contribution in the manner and at the times required under Section 5.4 above (and as otherwise provided in this Section 14).

14.3. Allocation and Collection. We will have the right to allocate your Marketing Contribution in the proportion that we designate among the following: **(a)** our system-wide marketing fund (the “**Systemwide Marketing Fund**”), once it has been established; **(b)** any Marketing Co-op established for your area, as provided in Section 14.6 below (but we are not required to establish a Marketing Co-op for your area); and **(c)** local store marketing (“**LSM**”).

14.3.1. Subject to Section 14.3.2 below, our current allocation of the Marketing Contribution is as follows:

This amount	Into this fund:
Fifty percent (50%) of the Marketing Contribution (that is, 1.75% of your Gross Sales)	Systemwide Marketing Fund
Fifty percent (50%) of the Marketing Contribution (that is, 1.75% of your Gross Sales)	LSM

14.3.2. We have the right to change the allocation of the Marketing Contribution as specified in Section 14.3.1 among those funds and/or a Marketing Co-op, by giving you written notice of the change, and those changes will take effect at the end of that month.

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

14.3.4. No part of the Marketing Contribution (whether deposited in the Systemwide Marketing Fund, provided to a Marketing Co-Op, or designated for LSM) shall be subject to refund or repayment under any circumstances.

14.4. Systemwide Marketing Fund. We may use monies allocated to the Systemwide Marketing Fund (“**SMF**”) in any manner consistent with Section 13.3.1 below.

14.4.1. We have the right to direct all advertising, media placement, marketing and public relations programs and activities financed by the SMF, with final discretion over the strategic direction, creative concepts, materials and endorsements used and the geographic, market and media placement and allocation. We may use the SMF to pay various costs and expenses as we determine in our sole discretion, including, without limitation: preparation and production of video, audio, written, online and mobile advertising materials; production of promotional materials; sponsorship of sporting, charitable, or similar events; design, establishment, and maintenance of web sites, search rankings, social media profiles and other online and mobile presence; endorsement contracts; reasonable salaries and expenses of our and our affiliates’ employees who work on advertising, marketing, public relations materials, programs, activities or promotions prepared, planned or undertaken on behalf of the SMF; professional fees and administrative costs and overhead that we or our affiliates incur in activities reasonably related to the administration and activities of the SMF (including accounting fees, legal fees, and interest on monies borrowed by the SMF); implementation of advertising programs, including, without limitation, purchasing direct mail and other media advertising and employing advertising agencies to assist us; and other public relations, marketing, consumer research, and promotional activities, including testing and test marketing programs, fulfillment charges, and development and implementation and testing of trade dress and design prototypes.

14.4.2. We will seek the advice of Bruegger’s franchisees by formal or informal means with respect to the creative concepts and media used for programs financed by the SMF. We retain the final authority on all programs financed by the SMF. We have the right to change or dissolve the SMF.

14.4.3. You acknowledge that the SMF and any earnings thereon will be used to maximize general public recognition, acceptance, and patronage of Bruegger’s outlets, and that we are not obligated, in administering the SMF, to make expenditures for you which are equivalent or proportional to your contribution, or to ensure that any particular franchisee benefits directly or pro rata from expenditures by the SMF. Your failure to derive any such benefit will not serve as a basis for a reduction or elimination of your obligation to contribute to the SMF. The failure (whether

with or without our permission) of any other franchisee to make the appropriate amount of contributions to the SMF will not release you from or reduce your obligation.

14.4.4. Nothing in this Agreement will be construed to create a trust or fiduciary relationship of any kind or nature whatsoever among the parties as it relates to the SMF or our actions with respect thereto, including, but not limited to, collection of payments, maintenance of the bank account, bookkeeping, and disbursement of monies from the SMF. Except as expressly provided in this Section 14, we assume no direct or indirect liability or obligation to you with respect to maintenance, direction, or administration of the SMF.

14.5. Local Store Marketing. All Local Marketing must be approved by us pursuant to Section 14.9 below.

14.6. Joint Marketing Programs and Cooperatives. We have the right at any time and from time to time to establish, and thereafter modify (1) co-marketing programs in which we, franchisees and licensees join with suppliers or other third parties to cross-promote goods and services; (2) joint marketing efforts in which multiple franchisees and/or licensees contribute to a specific ad or event; and/or (3) local or regional marketing co-operatives (“**Marketing Co-ops**”) that pool funds of franchisees on an ongoing basis to jointly promote the Proprietary Marks and the Bakeries of the Marketing Co-op members. You must participate in each applicable joint marketing program and comply with the rules of the program. The following provisions apply to Marketing Co-ops:

14.6.1. We have the right to designate any geographic area or set of common characteristics for purposes of establishing a Marketing Co-op. If a Marketing Co-op is applicable to your Bakery at the time the Bakery opens for business, you must join the Marketing Co-op. If a Marketing Co-op applicable to the Bakery is established during the Agreement Term, you must become a member and begin contributing no later than thirty (30) days after we approve the Marketing Co-op to begin operation. You will not have to contribute to more than one Marketing Co-op for the same Bakery at the same time. We (or our affiliates, as the case may be) will become a member of any Marketing Co-op that is applicable to a Bakery owned by us or our affiliates.

14.6.2. Each Marketing Co-op will adopt an agreement governing the organization and operation of the Marketing Co-op, subject to our approval. If the members of the Marketing Co-op do not sign an agreement within a reasonable time, you agree to sign our recommended form of Marketing Co-op Agreement. We reserve the right to change the form of organization, governing documents, and manner of operation of any Marketing Co-op, and you and the other members agree to implement any such change promptly after notice from us. No changes in the bylaws or other governing documents of a Marketing Co-op may be made without our prior written consent.

14.6.3. Each Marketing Co-op will be organized for the exclusive purpose of developing, administering and executing advertising programs for its members.

14.6.4. No advertising or promotional plans or materials may be used by a Marketing Co-op or furnished to its members without our prior approval pursuant to Section 14.8 below.

14.6.5. We may grant to any franchisee an exemption for any length of time from the requirement of membership in a Marketing Co-op and/or from the obligation to contribute

(including a reduction, deferral or waiver of the contribution), upon written request of the franchisee stating reasons which we deem sufficient to support the exemption. Our decision concerning any request for exemption will be final.

14.6.6. We and our designated agents will have the right to examine and copy, at our expense, on reasonable notice and during normal business hours, the books, records, and accounts of any Marketing Co-op. We will also have the right, at any time, to have an independent audit made of the books of any Marketing Co-op.

14.7. Grand Opening. In addition to your Marketing Contribution, you must conduct grand opening marketing activities during the first one hundred eighty (180) days after the Bakery opens. You must expend a minimum of Ten Thousand Dollars (\$10,000) to conduct grand opening marketing activities pursuant to a grand opening marketing plan developed by us. We reserve the right to require you to deposit with us the funds required under this Section 14.7 to distribute as may be necessary to conduct the grand opening marketing plan.

14.8. Approval Requirement. All advertising and promotion by you and by any Marketing Co-op must be in the type of media and format that we approve, must be conducted in a dignified manner, and must conform to our standards and requirements. You or the Marketing Co-op must submit written samples of all proposed advertising and promotional plans and materials to us for our approval at least thirty (30) days before their intended use, unless the plans and materials were prepared by us or have been approved by us within the last twelve (12) months. Proposed advertising plans or materials will be deemed to have been approved if we have not disapproved them within fifteen (15) days after receipt. All electronic marketing and electronic communications are subject to Sections 9.6 to 9.12 of this Agreement.

15. INSURANCE

15.1. Basic Requirements. You must, at your own expense, maintain the types and minimum amounts of insurance coverage specified in the Manuals. The policy, or policies, must be written by insurance companies with an industry rating acceptable to us; must name us, our affiliates, and their respective officers, directors, shareholders, and employees as additional insureds as specified by us; and must not have deductibles, exclusions or co-insurance requirements that are unacceptable to us. You must provide us with evidence of all required insurance coverage and payment of premiums before beginning construction of the Bakery. At least 30 days before each insurance policy expires, you must furnish a copy of the renewal or replacement insurance policy and evidence of payment of the premium. The policy must state that we will be notified by the insurance company if the policy is terminated, canceled or expires. Your obligation to obtain insurance coverage is not limited in any way by the insurance that we maintain.

15.2. Our Rights. We have the right to increase the amounts of coverage required and require different or additional kinds of insurance at any time, including excess liability insurance, to reflect inflation, new risks, changes in the law or standards of liability, higher damage awards or other relevant changes in circumstances. All public liability and property damage policies must contain a waiver by the insurance company of subrogation rights against us and our affiliates, successors and assigns. If you fail to maintain the insurance required by this Agreement, we have the right (but no obligation) to obtain insurance on your behalf. If we do so, you agree to reimburse us for the cost of insurance, plus a reasonable fee for our services.

16. SALE OR ASSIGNMENT

16.1. By Us. We have the right to transfer or assign this Agreement or any part of our rights or obligations under this Agreement to any person or legal entity. You agree that we will have no liability after the effective date of the transfer or assignment for the performance of any obligations hereunder. You acknowledge that we can sell our assets; sell securities in a public offering or in a private placement; merge with, acquire, or be acquired by another company; or undertake a refinancing, recapitalization, leveraged buy-out, or other economic or financial restructuring, without restriction and without affecting your obligations under this Agreement.

16.2. By You. You acknowledge that the rights and duties set forth in this Agreement are personal to you and that we have granted these rights in reliance on your business skill, financial capacity, and personal character (or, if Franchisee is a business entity, on the business skill, financial capacity, and personal character of Franchisee's owners and management). Accordingly, except as provided in Section 16.3, neither you nor any immediate or remote successor to any interest in this Agreement, nor any individual, partnership, corporation, or other legal entity which directly or indirectly owns any interest in you, will sell, assign, transfer, convey, pledge, encumber or give away any direct or indirect interest in this Agreement, in you, or in substantially all of the assets of the Bakery, without our prior written consent as provided in Sections 16.5 and 16.7, which will not be unreasonably withheld. You must notify us in writing of any proposed transfer at least thirty (30) days before the transfer is to take place, and must provide all information and documentation relating to the proposed transfer that we reasonably request.

16.3. Employee Ownership Plan. If Franchisee is a business entity, your owner or owners may, without our prior written consent, sell, assign, transfer or give away to employees of Franchisee an aggregated amount of not more than twenty percent (20%) of Franchisee's outstanding equity, including the equity interest granted to the Operating Partner as required under Section 8.21 above provided: (i) we receive written notice of each transfer at least thirty (30) days before the transfer, which notice must identify the transferee, describe the transferee's position of employment, and include a calculation demonstrating that the planned transfer complies with this Section 16.3; and (ii) the transfer, when combined with all prior transfers of equity in Franchisee, does not result in a transfer of more than twenty percent (20%) of the outstanding equity or in a change of control of Franchisee.

16.4. Our Right of First Refusal. We have the right, exercisable within thirty (30) days after receipt of a written request for our approval of a proposed transfer pursuant to this Section 15.2, to purchase the interest proposed to be transferred. The request for approval of transfer must include a true and complete copy of the term sheet, letter of intent, proposed purchase agreement, assignment document, or any other document necessary to implement the transfer, and not be subject to financing or any other contingencies. Our thirty (30) day period for determining whether or not to exercise our right of first refusal will not begin until the transferor has provided all information and documentation required hereunder in a form and substance satisfactory to us. If we desire to exercise our right of first refusal, we will do so by providing written notice (the "Purchase Notice") to the transferor, as follows:

16.4.1. If the transfer is proposed to be made pursuant to a sale, we may purchase the interest proposed to be transferred on the same financial terms and conditions offered by the third party. Closing on our purchase will occur within sixty (60) days after the date of the transferor's receipt of the Purchase Notice. If the consideration, terms, and/or conditions offered by the third party are such that we may not reasonably be required to furnish the same

consideration, terms, and/or conditions, then we may purchase the interest proposed to be sold for the reasonable equivalent in cash. If, within thirty (30) days of the transferor's receipt of the Purchase Notice the parties cannot agree as to the reasonable equivalent in cash consideration, an independent appraiser will be appointed by mutual agreement and the determination of the appraiser will be binding. Any material change in the terms of the offer from a third party after we have elected not to purchase the interest sought to be transferred will constitute a new offer subject to the same rights of first refusal by us as in the case of the third party's initial offer.

16.4.2. If the transfer is proposed to be made by gift, you and we will jointly designate, at our expense, an independent appraiser to determine the fair market value of the interest proposed to be transferred. We may purchase the interest at the fair market value determined by the appraiser. Closing on the purchase will occur within 45 days after our notice to the transferor of the appraiser's determination of fair market value.

16.5. Conditions of Our Consent. If we elect not to exercise our right of first refusal under Section 15.4, the proposed transferor may complete the transfer after obtaining our written consent as required under Section 16.2. We may withhold our consent on any reasonable grounds, or may give our consent subject to reasonable conditions, which may include, but are not limited to, the following:

16.5.1. That all of your accrued monetary obligations and all other outstanding obligations to us and our affiliates have been satisfied;

16.5.2. That you are not in default of any provision of this Agreement, any amendment hereof or successor hereto, or any other agreement between you and us or our affiliates;

16.5.3. That the transferor executes a general release, in a form satisfactory to us, of any and all claims against us, our affiliates and their respective past, present, and future officers, directors, shareholders, and employees, in their corporate and individual capacities;

16.5.4. That the transferee (and if the transferee is a corporation, partnership, or limited liability company, such owners of a beneficial interest in the transferee as we may request) enter into a written assignment, in a form satisfactory to us, assuming and agreeing to discharge all of your obligations under this Agreement; or, at our option, enter into our then current form of Franchise Agreement; and, if the transferor guaranteed your obligations under this Agreement, that the transferee guarantee the performance of all such obligations in writing in a form satisfactory to us;

16.5.5. If the transferee is an existing Bruegger's developer or franchisee, that the transferee is not in default under its agreements with us and has a good record of customer service and compliance with our operating standards;

16.5.6. That the transferee, whether or not an existing Bruegger's developer or franchisee, demonstrates to our satisfaction that he or she meets (or, if the transferee is a business entity, that its owners and management team meet) our educational, managerial, and business standards; possesses a good moral character, business reputation, and credit rating; has the aptitude and ability to conduct the business contemplated hereunder (as may be evidenced by prior related business experience or otherwise); and has adequate financial resources and capital to fulfill your obligations hereunder in a timely manner; and

16.5.7. That the transferor pays a transfer fee equal to 50% of the initial franchise fee we are then charging for new Bakery franchises.

16.5.8. That the transferee (if an entity, its Operating Partner) and any employees of the transferee who have not previously completed a training program approved by us complete any training programs then in effect for new franchisees, at their expense.

16.6. Death, Incapacity or Bankruptcy. If you or any Owner dies, becomes incapacitated, or enters bankruptcy proceedings, that person's executor, administrator, personal representative, or trustee must apply to us in writing within 3 months after the event (death, declaration of incapacity, or filing of a bankruptcy petition) for consent to transfer the person's interest. The transfer will be subject to the provisions of this Section 16, as applicable. In addition, if the deceased or incapacitated person is the Lead Operator, we will have the right (but no obligation) to take over operation of the Bakery upon giving notice to the executor, administrator, personal representative, or trustee and to manage the Bakery until the transfer is completed. If we exercise this right, we can charge a reasonable management fee for our services. For purposes of this Section, "incapacity" means any physical or mental infirmity that will prevent the person from performing his or her obligations under this Agreement (i) for a period of 30 or more consecutive days, or (ii) for 60 or more total days during a calendar year. In the case of transfer by bequest or by intestate succession, if the heirs or beneficiaries are unable to meet the conditions of Section 16.5, the executor may transfer the decedent's interest to another successor that we have approved, subject to all of the terms and conditions for transfers contained in this Agreement. If an interest is not disposed of under this Section 16.6 within one (1) year after the date of death or appointment of a personal representative or trustee, we can terminate this Agreement under Section 16.2.8.

16.7. Private Securities Offering. If you or any Owner desires to offer securities in a private offering, the offering will be subject to all of the conditions of Section 16, including our right of first refusal. All materials required for the offering by federal or state law must be submitted to us for review and consent before use. No offering may imply, by use of the Proprietary Marks or otherwise, that we are participating in underwriting, issuing, or offering the securities. Our review of the offering materials will be limited solely to the subject of the relationship between you and us. All participants in the offering must fully indemnify us in connection with the offering. For each proposed offering, we may require you to pay, in addition to the transfer fee under Section 16.5, a non-refundable fee of up to \$10,000 to reimburse us for our costs and expenses associated with reviewing the proposed offering. You must give us written notice at least thirty (30) days before the commencement date of any offering for which we have completed our review and any consent of the offering materials.

16.8. Nonconforming Transfers Void. Any purported assignment or transfer that is not in compliance with this Section 16 will be null and void and will constitute a material breach of this Agreement, for which we may terminate this Agreement without opportunity to cure pursuant to Section 17.2 below. Our consent to a transfer will not constitute a waiver of any claims we may have against the transferor, nor will it be deemed a waiver of our right to demand exact compliance by the transferor, transferee or you with any of the terms of this Agreement.

17. DEFAULT AND TERMINATION

The terms and conditions regarding default and termination contained herein shall be subject to any applicable state statutes or regulations regarding the termination of a franchise.

17.1. Automatic Termination Without Notice. You will be deemed to be in default under this Agreement, and all rights granted to you herein will automatically terminate without notice to you, if you become insolvent or make a general assignment for the benefit of creditors; if you file a petition in bankruptcy or a petition is filed against you and not opposed by you; if you are adjudicated as bankrupt or insolvent; if a bill in equity or other proceeding for the appointment of a receiver or other custodian for your business or assets is filed and consented to by you; if a receiver or other custodian (permanent or temporary) of your assets or property, or any part thereof, is appointed by any court of competent jurisdiction; if proceedings for a composition with creditors under any state or federal law are instituted by or against you; if a final judgment against you remains unsatisfied or of record for thirty (30) days or longer (unless *supersedeas* bond is filed); if your company is dissolved; if execution is levied against your business or property; if a suit to foreclose any lien or mortgage against you, the Premises or equipment of the Bakery is instituted and not dismissed within thirty (30) days or if you enter into any agreement that is in lieu of such foreclosure; or if the real or personal property of the Bakery is sold after levy thereupon by any sheriff, marshal, or constable.

17.2. With Notice but No Opportunity to Cure. You shall be deemed to be in material default and we may, at our option, terminate this Agreement and all rights granted hereunder, without affording you any opportunity to cure the default, effective immediately upon delivery of our written notice of termination, upon the occurrence of any of the following events:

17.2.1. If you and/or your personnel fail to complete all required training under Section 7.1 to our satisfaction prior to the opening of the Bakery;

17.2.2. If you fail to construct and open the Bakery within the time specified in Section 6.7 of this Agreement;

17.2.3. If you cease to operate or otherwise abandon the Bakery for two (2) consecutive business days during which you are otherwise required to be open, without our prior written consent to do so, or if you lose the right to possession of the Premises, or forfeit the right to do or transact business in the jurisdiction where the Premises are located. However, if, through no fault of your own, the Premises are damaged or destroyed by an event such that repairs or reconstruction cannot be completed within sixty (60) days thereafter, then you will have thirty (30) days after that event in which to apply for our approval to relocate and/or reconstruct the Bakery, which approval will not be unreasonably withheld;

17.2.4. If you or any owner or principal officer of Franchisee is convicted of or pleads guilty or no contest to a felony or other crime or offense that we believe is reasonably likely to have an adverse effect on the Bakery, the System, the Proprietary Marks, the goodwill associated therewith, or our interest therein. Once an individual has been arrested for or formally charged with a serious criminal offense, we will have the right: (i) to require that the individual be suspended from any active role in the franchised business pending final disposition of the charges; and (ii) if the person(s) charged include the Operating Partner, to take over operation of the Bakery and to manage the Bakery pending final disposition of the charges. If we exercise the right in clause (ii), we may charge a reasonable management fee for our services;

17.2.5. If a threat or danger to public health or safety results from the construction, maintenance or operation of the Bakery.

17.2.6. If Franchisee or any owner appears on any government list of “blocked” persons or its assets, property, or interests are “blocked” under any anti-terrorism law or similar law that prohibits us from doing business with Franchisee or the owner;

17.2.7. If any transfer of any direct or indirect interest in this Agreement, in you, or in substantially all of the assets of the Bakery occurs other than in accordance with Section 15;

17.2.8. If, as required by 16.6, an approved transfer is not effected within one (1) year following death or declaration of mental incapacity, or if any transfer by bequest or intestate succession is made to an heir or beneficiary who is unable to meet the conditions of Section 16;

17.2.9. If you fail to comply with the restrictions on competition in Section 19.1 below;

17.2.10. If you disclose or divulge any contents of the Manuals or other confidential information of ours, except as permitted under Section 12;

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

17.2.12. If you refuse to permit us to inspect the Premises, books, records, or accounts of the Bakery, as provided herein;

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

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

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

17.2.16. If you engage in delivery and/or catering services without having first obtained our prior written consent;

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

17.2.18. If you fail to achieve the prescribed minimum score for our quality assurance program on two consecutive assessment occasions, or on any three or more assessment occasions during any five (5) year period; or

17.2.19. If we have delivered a notice of termination of the Development Agreement or of any other agreement between us (or any of our affiliates) and you or any Franchisee Affiliate (except for termination with our prior written consent). A default under any other agreement that you or an affiliate have with us will constitute a default under this Agreement without separate notice to you, but the cross-default under this Agreement will be subject to any applicable provisions for notice and cure of the default set forth in the other agreement.

17.3. Termination for Non-Payment. If you fail, refuse, or neglect to pay any monies owing to us or our affiliates, or fail to submit financial or other information as required under this Agreement, within thirty (30) days after receipt of notice of default from us, this Agreement will terminate at the end of the thirty-day period without further notice from us.

17.4. Emergency Closing. If we in good faith believe that you are serving products or utilizing procedures at the Bakery that are unsafe to customers and/or employees, we have the right, without prior notice, to immediately close your Bakery until such time as the unsafe products or procedures are no longer served or used. You will have twenty-four (24) hours after the closing of the Bakery to prepare a written plan detailing the procedures that you will put in place to ensure that the unsafe practice has been fully remedied and will not recur. If you and we cannot agree on a plan, or if you intentionally fail to follow the plan agreed upon, then we will have the right to terminate this Agreement by written notice, with no further opportunity for you to cure the default.

17.5. Termination Following Expiration of Cure Period. Except as provided in Sections 17.1 through 17.4, we may terminate this Agreement only in the event of your default, and only by giving you written notice of termination stating the nature of the default at least thirty (30) days before the effective date of termination. If the default is not cured to our reasonable satisfaction within the thirty (30) day period (or such longer period as applicable law may require), we may terminate this Agreement upon further notice to you, effective as of the date stated in the notice. Any failure to comply with the requirements imposed by this Agreement (as it may from time to time reasonably be supplemented by the Manuals) will be a default under this Section 17.5. If you are in default under the terms of any other franchise agreement or other contract between you (and/or your affiliates) and us (and/or our affiliates), that will also constitute a default under this Section.

17.6. Liquidated Damages. In the event of termination of this Agreement by Franchisor based on a default by Franchisee, Franchisee agrees to pay Franchisor as fair and reasonable liquidated damages (but not as a penalty) an amount equal to the lesser of three (3) years of projected Royalty Fees or the balance of the Agreement Term of projected Royalty Fees three (3) years of projected Royalty Fees. Such projected Royalty Fees shall be computed using the average monthly Gross Sales during the last six (6) months that business was conducted at the Franchised Location (or if the Franchised Location has been operating for less than six (6) months, the average over the actual operating period). Franchisee agrees that this amount is for Franchisor's lost revenues, and that it would be difficult to calculate with certainty the amount of damage Franchisor shall incur. Notwithstanding Franchisee's agreement to pay liquidated damages, if a court determines that the liquidated damages payment is unenforceable, then Franchisor may pursue all other available remedies, including recovery of consequential damages. Payment of the liquidated damages shall not in any way limit any other remedy Franchisor may have at law or in equity resulting from Franchisee's failure to perform its obligations. The liquidated damages are in addition to costs and expenses that you may owe us under Sections 18.1.6 and 18.3.7.

17.7. Bankruptcy. If, for any reason, this Agreement is not terminated pursuant to this Section 16, and the Agreement is assumed, or assignment of the same to any person or entity who has made a *bona fide* offer to accept an assignment of the Agreement is contemplated, pursuant to the U.S. Bankruptcy Code, then notice of such proposed assignment or assumption, setting forth: **(i)** the name and address of the proposed assignee; and **(ii)** all of the terms and conditions of the proposed assignment and assumption; shall be given to us within twenty (20) days after receipt of such proposed assignee's offer to accept assignment of the Agreement; and, in any event, within ten (10) days before the date application is made to a court of competent jurisdiction for authority and approval to enter into such assignment and assumption. We will thereupon have the prior right and option, to be exercised by notice given at any time before the effective date of such proposed assignment and assumption, to accept an assignment of the Agreement to us upon the same terms and conditions, and for the same consideration, if any, as in the *bona fide* offer made by the proposed assignee, less any brokerage commissions which may be payable by you out of the consideration to be paid by such assignee for the assignment of the Agreement.

17.8. Our Rights Instead of Termination. If we are entitled to terminate this Agreement in accordance with this Section 17, we will also have the right to take any lesser action instead of terminating this Agreement, including but not limited to terminating, modifying, or eliminating completely, the Protected Area described in Section 2.2 above.

17.9. Reservation of Rights under Section 17.8. If any rights, options, arrangements, or areas are terminated or modified in accordance with Section 17.8 above, such action shall be without prejudice to our right to terminate this Agreement in accordance with other sections of this Section 17, and/or to terminate any other rights, options or arrangements under this Agreement at any time thereafter for the same default or as a result of any additional defaults of the terms of this Agreement.

18. OBLIGATIONS UPON TERMINATION OR EXPIRATION

18.1. De-Identification. Except as provided in Section 18.2 below, upon termination or expiration of this Agreement, you must:

18.1.1. Cease to operate the Bakery;

18.1.2. Cease to use the confidential methods, procedures, and techniques associated with the System, the "Bruegger's" and "Bruegger's Bagels" names and marks, all other Proprietary Marks, the Works, and all other distinctive forms, slogans, signs, symbols, Web sites, domain names, e-mail addresses, other electronic identifiers, and devices associated with the Bakery or the System; withdraw all advertising matter (including electronic marketing); remove from the Premises all signs, letterhead, and other articles which display the Proprietary Marks; and except as provided in Section 18.2 below not thereafter, directly or indirectly, represent yourself to the public or hold yourself out as a present or former franchisee of ours;

18.1.3. Deliver to us the Manuals and all other records, correspondence, and instructions in your possession or control, in any medium, that contain confidential information, trade secrets, or know-how relating to the System or the operation of a Bakery, all of which you acknowledge to be our property;

18.1.4. Take such action as may be necessary to cancel any assumed name registration or equivalent registration, and any e-mail address or domain name registration,

obtained by you which contains “Bruegger’s” or any other Proprietary Marks, and furnish evidence satisfactory to us of compliance with this obligation within five (5) days after termination or expiration of this Agreement. You hereby appoint us your attorney-in-fact to carry out the requirements of this Section 18.1.4, if you fail to do so within such five (5) day period;

18.1.5. Not use any reproduction, counterfeit, copy, or colorable imitation of the Proprietary Marks or the Works in connection with any other business which, in our sole discretion, is likely to cause confusion, mistake, or deception or to dilute our and our affiliates’ rights in and to the Proprietary Marks and the Works. You must not use any designation of origin or description or representation which, in our sole discretion, falsely suggests or represents an association or connection with us.

18.1.6. Promptly pay all sums owing to us and our affiliates. In the event of termination for your default, the sums will include all damages, costs, and expenses incurred by us as a result of the default, including, but not limited to, reasonable attorneys’ fees.

18.1.7. Comply with all obligations that expressly or by their nature survive termination of this Agreement, including the restrictions on competition contained in Section 19.2.

18.2. Our Rights to Acquire the Premises and the Bakery Assets. Upon expiration or termination of this Agreement, at our option you must:

18.2.1. Assign to us your interest in the lease or sublease for the Premises (or provide us with a commercially reasonable lease in the event you own the Premises). If we elect not to exercise our option to acquire the lease or sublease, you must make such modifications or alterations to the Premises (including, without limitation, changing the telephone number) as may be necessary to comply with Section 18.1 and to distinguish the Premises from those of a Bakery. If you fail or refuse to comply with the requirements of this Section 18.2.1, we will have the right to enter the Premises without being guilty of trespass or any other tort, for the purpose of making or causing to be made such changes as may be required, at your expense, which expense you agree to pay on demand.

18.2.2. Sell to us such of the furnishings, equipment, signs, and fixtures of the Bakery as we may designate, at fair market value, and such of the inventory and supplies of the Bakery as we may designate, at fair market wholesale value. If the parties cannot agree on the price of any such items within a reasonable time, an independent appraiser will be appointed by us at our expense, and the appraiser’s determination will be binding on both parties. If we exercise our option to purchase any items, we will have the right to set off all amounts due from you against any payment for such items.

18.2.3. We may exercise either or both of our options under Sections 18.2.1 and 18.2.2: (a) at any time before the expiration of the Agreement Term, in the case of expiration of this Agreement; and (b) at any time between the date of delivery of written notice of termination and ninety (90) days after the effective date of termination, in the case of termination of this Agreement. If we deem such action desirable in order to preserve the value of such options, we may issue to you, and you must comply with, written instructions to refrain from, delay, or reverse any of the actions required of you under Section 18.1.

18.3. Continuing Obligations. After termination, or expiration, of this Agreement under any circumstances, you will remain liable to us for certain obligations. Among other things, you must:

18.3.1. Promptly pay all sums owing to us and our affiliates;

18.3.2. Permit access to, and examination of, books and records as provided in Section 13 to determine any amounts due:

18.3.3. Protect our confidential information as provided in Section 12;

18.3.4. Not make any statements about us or any of our franchisees or affiliates that may constitute trade disparagement;

18.3.5. Comply with the post-term restrictions on competition in Section 19;

18.3.6. Indemnify us with respect to the period through the effective date of expiration or termination as provided in Section 22; and

18.3.7. Pay us all costs and expenses (including, but not limited to, reasonable attorneys' fees) we incur in obtaining injunctive, declaratory, or other relief to enforce this Section 17.

19. RESTRICTIONS ON COMPETITION

19.1. During the Agreement Term. You specifically acknowledge that you will receive valuable, specialized training from us and access to confidential information regarding our operational, sales, promotional, and marketing methods and techniques of the System. You agree that, during the Agreement Term, except as we otherwise approve in writing, you will not, either directly or indirectly, for yourself or through, on behalf of, or in conjunction with any person or legal entity:

19.1.1. Own, maintain, operate, engage in, be employed by, provide any assistance to, or have any interest in any Competing Business, as defined below. "Competing Business" means a retail business that sells or offers bagels, cream cheese, and/or coffee products that separately or in the aggregate constitute or would constitute thirty percent (30%) or more of that business' gross revenues at any one or more retail location(s), but does not include any business that you operate under a valid franchise agreement or license agreement with us or one of our affiliates; or

19.1.2. Divert or attempt to divert any present or prospective business or customer to any Competing Business by direct or indirect inducement or otherwise, or do or perform, directly or indirectly, any other act injurious or prejudicial to the goodwill associated with the Proprietary Marks and the System.

19.2. After Expiration, Termination, or Transfer. You agree that, except pursuant to other Franchise Agreements with us or our affiliates, or as we otherwise approve in writing, you will not, for one (1) year after the expiration or termination of this Agreement or the approved transfer of this Agreement to a new franchisee, either directly or indirectly, for yourself or through, on behalf of, or in conjunction with any person or legal entity, own, maintain, operate, engage in, be employed by, provide assistance to, or have any interest in any Competing Business which is, or is intended to be, located within ten (10) miles of the Premises or within five (5) miles of any other Bakery.

19.3. Enforcement.

19.3.1. We have the right, in our sole discretion, to reduce the scope of any restriction in Sections 19.1 and 19.2 by giving you written notice.

19.3.2. You agree that the existence of any claims you may have against us, whether or not arising from this Agreement, will not constitute a defense to our enforcement of this Section 18.

19.3.3. You acknowledge that your violation of the terms of this Section 19 would result in irreparable injury to us for which no adequate remedy at law may be available, and you accordingly consent to the issuance of an injunction prohibiting any conduct by you in violation of the terms of this Section 19. Injunctive relief will be in addition to any other remedies we may have.

19.3.4. If you or any other person bound by this Section 19 fails or refuses to abide by any of the foregoing restrictions on competition, and we obtain enforcement in a judicial or arbitration proceeding, the obligations under the breached restriction will continue in effect for a period ending one (1) year after the date the person begins to comply with the order enforcing the restriction.

20. BUSINESS ENTITY REQUIREMENTS

20.1. Governing Documents. At our request, you must promptly furnish to us copies of your articles of incorporation, bylaws, partnership agreement, certificate of formation, limited liability company operating agreement, or other governing documents, as applicable. Your governing documents must at all times provide that your activities are confined exclusively to developing and operating Bakeries. You must give us at least thirty (30) written days prior written notice of any proposed amendments to your governing documents.

20.2. Stop-Transfer Instructions. You must maintain stop-transfer instructions against the transfer on your records of any ownership interests in you. If such ownership interests are certificated, each certificate must conspicuously display on its face a printed legend in substantially the following form, adjusted as necessary if you are other than a corporation:

The transfer of any ownership represented by this certificate is subject to the terms and conditions of an Agreement with BRUEGGER'S FRANCHISE CORPORATION. Reference is made to the provisions of the Agreement and to the governing documents of the Company.

20.3. Ownership Information. You represent and warrant that the ownership information on Exhibit A to this Agreement is correct and complete as of the Agreement Date. You must maintain a current list of all stockholders, general partners, limited partners, members, or other direct or indirect beneficial owners (as applicable) and furnish the list to us upon request.

20.4. Personal Obligations of Owners, Officers, Directors, Management Personnel and Spouses. Each person who is or becomes an owner, director or officer of Franchisee must execute a Guaranty in the form we prescribe, undertaking to be bound jointly and severally by the terms of this Agreement including but not limited to those provisions in Section 19 above. The current form of Guaranty is attached to this Agreement as Exhibit B. Each person who is, or

becomes, an owner or executive officer of Franchisee must also execute a Confidentiality and Non-competition Agreement in a form we prescribe, the current form of which is attached to this Agreement as Exhibit C. If you are a publicly-held entity, the requirements in this Section will not apply to ownership by you of less than five percent (5%) beneficial interest. In addition, at our request, if the Guarantor resides in a community property state, the Guarantor will cause his or her spouse, if any, to execute a Guaranty and you must also obtain signed Confidentiality and Non-competition Agreements referred to above. Confidentiality and Non-competition Agreements must also be obtained from any manager who has received or will receive training from us.

20.5. Control Arrangements. Any voting trust, management agreement, or other arrangement affecting the power to direct and control your affairs requires our prior written consent. You must furnish such information and documentation as we may request concerning any proposed control arrangement.

21. TAXES; NOTICE OF SUIT

21.1. Taxes. You must promptly pay when due all taxes levied or assessed, including, without limitation, unemployment and sales taxes, and all accounts and other indebtedness incurred in the operation of the Bakery. You must pay to us an amount equal to any sales tax, gross receipts tax, or similar tax (other than income tax) imposed on us with respect to any payments to us required under this Agreement. In the event of any bona fide dispute as to your liability for taxes assessed or other indebtedness, you may contest the validity or the amount of the tax or indebtedness in accordance with procedures of the taxing authority or applicable law, but in no event will you permit a tax sale or seizure by levy or execution or similar writ or warrant, or attachment by a creditor, to occur against the Bakery

21.2. Notice of Suit. You must immediately notify us in writing of the commencement of any action, suit, or proceeding and of the issuance of any order, writ, injunction, award, or decree of any court, agency, or other governmental instrumentality which may adversely affect the operation or financial condition of the Bakery.

22. INDEPENDENT CONTRACTOR AND INDEMNIFICATION

22.1. Nature of the Relationship. It is understood and agreed by the parties hereto that this Agreement does not create a fiduciary relationship between them, that you shall be an independent contractor, and that nothing in this Agreement is intended to make either party an agent, legal representative, subsidiary, joint venturer, partner, employee or servant of the other for any purpose whatsoever.

During the Agreement Term and any successor terms, you shall hold yourself out to the public as an independent contractor operating the Bakery pursuant to a license from us and as an authorized user of the System and the Proprietary marks which are owned by us or our affiliates. You agree to take such affirmative action as may be necessary to do so, including exhibiting to customers a sign provided by us in a conspicuous place on the premises of the Bakery.

We shall not have the power to hire or fire your employees. We may not control or have access to your funds or the expenditures thereof, or in any other way exercise dominion or control over the Bakeries.

It is understood and agreed that nothing in this Agreement authorizes Franchisee to make any contract, agreement, warranty, or representation on Franchisor's behalf, or to incur any debt or other obligation in Franchisor's name, and that Franchisor shall in no event assume liability for or be deemed liable hereunder as a result of any such action or by reason of any act or omission of Franchisee in Franchisee's conduct in the operation of the Bakery or any claim or judgment arising there from against Franchisor. Franchisee agrees at all times to defend at their own cost, and to indemnify and hold harmless to the fullest extent permitted by law, Franchisor, its partners or any limited partner, its subsidiaries, and other entities owned by it, its affiliates (including without limitation all entities and persons owned by or owning, directly or indirectly, an interest in Franchisor, or its successors, assigns and designees of any such entity, officers, directors, employees, agents, contractors, and other entities and persons providing services for or otherwise acting on behalf of Franchisor (including, without limitation, Franchisor's affiliates in any capacity or role), and the respective directors, officers, employees, agents, shareholders, members, managers, partners, designees, and representatives of each (Franchisor and all of such others referred to herein collectively as "Indemnitees") from all damages, losses, expenses (including without limitation reasonable attorneys' fees), actions, suits, proceedings, claims, demands, investigations, or formal or informal inquiries (regardless of whether same is reduced to judgment) or any settlement thereof which arises out of or is based upon or related to any of the following: (a) Franchisee's alleged infringement or any other violation or any other alleged violation of any patent, trademark or copyright or other proprietary right owned or controlled by third parties; (b) Franchisee's alleged violation or breach of any contract, federal, state or local law, regulation, ruling, standard or directive of any industry standard; (c) libel, slander or any other form of defamation by Franchisee; (d) Franchisee's alleged violation or breach of any warranty, representation, agreement or obligation in this Agreement; (e) any acts, errors or omissions of Franchisee or any of its agents, servants, employees, contractors, partners, proprietors, affiliates, or representatives; (f) latent or other defects in the Bakery, whether or not discoverable by Franchisor or Franchisee; (g) the inaccuracy, lack of authenticity or nondisclosure of any information by any customer of the Bakery; (h) any services or products provided by Franchisee at, from or related to the operation at the Bakery; (i) any services or products provided by any affiliated or nonaffiliated participating entity; (j) any action by any customer of the Bakery; and, (k) any damage to the property of franchisee or franchisor, their agents or employees, or any third person, firm, corporation or other legal entity, whether or not such losses, claims, costs, expenses, damages, or liabilities were actually or allegedly caused wholly or in part through the active or passive negligence of franchisor or any of its agents or employees, or resulted from any strict liability imposed on franchisor or any of its agents or employees. Each Indemnitee shall be a third party beneficiary of this Section 22 and, as such, shall be able to enforce this indemnification against Franchisee.

22.1. Identification. You shall conspicuously identify yourself and the Bakery and in all dealings with your clients, contractors, suppliers, public officials and others, as an independent Franchisee of us, and shall place such notice of independent ownership on all forms, business cards, stationery, advertising, signs and other materials and in such fashion as we may, in its sole discretion, specify and require from time to time, in our Manuals (as same may be amended from time to time) or otherwise.

22.2. No False Representations. Except as otherwise expressly authorized by this Agreement, neither party hereto shall make any express or implied agreements, warranties, guarantees or representations or incur any debt in the name of or on behalf of the other party, or represent that the relationship between Franchisor and Franchisee is other than that of Franchisor and Franchisee. We do not assume any liability, and shall not be deemed liable, for any agreements, representations, or warranties made by you which are not expressly authorized

under this Agreement, nor shall we be obligated for any damages to any person or property which directly or indirectly arise from or relate to the operation of the Bakery franchised hereby.

23. APPROVALS AND WAIVERS

23.1. Approvals. Whenever this Agreement requires our prior approval or consent, you must make a timely written request to us, and our approval or consent must be obtained in writing and signed by one of our officers.

23.2. No Warranty. We make no warranties or guarantees upon which you may rely and assume no liability or obligation to you by providing any waiver, approval, consent, or suggestion to you in connection with this Agreement, or by reason of any neglect, delay, or denial of any request therefor.

23.3. No Implied Waiver. No delay or failure by us to exercise any right reserved to us under this Agreement or to insist upon strict compliance by you with any obligation or condition hereunder, and no custom or practice of the parties at variance with the terms hereof, will constitute a waiver of our right to exercise such right or to demand exact compliance by you with any of the terms hereof. Waiver by us of any particular default by you will not affect or impair our rights with respect to any subsequent default of the same, similar, or a different nature. Acceptance by us of any payments due to us hereunder will not be deemed to be a waiver by us of any preceding breach by you.

23.4. WAIVER OF JURY TRIAL. THE PARTIES IRREVOCABLY WAIVE TRIAL BY JURY IN ANY ACTION, PROCEEDING OR COUNTERCLAIM, WHETHER AT LAW OR IN EQUITY, BROUGHT BY EITHER PARTY RELATING TO THE RELATIONSHIP BETWEEN THE PARTIES OR ARISING UNDER OR IN ANY WAY CONNECTED WITH THIS AGREEMENT OR ANY RIGHT OR REMEDY HEREUNDER.

24. NOTICES

All notices pursuant to this Agreement must be in writing and delivered in person or sent by certified mail, by national commercial delivery service, or by other means which affords the sender evidence of delivery or attempted delivery, to the respective parties at the following addresses unless and until a different address has been designated by written notice to the other party:

Notices to us: BRUEGGER'S FRANCHISE CORPORATION
1720 S. Bellaire St., Suite Skybox
Denver, Colorado 80222
Attn: Legal Department

Notices to you: _____

25. ENTIRE AGREEMENT

This Agreement and the documents referred to herein constitute the entire agreement between us and you concerning the subject matter hereof and supersede all prior agreements,

negotiations, representations, and correspondence concerning the same subject matter, except that nothing in this Agreement is intended to disclaim any representations made to you in any Franchise Disclosure Document that you received from us in connection with this Agreement. Except for those permitted to be made unilaterally by us hereunder, no amendment, change, or variance from this Agreement will be binding on either party unless agreed to by the parties in a writing executed by their authorized officers or agents.

26. SEVERABILITY AND CONSTRUCTION

26.1. Severability. If any provision of this Agreement is determined to be invalid or in conflict with any existing or future law or regulation by a court or agency having valid jurisdiction, the invalidity will not impair the operation of any other provisions which remain otherwise intelligible. The latter will continue to be given full force and effect, and the invalid provisions will be deemed not to be a part of this Agreement.

26.2. Business Judgment. Notwithstanding any contrary provisions contained in this Agreement, Franchisor and Franchisee acknowledge and agree that (a) this Agreement (and the relationship of the parties which arises from this Agreement) grants Franchisor the discretion to make decisions, take actions and/or refrain from taking actions not inconsistent with Franchisee's explicit rights and obligations hereunder that may affect favorably or adversely Franchisee's interests; (b) Franchisor shall use its business judgment in exercising such discretion based on its assessment of its own interests and balancing those interests against the interests of the owners of Bakeries generally (including Franchisor and its affiliates and other franchisees), and specifically without considering Franchisee's individual interests or the individual interests of any other particular franchisee; (c) Franchisor shall have no liability to Franchisee for the exercise of its discretion in this manner; and (d) even if Franchisor has numerous motives for a particular action or decision, so long as at least one motive is a reasonable business justification no trier of fact in any legal action shall substitute its judgment for Franchisor's judgment so exercised, and such action or decision shall not be subject to challenge for abuse of discretion. **IF FRANCHISOR TAKES ANY ACTION OR CHOOSES NOT TO TAKE ANY ACTION IN ITS DISCRETION WITH REGARD TO ANY MATTER RELATED TO THIS AGREEMENT AND SUCH ACTION OR INACTION IS CHALLENGED FOR ANY REASON, THE PARTIES SHALL AGREE TO EXPRESSLY DIRECT THE TRIER OF FACT, IN ANY PLEADING FILED OR LEGAL PROCEEDING RESULTING THERETO, THAT FRANCHISOR'S RELIANCE ON A BUSINESS REASON IN THE EXERCISE OF ITS DISCRETION UNDER THE BUSINESS JUDGMENT RULE IS TO BE VIEWED AS A REASONABLE AND PROPER EXERCISE OF ITS DISCRETION, WITHOUT REGARD TO WHETHER OTHER REASONS FOR ITS DECISION MAY EXIST AND WITHOUT REGARD TO WHETHER THE TRIER OF FACT WOULD INDEPENDENTLY ACCORD THE SAME WEIGHT TO THE BUSINESS REASON.**

26.3. Survival of Obligations. All obligations that expressly or by reasonable implication are to be performed, in whole or in part, after the expiration, termination, or assignment of this Agreement will survive expiration, termination, or assignment.

26.4. No Implied Third Party Beneficiaries. Except as explicitly provided to the contrary herein, nothing in this Agreement is intended or will be deemed to confer any rights or remedies on any person or legal entity other than you, your owner(s), us, and our affiliates.

26.5. Lesser Included Obligations. You agree to be bound by any promise or covenant imposing the maximum duty permitted by law which is subsumed within any provision of this Agreement, as though it were separately articulated in and made a part of this Agreement, that

may result from (i) striking any portion of a provision that a court or agency may hold to be unreasonable and unenforceable; or (ii) reducing the scope of any promise or covenant to the extent required to comply with a court or agency order.

26.6. Best Interests of System. Whenever we exercise 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 provided in this Agreement, we can make our decision or exercise our discretion on the basis of our judgment of what is in our best interests. "Best interests" includes what we believe to be the best interests of the System at the time the decision is made or the right or discretion is exercised, even though (a) there may have been other alternative decisions or actions that could have been taken; (b) our decision or the action taken promotes our own financial interest; or (c) our decision or the action may apply differently to different franchisees and/or to any company- owned or affiliate-owned businesses. In the absence of an applicable statute, we will have no liability to you for any such decision or action. If applicable law implies a covenant of good faith and fair dealing in this Agreement, we and you agree that the covenant will not imply any rights or obligations that are inconsistent with a fair construction of the terms of this Agreement.

27. DISCLOSURE STATEMENT AND DISCLAIMER

27.1. Compliance with Applicable Laws. You acknowledge, by your signature hereto, that you received from Franchisor the Franchise Disclosure Document required by the Trade Regulation Rule of the Federal Trade Commission entitled Disclosure Requirements and Prohibitions Concerning Franchising, at least fourteen (14) calendar days prior to the date on which this Agreement was executed, and as required by the State in which the Bakery shall be located, or Franchisee's place of residence, as appropriate.

27.2. Receipt of Agreement. You acknowledge that you received from us this Agreement and all applicable attachments with all blanks filled in at least seven (7) calendar days prior to the execution of this Agreement. You represent that you have read this Agreement in its entirety and that you have been given the opportunity to clarify any provisions that you did not understand and to consult with an attorney or other professional advisor. You further represent that you understand the terms, conditions and obligations of this Agreement and agree to be bound thereby.

28. DISPUTES

28.1. Governing Law. This Agreement takes effect upon its acceptance and execution by Franchisor. EXCEPT TO THE EXTENT GOVERNED BY THE UNITED STATES TRADEMARK ACT OF 1946 (LANHAM ACT, 15 U.S.C. §§1051 et. seq.), THIS AGREEMENT SHALL FOR ALL PURPOSES BE GOVERNED BY AND INTERPRETED AND ENFORCED IN ACCORDANCE WITH THE INTERNAL LAWS OF THE STATE OF COLORADO, EXCEPT THAT ITS CHOICE OF LAW AND CONFLICT OF LAW RULES SHALL NOT APPLY.

28.2. Jurisdiction and Venue. Subject to Section 28.3 below, the parties hereto mutually agree that the U.S. District Court for the District of Colorado, or if such court lacks jurisdiction, the state courts located in Jefferson County, Colorado, shall be the venue and exclusive forum in which to adjudicate any case or controversy arising from or relating to this Agreement and any guarantees hereof, undertakings hereunder provided and relationship established thereby, however, with respect to any action which includes injunctive relief or other extraordinary relief, we may bring such action in any court of competent jurisdiction. The parties irrevocably submit to

the jurisdiction of such courts and waive any objections to either the jurisdiction of or venue in such courts. The parties mutually agree that personal jurisdiction may be effected by service of process and that when so made shall be as if served personally. This Agreement was executed and accepted at our place of business in Jefferson County, Colorado. The parties anticipate that the performance of certain of your obligations arising under this Agreement, including the payment of certain monies due Franchisor, shall occur in Jefferson County, Colorado.

28.3. Mediation. Before any party may bring an action in court against the other, the parties agree that they must first meet to mediate the dispute (except as otherwise provided in Section 28.5 below). Any such mediation shall be non-binding and shall be conducted in accordance with the then-current rules for mediation of commercial disputes of JAMS (formerly, "Judicial Arbitration and Mediation Services, Inc.") at its location then-nearest to Franchisor's principal place of business.

28.4. Remedy. No right or remedy conferred upon or reserved by you or us by this Agreement is intended and it shall not be deemed to be exclusive of any other right or remedy provided or permitted herein, by law or at equity, but each right or remedy shall be cumulative of every other right or remedy. You have no right to withhold or set off any amount owed to us under this Agreement based on any claim that you may have or purport to have against us.

28.5. Injunctive Relief. Nothing herein contained shall bar our right to obtain injunctive relief against threatened conduct that shall cause it loss or damage under the usual equity rules, including the applicable rules for obtaining restraining orders and preliminary injunctions.

29. LIMITATIONS ON CLAIMS AND DAMAGES

Except with respect to Franchisee's obligation to indemnify Franchisor pursuant to the terms of this Agreement and claims Franchisor brings for Franchisee's unauthorized use of the Proprietary Marks or unauthorized use or disclosure of any of Franchisor's trade secrets, the parties waive to the fullest extent permitted by law any right to or claim for any punitive, exemplary, special and consequential damages against the other and agree that, in the event of a dispute between the parties, the parties making a claim shall be limited to equitable relief and to recovery of any direct or general damages it sustains; provided, however that Franchisor shall have the right to recover lost profits and any applicable liquidated damages (pursuant to Section 17.6 above or otherwise) in the event of termination of this Agreement.

Except for claims arising from Franchisee's nonpayment or underpayment of amounts Franchisee owes Franchisor pursuant to this Agreement, claims arising under Franchisee's obligation to indemnify Franchisor pursuant to the terms of this Agreement, or claims related to Franchisee's unauthorized use of the Proprietary Marks, any and all claims arising out of or relating to this Agreement or the relationship created hereby shall be barred unless a judicial proceeding is commenced within one (1) year from the date on which the party asserting such claims knew or should have known of the facts giving rise to such claims. Notwithstanding the foregoing, with respect to any claims arising out of or in connection with an event of Force Majeure, the two year limit on claims provided for in this section shall be extended for a period equal to the extended performance period resulting from the event of Force Majeure, provided that such period shall not exceed ninety (90) days.

30. ACKNOWLEDGMENTS

Franchisee acknowledges that it has conducted an independent investigation of all aspects relating to the Bakery and recognizes that the business venture contemplated by this Agreement involves business risks and that its success shall be largely dependent upon the skills and ability of Franchisee as an independent business person or organization. Franchisee acknowledges that it has received, read and understands this Agreement, the attachments hereto and agreements relating thereto, and that Franchisor has accorded Franchisee ample time and opportunity to consult with advisors of Franchisee's own choosing about the potential benefits and risks of entering into this Agreement. Franchisee acknowledges that this Agreement takes effect upon the acceptance and execution by Franchisor.

THE SUCCESS OF FRANCHISEE IN OPERATING A FRANCHISE IS SPECULATIVE AND SHALL DEPEND ON MANY FACTORS INCLUDING, TO A LARGE EXTENT, FRANCHISEE'S INDEPENDENT BUSINESS ABILITY. THIS OFFERING IS NOT A SECURITY AS THAT TERM IS DEFINED UNDER APPLICABLE FEDERAL AND STATE SECURITIES LAWS. THE OBLIGATION TO TRAIN, MANAGE, PAY, RECRUIT AND SUPERVISE EMPLOYEES OF THE BAKERY RESTS SOLELY WITH FRANCHISEE.

BRUEGGER'S FRANCHISE CORPORATION

FRANCHISEE: If a corporation partnership, or limited liability company, print name of business entity on the line below:

By: _____

Title: _____

By: _____

Print Name: _____

Title: _____

If Franchisee is one or more individuals:

(Print Name)

(Print Name) _____

**EXHIBIT A TO THE FRANCHISE AGREEMENT
PREMISES, MANAGEMENT AND OWNERSHIP**

PREMISES: _____

Operating Partner: _____

Franchisee is a _____ (Corporation/limited liability company/partnership)

FRANCHISEE: _____

You were organized/formed on _____, 20____ under the laws of the State of _____

Your Federal Identification Number is _____.

If Franchisee is a corporation, partnership, or limited liability company, the following persons constitute all owners of a legal and/or beneficial interest:

<u>Name</u> Ownership	<u>Type of Interest</u>	Percentage
_____	_____	_____ %
_____	_____	_____ %
_____	_____	_____ %
_____	_____	_____ %

The following persons constitute all of your officers, directors and the management personnel that is or will receive training of the System:

<u>Name</u>	<u>Position</u>
_____	_____
_____	_____
_____	_____
_____	_____

THIS INFORMATION IS ACCURATE AS OF THE _____ DAY OF _____, 20____

EXHIBIT B TO THE FRANCHISE AGREEMENT

GUARANTEE, INDEMNIFICATION, AND ACKNOWLEDGMENT

In order to induce Bruegger's Franchise Corporation ("**Franchisor**") to sign the Bruegger's Bagels Franchise Agreement between Franchisor and _____ ("**Franchisee**"), dated _____, 202____ (the "**Agreement**"), each of the undersigned parties, jointly and severally, hereby unconditionally guarantee to Franchisor and its successors and assigns that all of Franchisee's obligations (monetary and otherwise) under the Agreement as well as any other contract between Franchisee and Franchisor (and/or Franchisor's affiliates) will be punctually paid and performed.

Upon demand by Franchisor, each of the undersigned persons jointly and severally agree to immediately make each payment required of Franchisee under the Agreement and/or any other contract with Franchisor and/or its affiliates. Each of the undersigned persons waives any right to require Franchisor to: **(a)** proceed against Franchisee for any payment required under the Agreement (and/or any other contract with Franchisor and/or its affiliates); **(b)** proceed against or exhaust any security from Franchisee; **(c)** pursue or exhaust any remedy, including any legal or equitable relief, against Franchisee; and/or **(d)** give notice of demand for payment by Franchisee. Without affecting the obligations of the undersigned persons under this Guarantee, Franchisor may, without notice to the undersigned, extend, modify, or release any indebtedness or obligation of Franchisee, or settle, adjust, or compromise any claims against Franchisee. Each of the undersigned persons undersigned waive notice of amendment of the Agreement (and any other contract with Franchisor and Franchisor's affiliates) and notice of demand for payment by Franchisee, and agree to be bound by any and all such amendments and changes to the Agreement (and any other contract with Franchisor and Franchisor's affiliates).

Each of the undersigned persons jointly and severally agree to defend, indemnify and hold Franchisor harmless against any and all losses, damages, liabilities, costs, and expenses (including without limitation reasonable attorneys' fees, court costs, discovery costs, and all other related expenses) resulting from, consisting of, or arising out of or in connection with any failure by Franchisee to perform any obligation of Franchisee under the Agreement (and any other contract with Franchisor and Franchisor's affiliates), any amendment thereto, or any other agreement executed by Franchisee referred to therein.

Each of the undersigned persons agree to be individually bound by all of Franchisee's covenants, obligations, and promises in the Agreement, which include, but are not limited to, the covenants in the following Sections of the Agreement: **Section 10** (generally regarding trademarks), **Section 12** (generally regarding confidentiality), **Section 16** (generally regarding Transfers), **Section 18** (generally regarding obligations upon termination or expiration of this Agreement), and **Section 19** (generally regarding covenants against competition) of the Agreement.

Each of the undersigned persons acknowledge and agree that: **(a)** this Guarantee does not grant them any rights under the Agreement (including but not limited to the right to use any of Franchisor's marks such as the "Bruegger's Bagels" marks) and/or the system licensed to Franchisee under the Agreement; **(b)** that they have read, in full, and understand, all of the provisions of the Agreement that are referred to above in this paragraph, and that they intend to fully comply with those provisions of the Agreement as if they were printed here; and **(c)** that they have had the opportunity to consult with a lawyer of their own choosing in deciding whether to

sign this Guarantee.

This Guarantee shall terminate upon the termination or expiration of all obligations of Franchisee under the Agreement and/or any other agreements between Franchisee and Franchisor, except that all obligations and liabilities of the undersigned which arose from events which occurred on or before the effective date of such termination shall remain in full force and effect until satisfied or discharged by the undersigned, and all covenants which by their terms continue in force after the expiration or termination of the Agreement shall remain in force according to their terms. Upon the death of an individual guarantor, the estate of such guarantor shall be bound by this Guarantee, but only for defaults and obligations under this Agreement existing at the time of death; and the obligations of the other guarantors will continue in full force and effect.

This Guarantee shall be interpreted and construed in accordance with **Section 28** of the Agreement (including but not limited to the waiver of punitive damages, waiver of jury trial, agreement to bring claims within one year, and agreement not to engage in class or common actions). Among other things, that means that this Guarantee shall be interpreted and construed exclusively under the laws of the State of Colorado, and that in the event of any conflict of law, Colorado law will prevail (without applying Colorado conflict of law rules).

IN WITNESS WHEREOF, each of the undersigned has signed this Guarantee as of the date of the Agreement.

_____	_____	_____
(in his/her personal capacity)	(in his/her personal capacity)	(in his/her personal capacity)
Printed Name: _____	Printed Name: _____	Printed Name: _____
Date: _____	Date: _____	Date: _____
Home Address: _____ _____	Home Address: _____ _____	Home Address: _____ _____

EXHIBIT C TO THE FRANCHISE AGREEMENT
CONFIDENTIALITY AND NON-COMPETITION AGREEMENT

In conjunction with your investment in _____ (“**Franchisee**”) a _____, the undersigned individual or business entity (“**you**”) acknowledges and agrees as follows:

1. Franchisee owns and operates, or is developing, a Bruegger’s restaurant pursuant to a Franchise Agreement (the “**Franchise Agreement**”) with Bruegger’s Franchise Corporation (“**BFC**”). The Franchise Agreement requires persons with legal or beneficial ownership interests in Franchisee to be personally bound by Franchisee’s obligations under the Franchise Agreement, including restrictions on competition, confidentiality obligations, restrictions on ownership changes, and dispute resolution provisions.
2. All capitalized terms used in this document have the same meaning as in the Franchise Agreement.
3. You own or intend to own a legal or beneficial ownership interest in Franchisee. You acknowledge and agree that: (a) your execution of this Agreement is a condition of acquiring and holding your ownership interest in the Franchisee, and (b) you have received good and valuable consideration for executing this Agreement. BFC may enforce this Agreement directly against you.
4. If a business entity signs this Agreement, all persons who have a legal or beneficial ownership interest in that business entity must also execute this Agreement and if your owners reside in a community property state we may require their spouse to execute this Confidentiality and Non-Competition Agreement.
5. You may gain access to confidential information and trade secrets of BFC and its affiliates as a result of investing in Franchisee. You agree that while you have a legal or beneficial ownership interest in Franchisee and thereafter you: (a) will not use the confidential information in any other business or capacity (such use being an unfair method of competition); (b) will exert best efforts to maintain the confidentiality of the confidential information; and (c) will not make unauthorized copies of any portion of the confidential information disclosed in written, electronic or other form. If you cease to have an interest in Franchisee, you must deliver to BFC any such confidential information in your possession or control.
6. During the term of the Franchise Agreement and for as long as you have any legal or beneficial ownership interest in Franchisee, you agree that you will not, without BFC’s consent (which consent may be withheld at BFC’s discretion) directly or indirectly (such as through an Affiliate or family members) own any legal or beneficial interest in, or render services or give advice in connection with: (a) any Competing Business located anywhere; or (b) any entity located anywhere that grants franchises or licenses interests to others to operate any Competing Business.
7. For a period of one (1) year after the expiration or termination of the Franchise Agreement or the approved transfer of the Bakery to a new owner, you will not directly or indirectly own, maintain, operate, engage in, be employed by, provide assistance to, or have any interest in any Competing Business which is, or is intended to be, located within ten (10) miles of the

Premises or within five (5) miles of any other Bruegger’s Bakery, except for any business operated pursuant to a valid franchise agreement or license agreement with us or one of our affiliates, or as we otherwise approve in writing. If you fail or refuse to abide by any of the foregoing restrictions and BFC obtains enforcement in a judicial or arbitration proceeding, the obligations under the breached restriction will continue in effect for one (1) year after the date you begin to comply with the order enforcing the restriction.

8. You acknowledge that you possess skills and abilities of a general nature and the opportunity to exploit your skills in other ways, so that enforcement of the restrictions contained in Sections 6 and 7 will not deprive you of your personal goodwill or ability to earn a living. If any restriction in this document is deemed unenforceable by virtue of its scope, geographic area, type of business activity prohibited, and/or length of time, but the restriction could be rendered enforceable by reducing any part or all of it, you and we agree that it will be enforced to the fullest extent permissible under applicable law and public policy. BFC may obtain in any court of competent jurisdiction any injunctive relief, including temporary restraining orders and preliminary injunctions, against conduct or threatened conduct for which no adequate remedy at law may be available or which may cause it irreparable harm. You acknowledge that any violation of Sections 5, 6 or 7 would result in irreparable injury for which no adequate remedy at law may be available. If BFC files a claim to enforce this Agreement and prevails in such proceeding, you agree to reimburse BFC for all its costs and expenses, including reasonable attorneys’ fees.

OWNERS OF FRANCHISEE

If any Owner of Franchisee is another business entity:

If an Individual:

Signature: _____ Print name: _____ Date: _____ Signature: _____ Print name: _____ Date: _____	_____ Name of entity Type of Business entity: _____ State of Organization _____ By: _____ Print name: _____ Title: _____ Date: _____
--	---

Signature _____ Print name: _____ Date: _____	<p>Shareholders/partners/members of Business Entity named immediately above:</p> _____ Print Name: _____ Date: _____
---	---

Spouse: _____

Print name: _____

Date: _____

Print name: _____

Date: _____

Spouse: _____

Print name: _____

Date: _____

(add pages if necessary)

EXHIBIT B

Development Agreement

(Attachments: Development Area, Development Schedule, Disclosure of Ownership Interests, Guaranty & Undertaking, Agreement Regarding Leased Location by Tenant, Confidentiality and Non-Competition Agreement, Disclosure Acknowledgement Statement, Liability Waiver by Developer)

Location: _____
Developer Name: _____
Agreement Date: _____



DEVELOPMENT AGREEMENT

Bruegger's Development Agreement

TABLE OF CONTENTS

Section	Page
1. DEVELOPMENT RIGHTS AND OBLIGATIONS, FRANCHISE AGREEMENT AND INITIAL FRANCHISE FEE.....	2
2. TERM	4
3. DEVELOPMENT FEE	4
4. SITE SELECTION AND ACCEPTANCE	4
5. TRAINING	5
6. OPERATION OF THE BAKERY.....	5
7. CONFIDENTIAL INFORMATION	5
8. SALE OR ASSIGNMENT	6
9. DEFAULT AND TERMINATION	9
10. OBLIGATIONS UPON TERMINATION OR EXPIRATION	11
11. RESTRICTIONS ON COMPETITION	12
12. BUSINESS ENTITY REQUIREMENTS.....	13
13. RESERVED.....	14
14. INDEPENDENT CONTRACTOR AND INDEMNIFICATION.....	14
15. APPROVALS AND WAIVERS.....	15
16. NOTICES.....	16
17. ENTIRE AGREEMENT.....	16
18. SEVERABILITY AND CONSTRUCTION	16
19. DISCLOSURE STATEMENT AND DISCLAIMER.....	17
20. DISPUTES.....	18
21. LIMITATIONS ON CLAIMS AND DAMAGES.....	18
22. ACKNOWLEDGMENTS	19
EXHIBIT A – DEVELOPMENT AREA	
EXHIBIT B – DEVELOPMENT SCHEDULE	
EXHIBIT C – DISCLOSURE OF OWNERSHIP INTERESTS (DEVELOPER)	
EXHIBIT C-1 DISCLOSURE OF OWNERSHIP INTERESTS (OPERATING ENTITY) (IF APPLICABLE)	
EXHIBIT D – GUARANTY & UNDERTAKING	
EXHIBIT E – FORM OF AGREEMENT REGARDING LEASED LOCATION BY TENANT	
EXHIBIT F – CONFIDENTIALITY AND NON-COMPETITION AGREEMENT	
EXHIBIT G – DISCLOSURE ACKNOWLEDGEMENT STATEMENT	
EXHIBIT H – LIABILITY WAIVER	

BRUEGGER'S DEVELOPMENT AGREEMENT

THIS DEVELOPMENT AGREEMENT ("Agreement") is entered into on _____ between **BRUEGGER'S FRANCHISE CORPORATION**, a Delaware corporation ("Franchisor," "we," or "us"), and _____, a _____, with its principal place of business at _____ ("Developer" or "you").

BACKGROUND

- A. We and our affiliates, through significant expenditures of time, skill and money, have developed a proprietary system relating to the preparation and promotion of distinctive bagels, baked goods, and cream cheese and the establishment and operation of restaurants specializing in the sale of the bagels, baked goods, cream cheese, sandwiches, soups, salads, and other food and beverage items (the "System").
- B. The distinguishing characteristics of the System include bagels, baked goods, cream cheese products and other food and beverage items prepared in accordance with secret and proprietary recipes and manufacturing processes owned by us and our affiliates; distinctive exterior and interior Bakery design, décor, color scheme, fixtures, and furnishings; standards and specifications for ingredients, food preparation, equipment, supplies, and Bakery operations, as well as uniform standards, specifications, methods, policies and procedures for Bakery operations, proprietary inventory and management control, training and assistance; and advertising and promotional programs; all of which may be changed, improved, and further developed by us and our affiliates from time to time.
- C. Through our dedicated operations, marketing methods, and merchandising policies, we have developed the reputation, public image and goodwill of the System in the United States and established a firm foundation for our franchised and corporate owned Bakery operations consisting of the highest standards of training, management, supervision, appearance, services and quality of products.
- D. We identify the System and the restaurants operating under it ("Bakeries") by means of certain trade names, service marks, trademarks, logos, emblems, and indicia of origin, including but not limited to the marks Bruegger's Bagels and Bruegger's and such other trade names, service marks, and trademarks as we may hereafter designate for use in connection with the System (the "Proprietary Marks").
- E. Developer wishes to obtain the right to develop one or more Bakeries under the System and the Proprietary Marks within the territory defined in this Agreement.
- F. Developer hereby acknowledges that it has read this Agreement and Franchisor's Franchise Disclosure Document, and that it has no knowledge of any representations about the Bakeries or about Franchisor or its franchising program or policies made by Franchisor or by its officers, directors, shareholders, employees or agents which are contrary to the statements in Franchisor's Franchise Disclosure Document or to the terms of this Agreement, and that it understands and accepts the terms, conditions and covenants contained in this Agreement as being reasonably necessary to maintain Franchisor's high standards of quality and service and the uniformity of those standards at all facilities which operate pursuant to the System and thereby to protect and preserve the goodwill of the System and the Proprietary Marks. Any defined terms not otherwise defined herein shall have the meaning as set forth in the

Franchisor's Franchise Disclosure Document.

- G. Developer understands and acknowledges the importance of Franchisor's uniformly high standards of quality and service and the necessity of operating the Bakeries in strict conformity with Franchisor's quality control standards and specifications.

NOW, THEREFORE, the parties agree as follows:

1. DEVELOPMENT RIGHTS AND OBLIGATIONS, FRANCHISE AGREEMENT AND INITIAL FRANCHISE FEE

1.1. We grant you the right, and you undertake the obligation, pursuant to the terms and conditions of this Agreement, to develop _____ (___) Bakeries, solely within the territory defined in Exhibit A to this Agreement (the "Development Area"). The Bakeries will be located only at the specific locations we approve in writing pursuant to Section 4.1 below. The Bakeries will be developed in accordance with the schedule set forth in Exhibit B to this Agreement (the "Development Schedule"). Exhibit A, the Development Area and Exhibit B the Development Schedule are incorporated herein as if fully set forth in this Agreement.

1.2. To exercise your development rights, you must execute a separate Bruegger's Franchise Agreement ("Franchise Agreement") with us for each Bakery to be developed, in accordance with Section 4.1 below. The initial franchise fee payable for each Bakery is Thirty Thousand and No/100 Dollars (\$30,000) ("Initial Franchise Fee"). A portion of the Development Fee paid in accordance with Section 3 below will be applied against the Initial Franchise Fee for each Bakery, until the Development Fee is exhausted, as follows: We will apply Ten Thousand Dollars (\$10,000 of the Development Fee paid by you toward the Initial Franchise Fee for the first three Bakeries that you open under your Development Agreement. Additional portions of the Development Fee will be applied to subsequent Initial Franchise Fees upon the signing of each subsequent Franchise Agreement at the rate of Five Thousand Dollars (\$5,000) per Bakery, with the balance of the Initial Franchise Fee of Thirty Thousand Dollars (\$30,000) payable when you sign each subsequent Franchise Agreement. All amounts collected shall be deemed fully earned immediately upon receipt and shall be non-refundable.

1.3. If you fail to open a Bakery within the time period specified in the Development Schedule, or if fewer than the required number of Bakeries are in operation on any deadline specified in the Development Schedule, we will have the option to terminate this Agreement by written notice to you. Our rights under this Section 1.3 will be in addition to any other remedy we may have for failure to meet the Development Schedule.

1.4. This Agreement does not grant you any right to use the Proprietary Marks or the System. All rights to use the Proprietary Marks and the System are granted solely under the terms of the Franchise Agreement. You acknowledge that you will have no right or power under this Agreement or under any Franchise Agreement to sub-franchise any other person or legal entity to use the Proprietary Marks or the System.

1.5. While this Agreement is in effect, we will not establish Bakeries or franchise others to establish Bakeries within the Development Area, subject to the rights reserved in Sections 1.6 and 1.7 below.

1.6. We and our affiliates retain the rights, despite anything to the contrary in Section 1.5 and regardless of the proximity to or effect on any Bakery that you operate:

1.6.1. To own, acquire, establish, operate and franchise or license others to operate Bakeries located outside of the Development Area;

1.6.2. To own, acquire, establish, operate, and franchise or license others to operate outlets at Non-Traditional Locations under the Bruegger's name or any other name, whether inside or outside of the Development Area. "Non-Traditional Location" means a facility where the primary function is not a Bakery business, such as (but not limited to) a performing arts center, arena, stadium, shopping mall, department store, retail store, wholesale club, grocery store, supermarket, casino, amusement park, fairground, college or university, factory, hospital, penal institution, military base, airport, turnpike, limited access highway rest stop, or other transportation facility;

1.6.3. To develop, manufacture, have manufactured, market, sell and distribute, at retail or wholesale, and license others to manufacture, sell or distribute, packaged food products or any other goods or services under the Bruegger's mark or any other name or mark, through any channel of distribution other than a Bakery, including but not limited to the Internet, supermarkets, specialty food stores, convenience stores, wholesale clubs and retail food stores, anywhere in the world; and

1.6.4. To use the Bruegger's brand in other lines of business besides the operation of restaurants, anywhere in the world.

1.7. Acquisition Sites. While this Agreement is in effect, if we acquire the ownership or assets of any business operating at one or more sites located within the Development Area, which we determine in our sole discretion to convert to a Bakery (an "Acquisition Site"), we will offer to sell you the Acquisition Site for the price we paid for the Acquisition Site (plus the amounts identified in Section 1.7.1), provided that, in our judgment: (1) the sale would not conflict with any existing legal obligation of ours or of the business being acquired; (2) the sale would not preclude the completion of the acquisition on the terms agreed to by us; and (3) the sale would not interfere with any other agreement, arrangement or combination or affect federal or state income tax consequences arising from the acquisition; and provided further, that you agree: (a) to execute, concurrently with your purchase, a Franchise Agreement as modified for use in connection with each Acquisition Site; (b) to convert each Acquisition Site to a Bakery as soon as practicable thereafter (but in no event later than the date specified by us) in accordance with our standards and specifications; and (c) to close or sell within a reasonable time period specified by us any Acquisition Sites which are not suitable for conversion to Bakeries. Any Acquisition Site you purchase and convert under this Section 1.7 will be counted toward the number of Bakeries required by the Development Schedule. Notwithstanding anything to the contrary in this Section 1.7, we will not convert an Acquisition Site that is within a Protected Area, as defined in the Franchise Agreement for any Bakery of yours that is located within the Development Area, unless we provide reasonable evidence that the conversion will not have a material adverse effect on the Net Sales of your Bakery.

1.7.1. The purchase price you pay will include that portion of the direct and indirect costs and liabilities we incur or assume in making the acquisition and allocate to the Acquisition Site, whether paid or owed to the seller of the Acquisition Site, us, our affiliates, or third parties, plus any improvements we have made and other expenses allocated or otherwise related to the Acquisition Site (including losses, whether from continuing operations or closing acquired units and renovation costs), plus interest at our cost of money on the balance of such amounts from time to time.

1.7.2. You will have sixty (60) days after receipt of our offer in which to accept or reject the offer by written notice to us. If accepted, you will have thirty (30) days from the date of acceptance to

complete the acquisition.

1.7.3. If you reject or fail to timely accept our offer to sell the Acquisition Site, or if we are not obligated to extend an offer to you for any of the reasons stated in this Section 1.7, we may operate, alter, modify, refurbish, remodel, promote and market or franchise others to operate the Acquisition Site as a Bakery or any other business. For purposes of this Section, all references to us will be deemed to include our affiliates.

2. TERM

Unless terminated sooner as provided in this Agreement, the Term of this Agreement (the "Agreement Term") shall expire upon the earlier of (a) the original scheduled opening deadline of the final Bakery required by the Development Schedule, or (b) the actual opening date of the final Bakery required by the Development Schedule. "Opening date" means the actual date the Bakery opens for business to the general public.

3. DEVELOPMENT FEE

In consideration of the development rights granted to you, upon execution of this Agreement you must pay us a nonrefundable fee of \$10,000 per Bakery that you commit to open as set forth in the Development Schedule (the "Development Fee").

4. SITE SELECTION AND ACCEPTANCE

4.1. At your own expense, you must identify and obtain a site for each Bakery to be developed hereunder. Before acquiring a site by lease or purchase, you must submit to us information and materials about the proposed site including, without limitation, the lease and the lease terms, the landlord's contact information, the land acquisition terms, demographic criteria and preliminary site plans showing building orientation, pad size, parking layout and other information, as we may reasonably request to evaluate the site. Information for each Bakery and the request for approval should be submitted to us by the date set forth in the Development Schedule. Within 30 days after we receive all requested information and materials, we will accept or reject the proposed site in our sole discretion. Please understand that our approval of this site does not guarantee that a Bakery operated at the site will be successful or that it will achieve a certain sales volume or level of profitability. Our approval means only that the proposed site meets our minimum criteria for a Bruegger's Bagel Bakery.

4.2. If we approve the proposed site, after we receive all of the required information from you necessary to prepare the Franchise Agreement, including the physical address of the site, we will issue the Franchise Agreement and the site will be known as the "Premises" referred to in the Franchise Agreement. You must return the executed Franchise Agreement, along with a completed set of all required exhibit documents within 30 days, of your receipt of the Franchise Agreement or we can withdraw our acceptance of the site. The terms of the Franchise Agreement shall govern the development, build-out and opening of the Bakery. The development time frame shall be governed by this Agreement. Concurrently with the Franchise Agreement you and your owners must execute and deliver a general release (substantially in the form of the Release attached to the Franchisor's Franchise Disclosure Document) of any and all claims against us and our affiliates, officers, directors, employees, agents, successors and assigns, subject to any limits imposed by applicable law. No site will be deemed accepted unless we have accepted it in writing. You must pay us the balance of the Franchise Fee when you execute and return the Franchise Agreement for the approved site.

4.3. We will furnish you with the following:

4.3.1. Site selection guidelines and criteria, and site selection counseling and assistance as we may deem advisable;

4.3.2. Such on-site evaluations, if any, as we may deem advisable in response to your request for our review of a proposed site; and

4.3.3. Our representative plans and specifications for construction of a Bakery, including exterior and interior design and layout plans.

4.4. If you will occupy the Premises of a Bakery under a lease, before signing the lease, you must submit the lease to us for our written approval. As a condition of our approval, we will require that you and the lessor execute an Agreement Regarding Leased Location by Tenant in the form substantially the same as Exhibit E to this Agreement.

4.5. You must furnish us with a copy of the executed lease and Agreement Regarding Leased Location by Tenant for each Bakery within 10 days of your receipt of the Franchise Agreement for the Premises or we can withdraw our acceptance of the site.

5. TRAINING

You must comply with the training requirements of the Franchise Agreement for each Bakery that you open pursuant to this Agreement. Before starting training, you and your employees must sign a Liability Waiver in the form we prescribe, the current form of which is attached to this Agreement as Exhibit H. You agree not to employ in any Bakery any individuals who have not completed our training requirements.

6. OPERATION OF THE BAKERY

6.1. Compliance in Accordance with the Franchise Agreement. You must comply with the operations requirements of the Franchise Agreement for each Bakery that you open pursuant to this Agreement.

6.2. Operating Partner. If you are, or at any time become, a business corporation, partnership, limited liability company or other legal entity, you must designate an "Operating Partner" in Exhibit A. The Operating Partner must be an individual approved by us who must (a) directly or indirectly own and control, or have the right to own and control (subject to terms and conditions reasonably acceptable to us), not less than 10% of your equity; (b) have the authority to bind you regarding all decisions regarding your development rights and Bakeries; and (c) have completed our training program to our satisfaction.

7. CONFIDENTIAL INFORMATION

7.1. Nondisclosure. You must not, during the term of this Agreement or at any time thereafter, communicate, divulge, or misuse for your benefit or for the benefit of any other person or entity any confidential information, knowledge, trade secrets, or know-how which may be communicated to you or of which you may be apprised by virtue of your activities under this Agreement. You may divulge such confidential information only: (i) to your employees who must have access to it in order to operate or develop the Bakery; and (ii) to your contractors and the landlord of the Premises with our prior written approval. All information, knowledge, trade secrets, know-how, techniques, and other data which we

designate as confidential will be deemed confidential for purposes of this Agreement, except information which you can demonstrate came to your attention by lawful means prior to disclosure thereof by us, or which, at or after the time of disclosure by us to you, had become or later becomes a part of the public domain, through publication or communication by others.

7.2. Owners and Employees. At our request, you must require your general manager and assistant managers (if applicable) to execute agreements that they will maintain the confidentiality of our information. The agreements must be in a form satisfactory to us and identify us as a third-party beneficiary with the independent right to enforce the agreement. At our request, you must use your best efforts to obtain similar agreements from your landlord, contractors, and any other person to whom you wish to disclose any of our confidential information.

8. SALE OR ASSIGNMENT

8.1. By Us. We have the right to transfer or assign this Agreement or any part of our rights or obligations under this Agreement to any person or legal entity. You agree that we will have no liability after the effective date of the transfer or assignment for the performance of any obligations hereunder. You acknowledge that we can sell our assets; sell securities in a public offering or in a private placement; merge with, acquire, or be acquired by another company; or undertake a refinancing, recapitalization, leveraged buy-out, or other economic or financial restructuring, without restriction and without affecting your obligations under this Agreement.

8.2. By You. You acknowledge that the rights and duties set forth in this Agreement are personal to you and that we have granted these rights in reliance on your business skill, financial capacity, and personal character (or, if you are a business entity, on the business skill, financial capacity, and personal character of your owners and management). Accordingly, except as provided in Section 8.3, neither you nor any immediate or remote successor to any interest in this Agreement, nor any individual, partnership, corporation, or other legal entity which directly or indirectly owns any interest in you, will sell, assign, transfer, convey, pledge, encumber or give away any direct or indirect interest in this Agreement or in you, without our prior written consent as provided in Sections 8.5 and 8.7, which will not be unreasonably withheld. You must notify us in writing of any proposed transfer at least thirty (30) days before the transfer is to take place, and must provide all information and documentation relating to the proposed transfer that we reasonably request.

8.3. Transfer to an Affiliated Franchisee and Operating Partner. You may transfer and assign your right to develop and operate a Bakery to any of your affiliates (the "Franchisee Affiliate") who will then become the franchisee (the "Franchisee") under the Franchise Agreement for that Bakery provided you maintain direct control of the Franchisee and you obtain our prior written consent in accordance with Section 8.5. We must receive written notice of each transfer at least thirty (30) days before the transfer, which notice must identify the transferee, describe the transferee's position of employment, and include a calculation demonstrating that the planned transfer complies with this Section 8.3. If Franchisee is a business entity, your owner or owners may, without our prior written consent, sell, assign, transfer or give away to employees of Franchisee an aggregated amount of not more than twenty percent (20%) of Franchisee's outstanding equity, including the equity interest granted to the Operating Partner as required under Section 6 above provided: (i) we receive written notice of each transfer at least thirty (30) days before the transfer, which notice must identify the transferee, describe the transferee's position of employment, and include a calculation demonstrating that the planned transfer complies with this Section 8.3; and (ii) the transfer, when combined with all prior transfers of equity in Franchisee, does not result in a transfer of more than twenty percent (20%) of the outstanding equity or in a change of control of Franchisee.

8.4. Our Right of First Refusal. We have the right, exercisable within thirty (30) days after receipt of a written request for our approval of a proposed transfer pursuant to this Section 8.2, to purchase the interest proposed to be transferred. The request for approval of transfer must include a true and complete copy of the term sheet, letter of intent, proposed purchase agreement, assignment document, or any other document necessary to implement the transfer, and not be subject to financing or any other contingencies. Our thirty (30) day period for determining whether or not to exercise our right of first refusal will not begin until the transferor has provided all information and documentation required hereunder in a form and substance satisfactory to us. If we desire to exercise our right of first refusal, we will do so by providing written notice (the "Purchase Notice") to the transferor, as follows:

8.4.1. If the transfer is proposed to be made pursuant to a sale, we may purchase the interest proposed to be transferred on the same financial terms and conditions offered by the third party. Closing on our purchase will occur within sixty (60) days after the date of the transferor's receipt of the Purchase Notice. If the consideration, terms, and/or conditions offered by the third party are such that

we may not reasonably be required to furnish the same consideration, terms, and/or conditions, then we may purchase the interest proposed to be sold for the reasonable equivalent in cash. If, within thirty (30) days of the transferor's receipt of the Purchase Notice the parties cannot agree as to the reasonable equivalent in cash consideration, an independent appraiser will be appointed by mutual agreement and the determination of the appraiser will be binding. Any material change in the terms of the offer from a third party after we have elected not to purchase the interest sought to be transferred will constitute a new offer subject to the same rights of first refusal by us as in the case of the third party's initial offer.

8.4.2. If the transfer is proposed to be made by gift, you and we will jointly designate, at our expense, an independent appraiser to determine the fair market value of the interest proposed to be transferred. We may purchase the interest at the fair market value determined by the appraiser. Closing on the purchase will occur within 45 days after our notice to the transferor of the appraiser's determination of fair market value.

8.5. Conditions of Our Consent. If we elect not to exercise our right of first refusal under Section 8.4, if applicable, the proposed transferor may complete the transfer after obtaining our written consent as required under Section 8.2 and 8.3. We may withhold our consent on any reasonable grounds, or may give our consent subject to reasonable conditions, which may include, but are not limited to, the following:

8.5.1. That all of your accrued monetary obligations and all other outstanding obligations to us and our affiliates have been satisfied;

8.5.2. That you are not in default of any provision of this Agreement, any amendment hereof or successor hereto, or any other agreement between you and us or our affiliates;

8.5.3. That the transferor executes a general release, in a form satisfactory to us, of any and all claims against us, our affiliates and their respective past, present, and future officers, directors, shareholders, and employees, in their corporate and individual capacities;

8.5.4. That the transferee (and if the transferee is a corporation, partnership, or limited liability company, such owners of a beneficial interest in the transferee as we may request) enter into a written assignment, in a form satisfactory to us, assuming and agreeing to discharge all of your obligations under this Agreement; or, at our option, enter into our then current form of Franchise Agreement; and, if the transferor guaranteed your obligations under this Agreement, that the transferee

guarantee the performance of all such obligations in writing in a form satisfactory to us;

8.5.5. If the transferee is an existing Bruegger's developer or franchisee, that the transferee is not in default under its agreements with us and has a good record of customer service and compliance with our operating standards;

8.5.6. That the transferee, whether or not an existing Bruegger's developer or franchisee, demonstrates to our satisfaction that he or she meets (or, if the transferee is a business entity, that its owners and management team meet) our educational, managerial, and business standards; possesses a good moral character, business reputation, and credit rating; has the aptitude and ability to conduct the business contemplated hereunder (as may be evidenced by prior related business experience or otherwise); and has adequate financial resources and capital to fulfill your obligations hereunder in a timely manner; and

8.5.7. That the transferor pays a transfer fee of Five Thousand Dollars (\$5,000)

8.5.8. That the transferee (if an entity, its Operating Partner) and any employees of the transferee who have not previously completed a training program approved by us complete any training programs then in effect for new franchisees, at their expense.

8.6. Death, Incapacity or Bankruptcy. If you or any Owner dies, becomes incapacitated, or enters bankruptcy proceedings, that person's executor, administrator, personal representative, or trustee must apply to us in writing within 3 months after the event (death, declaration of incapacity, or filing of a bankruptcy petition) for consent to transfer the person's interest. The transfer will be subject to the provisions of this Section 8, as applicable. In addition, if the deceased or incapacitated person is the Operating Partner, we will have the right (but no obligation) to take over operation of the Bakery upon giving notice to the executor, administrator, personal representative, or trustee and to manage the Bakery until the transfer is completed. If we exercise this right, we can charge a reasonable management fee for our services. For purposes of this Section, "incapacity" means any physical or mental infirmity that will prevent the person from performing his or her obligations under this Agreement (i) for a period of 30 or more consecutive days, or (ii) for 60 or more total days during a calendar year. In the case of transfer by bequest or by intestate succession, if the heirs or beneficiaries are unable to meet the conditions of Section 15.5, the executor may transfer the decedent's interest to another successor that we have approved, subject to all of the terms and conditions for transfers contained in this Agreement. If an interest is not disposed of within one (1) year after the date of death or appointment of a personal representative or trustee, we can terminate this Agreement under Section 9.2.8.

8.7. Private Securities Offering. If you or any Owner desires to offer securities in a private offering, the offering will be subject to all of the conditions of Section 10, including our right of first refusal. All materials required for the offering by federal or state law must be submitted to us for review and consent before use. No offering may imply, by use of the Proprietary Marks or otherwise, that we are participating in underwriting, issuing, or offering the securities. Our review of the offering materials will be limited solely to the subject of the relationship between you and us. All participants in the offering must fully indemnify us in connection with the offering. For each proposed offering, we may require you to pay, in addition to the transfer fee under Section 8.5, a non-refundable fee of up to \$10,000 to reimburse us for our costs and expenses associated with reviewing the proposed offering. You must give us written notice at least thirty (30) days before the commencement date of any offering for which we have completed our review and any consent of the offering materials.

8.8. Nonconforming Transfers Void. Any purported assignment or transfer that is not in compliance with this Section 8 will be null and void and will constitute a material breach of this Agreement, for which we may terminate this Agreement without opportunity to cure pursuant to Section 9.2 below. Our consent to a transfer will not constitute a waiver of any claims we may have against the transferor, nor will it be deemed a waiver of our right to demand exact compliance by the transferor, transferee or you with any of the terms of this Agreement.

9. DEFAULT AND TERMINATION

The terms and conditions regarding default and termination contained herein shall be subject to any applicable state statutes or regulations regarding the termination of a franchise.

9.1. Automatic Termination Without Notice. You will be deemed to be in ("Material Default") under this Agreement, and all rights granted to you herein will automatically terminate without notice to you, if you become insolvent or make a general assignment for the benefit of creditors; if a petition in bankruptcy is filed by you or is filed against you and not opposed by you; if you are adjudicated as bankrupt or insolvent; if a bill in equity or other proceeding for the appointment of a receiver or other custodian for your business or assets is filed and consented to by you; if a receiver or other custodian (permanent or temporary) of your assets or property, or any part thereof, is appointed by any court of competent jurisdiction; if proceedings for a composition with creditors under any state or federal law are instituted by or against you; if a final judgment against you remains unsatisfied or of record for thirty (30) days or longer (unless supersedeas bond is filed); if your company is dissolved; if execution is levied against your business or property; if a suit to foreclose any lien or mortgage against you is instituted and not dismissed within thirty (30) days or if you enter into any agreement that is in lieu of such foreclosure; is sold after levy thereupon by any sheriff, marshal, or constable.

9.2. Material Default With No Opportunity to Cure. You shall be deemed to be in Material Default and we may, at our option, terminate this Agreement and all rights granted hereunder, without affording you any opportunity to cure the default, effective immediately upon receipt of notice of such termination from us to you, upon the occurrence of any of the following events:

9.2.1. There is a default under any Franchise Agreement for which there is no opportunity to cure;

9.2.2. Failure to satisfy the Development Schedule as described in Section 1.3 of this Agreement;

9.2.3. If you cease to operate or otherwise abandon a Bakery, lose the right to possession of the Premises, or forfeit the right to do or transact business in the jurisdiction where the Premises for a Bakery are located. However, if, through no fault of your own, the Premises are damaged or destroyed by an event such that repairs or reconstruction cannot be completed within sixty (60) days thereafter, then you will have thirty (30) days after that event in which to apply for our approval to relocate and/or reconstruct the Bakery, which approval will not be unreasonably withheld;

9.2.4. If you, or any person or entity with an interest in you purports to transfer an interest other than in accordance with Section 8;

9.2.5. If you or if any entity, shareholder, member, partner, or other person controlling more than five percent (5%) of Developer's stock, membership interest or partnership interest, by act or omission, permits or commits tortious conduct or a violation of any applicable law, ordinance, rule or

governmental regulation (including, but not limited to, any applicable employment law (e.g., harassment, discrimination, retaliation, equal employment, treatment of disabled persons, child labor or wages and hour law)) constituting a felony, or constituting a misdemeanor, lesser criminal offense or a violation of law which in our sole judgment has, or is likely to have, an adverse effect upon the System, the Proprietary Marks, or the goodwill associated therewith;

9.2.6. If a threat or danger to public safety results from the negligence or willful misconduct of Franchisor related to the construction, maintenance or operation of the Bakery.

9.2.7. If, as required by 8.6, an approved transfer is not effected within one (1) year following death or declaration of mental incapacity, or if any transfer by bequest or intestate succession is made to an heir or beneficiary who is unable to meet the conditions of Section 8;

9.2.8. If you fail to comply with the restrictions on competition in Section 11.1 below;

9.2.9. If you disclose or divulge any contents of the Manuals or other confidential information of ours, except as permitted under Section 7.1;

9.2.10. If you knowingly maintain false books or records or knowingly submit any false reports to us;

9.2.11. If you refuse to permit us to inspect the Premises, books, records, or accounts of a Bakery, as provided in the applicable Franchise Agreement;

9.2.12. If after curing a default pursuant to Section 9.3 or Section 9.5 hereof, you commit the same default again within one (1) year, whether or not cured after notice;

9.2.13. If we have delivered notices advising you that you are in default under Section 9.3 or Section 9.5 three (3) times within any twelve-month period, whether such defaults are of a similar or different nature and whether or not any of them is cured after notice; or

9.2.14. If any franchise agreement issued by Franchisor to Franchisee or any Franchisee Affiliate, or to any company owned or controlled by a shareholder or partner of Franchisee, is terminated for any reason other than by mutual consent of the parties to the franchise agreement or the expiration of its term. A default under any franchise agreement that you or an affiliate have with us will constitute a default under this Agreement without separate notice to you, but the cross-default under this Agreement will be subject to any applicable provisions for notice and cure of the default set forth in the franchise agreement.;

9.2.15. If we have delivered a notice of termination for any other agreement between us (or any of our affiliates) and you or any Franchisee Affiliate (except for termination with our prior written consent). A default under any other agreement that you or an affiliate have with us will constitute a default under this Agreement without separate notice to you, but the cross-default under this Agreement will be subject to any applicable provisions for notice and cure of the default set forth in the other agreement.

9.3. Termination for Non-Payment. If you fail, refuse, or neglect to pay any monies owing to us or our affiliates, or fail to submit financial or other information as required under this Agreement, within thirty (30) days after receipt of notice of default from us, this Agreement will terminate at the end of the thirty-day period without further notice from us.

9.4. Reserved.

9.5. Termination Following Expiration of Cure Period. Except as provided in Sections 9.1 through 9.4, we may terminate this Agreement only in the event of your default, and only by giving you written notice of termination stating the nature of the default at least thirty (30) days before the effective date of termination. If the default is not cured to our reasonable satisfaction within the thirty (30) day period (or such longer period as applicable law may require), we may terminate this Agreement upon further notice to you, effective as of the date stated in the notice. Any failure to comply with the requirements imposed by this Agreement (as it may from time to time reasonably be supplemented by the Manuals) will be a default under this Section 9.5.

10. OBLIGATIONS UPON TERMINATION OR EXPIRATION

10.1. De-Identification and Cessation of Activities. Upon termination or expiration of this Agreement, you will have no right to establish or operate any Bakery for which a Franchise Agreement has not been executed by us prior to termination; and we will be entitled to establish, and to franchise others to establish, Bakeries at any location in the Development Area except as may be otherwise provided under the terms of any Franchise Agreement which remains in effect between us and you. Further, upon termination or expiration of this Agreement, except as may be otherwise provided under the terms of any Franchise Agreement which remains in effect between us and you, you must:

10.1.1. Cease any action to select, negotiate, develop or construct a site for a Bakery

10.1.2. Cease to use the confidential methods, procedures, and techniques associated with the System, the "Bruegger's" and "Bruegger's Bagels" names and marks, all other Proprietary Marks, the Works, and all other distinctive forms, slogans, signs, symbols, Web sites, domain names, e-mail addresses, other electronic identifiers, and devices associated with the System; withdraw all advertising matter (including electronic marketing); and except as provided in Section 10.2 below not thereafter, directly or indirectly, represent yourself to the public or hold yourself out as a present or former franchisee of ours;

10.1.3. Deliver to us the Manuals and all other records, correspondence, and instructions in your possession or control, in any medium, that contain confidential information, trade secrets, or know-how relating to the System or the operation of a Bakery, all of which you acknowledge to be our property;

10.1.4. Take such action as may be necessary to cancel any assumed name registration or equivalent registration, and any e-mail address or domain name registration, obtained by you which contains "Bruegger's" or any other Proprietary Marks, and furnish evidence satisfactory to us of compliance with this obligation within five (5) days after termination or expiration of this Agreement. You hereby appoint us your attorney-in-fact to carry out the requirements of this Section 10.1.4, if you fail to do so within such five (5) day period;

10.1.5. Not use any reproduction, counterfeit, copy, or colorable imitation of the Proprietary Marks or the Works in connection with any other business which, in our sole discretion, is likely to cause confusion, mistake, or deception or to dilute our and our affiliates' rights in and to the Proprietary Marks and the Works. You must not use any designation of origin or description or representation which, in our sole discretion, falsely suggests or represents an association or connection with us.

10.1.6. Promptly pay all sums owing to us and our affiliates. In the event of termination for your default, the sums will include all damages, costs, and expenses incurred by us as a result of the default, including, but not limited to, reasonable attorneys' fees. You will have no right to a refund of all or any part of the Development Fee, regardless of whether you entered into a Franchise Agreement prior to such termination. We will retain all amounts paid to us pursuant to the terms of this Agreement.

10.1.7. Comply with all obligations that expressly or by their nature survive termination of this Agreement, including the restrictions on competition contained in Section 11.2. No right or remedy herein conferred upon or reserved to us is exclusive of any other right or remedy provided or permitted to us by law or in equity.

10.2. Continuing Obligations. After termination, or expiration, of this Agreement under any circumstances, you will remain liable to us for certain obligations. Among other things, you must:

10.2.1. Promptly pay all sums owing to us and our affiliates;

10.2.2. Permit access to, and examination of your books and records relating to the development of the Bakeries:

10.2.3. Protect our confidential information as provided in Section 7;

10.2.4. Not make any statements about us or any of our franchisees or affiliates that may constitute trade disparagement;

10.2.5. Comply with the post-term restrictions on competition in Section 11;

10.2.6. Indemnify us with respect to the period through the effective date of expiration or termination as provided in Section 14; and

10.2.7. Pay us all damages, costs, and expenses (including, but not limited to, reasonable attorneys' fees) we incur in obtaining injunctive, declaratory, or other relief to enforce this Section 10.

11. RESTRICTIONS ON COMPETITION

11.1. During the Agreement Term. You specifically acknowledge that you will receive valuable, specialized training from us and access to confidential information regarding our operational, sales, promotional, and marketing methods and techniques of the System. You agree that, during the Agreement Term, except as we otherwise approve in writing, you will not, either directly or indirectly, for yourself or through, on behalf of, or in conjunction with any person or legal entity:

11.1.1. Own, maintain, operate, engage in, be employed by, provide any assistance to, or have any interest in any Competing Business, as defined below. "Competing Business" includes any entity that is open for breakfast, lunch and dinner and whose primary business consists of the sale of pastries, baked goods, and made-to-order café items such as sandwiches, salads, soups, and desserts, and includes such concepts as Panera Bread, Atlanta Bread Company, Corner Bakery, Cosi, Camille's Sidewalk Café, Au Bon Pain, Einstein Bros. Bagels, Manhattan Bagels, McAlister's Deli, Newk's Eatery, Pret A Manger, Café Express and other similar café concepts, but does not include any business that you operate under a valid franchise agreement or license agreement with one of our affiliates; or

11.1.2. Divert or attempt to divert any present or prospective business or customer to any Competing Business by direct or indirect inducement or otherwise, or do or perform, directly or indirectly, any other act injurious or prejudicial to the goodwill associated with the Proprietary Marks and the System.

11.2. After Expiration, Termination, or Transfer. You agree that, except pursuant to Franchise Agreements with us or our affiliates, or as we otherwise approve in writing, you will not, for one (1) year after the expiration or termination of this Agreement or the approved transfer of this Agreement to a new developer or the transfer to a Franchisee as may be permitted hereunder, either directly or indirectly, for yourself or through, on behalf of, or in conjunction with any person or legal entity, own, maintain, operate, engage in, be employed by, provide assistance to, or have any interest in any Competing Business which is, or is intended to be, located within the Development Area.

11.3. Enforcement.

11.3.1. We have the right, in our sole discretion, to reduce the scope of any restriction in Sections 11.1 and 11.2 by giving you written notice.

11.3.2. You agree that the existence of any claims you may have against us, whether or not arising from this Agreement, will not constitute a defense to our enforcement of this Section 11.

11.3.3. You acknowledge that your violation of the terms of this Section 11 would result in irreparable injury to us for which no adequate remedy at law may be available, and you accordingly consent to the issuance of an injunction prohibiting any conduct by you in violation of the terms of this Section 11. Injunctive relief will be in addition to any other remedies we may have.

11.3.4. If you or any other person bound by this Section 11 fails or refuses to abide by any of the foregoing restrictions on competition, and we obtain enforcement in a judicial or arbitration proceeding, the obligations under the breached restriction will continue in effect for a period ending one (1) year after the date the person begins to comply with the order enforcing the restriction.

12. BUSINESS ENTITY REQUIREMENTS

12.1. Governing Documents. At our request, you must promptly furnish to us copies of your articles of incorporation, bylaws, partnership agreement, certificate of formation, limited liability company operating agreement, or other governing documents, as applicable. You must give us at least thirty (30) written days prior written notice of any proposed amendments to your governing documents.

12.2. Stop-Transfer Instructions. You must maintain stop-transfer instructions against the transfer on your records of any ownership interests in you. If such ownership interests are certificated, each certificate must conspicuously display on its face a printed legend in substantially the following form, adjusted as necessary if you are other than a corporation:

The transfer of any ownership represented by this certificate is subject to the terms and conditions of an Agreement with BRUEGGER'S FRANCHISE CORPORATION Reference is made to the provisions of the Agreement and to the governing documents of the Company.

12.3. Ownership Information. You represent and warrant that the ownership information on Exhibit A to this Agreement is correct and complete as of the Agreement Date. You must maintain a current list of all stockholders, general partners, limited partners, members, or other direct or indirect beneficial owners (as applicable) and furnish the list to us upon request.

12.4. Personal Obligations of Owners, Officers, Directors, Management Personnel and Spouses. Each person who is or becomes an owner, director or officer of Developer must execute a Guaranty in the form we prescribe, undertaking to be bound jointly and severally by the terms of this Agreement including but not limited to those provisions in Section 11 above. The current form of Guaranty is attached to this Agreement as Exhibit D. Each person who is, or becomes, an owner or executive officer of Developer must also execute a Confidentiality and Non-competition Agreement in a form we prescribe, the current form of which is attached to this Agreement as Exhibit F. If you are a publicly-held entity, the requirements in this Section will not apply to ownership by you of less than five percent (5%) beneficial interest. In addition, at our request, if the Guarantor resides in a community property state, the Guarantor will cause his or her spouse, if any, to execute a Guaranty and you must also obtain signed Confidentiality and Non-competition Agreements referred to above. Confidentiality and Non-competition Agreements must also be obtained from any manager who has received or will receive training from us.

12.5. Control Arrangements. Any voting trust, management agreement, or other arrangement affecting the power to direct and control your affairs requires our prior written consent. You must furnish such information and documentation as we may request concerning any proposed control arrangement.

13. RESERVED

14. INDEPENDENT CONTRACTOR AND INDEMNIFICATION

14.1. Nature of the Relationship. It is understood and agreed by the parties hereto that this Agreement does not create a fiduciary relationship between them, that you shall be an independent contractor, and that nothing in this Agreement is intended to make either party an agent, legal representative, subsidiary, joint venturer, partner, employee or servant of the other for any purpose whatsoever.

It is understood and agreed that nothing in this Agreement authorizes Developer to make any contract, agreement, warranty, or representation on Franchisor's behalf, or to incur any debt or other obligation in Franchisor's name, and that Franchisor shall in no event assume liability for or be deemed liable hereunder as a result of any such action or by reason of any act or omission of Developer. Developer agrees at all times to defend at Developer's own cost, and to indemnify and hold harmless to the fullest extent permitted by law, Franchisor, its partners or any limited partner, its subsidiaries, and other entities owned by it, its affiliates (including without limitation all entities and persons owned by or owning, directly or indirectly, an interest in Franchisor, or its successors, assigns and designees of any such entity, officers, directors, employees, agents, contractors, and other entities and persons providing services for or otherwise acting on behalf of Franchisor (including, without limitation, Franchisor's affiliates in any capacity or role), and the respective directors, officers, employees, agents, shareholders, members, managers, partners, designees, and representatives of each (Franchisor and all of such others referred to herein collectively as "Indemnitees") from all damages, losses, expenses (including without limitation reasonable attorneys' fees), actions, suits, proceedings, claims, demands, investigations, or formal or informal inquiries (regardless of whether same is reduced to judgment) or any settlement thereof which arises out of or is based upon or related to any of the following: (a) Developer's alleged infringement or any other violation or any other alleged violation of any patent,

trademark or copyright or other proprietary right owned or controlled by third parties; (b) Developer's alleged violation or breach of any contract, federal, state or local law, regulation, ruling, standard or directive of any industry standard; (c) libel, slander or any other form of defamation by Developer; (d) Developer's alleged violation or breach of any warranty, representation, agreement or obligation in this Agreement; (e) any acts, errors or omissions of Developer or any of its agents, servants, employees, contractors, partners, proprietors, affiliates, or representatives; (f) any services or products provided by any affiliated or nonaffiliated participating entity; and (g) any damage to the property of Developer or franchisor, their agents or employees, or any third person, firm, corporation or other legal entity, whether or not such losses, claims, costs, expenses, damages, or liabilities were actually or allegedly caused wholly or in part through the active or passive negligence of franchisor or any of its agents or employees, or resulted from any strict liability imposed on franchisor or any of its agents or employees. Each Indemnitee shall be a third party beneficiary of this Section 14 and, as such, shall be able to enforce this indemnification against Developer.

14.2. Identification. You shall conspicuously identify yourself in all dealings with your clients, contractors, suppliers, public officials and others, as an independent Developer having only a contractual relationship with us, and shall place such notice of independent ownership on all forms, business cards, stationery, advertising, signs and other materials and in such fashion as we may, in our sole discretion, specify and require from time to time.

14.3. No False Representations. Except as otherwise expressly authorized by this Agreement, neither party hereto shall make any express or implied agreements, warranties, guarantees or representations or incur any debt in the name of or on behalf of the other party, or represent that the relationship between us is other than that of Franchisor and Developer. We do not assume any liability, and shall not be deemed liable, for any agreements, representations, or warranties made by you which are not expressly authorized under this Agreement, nor shall we be obligated for any damages to any person or property which directly or indirectly arise from or relate to any Bakery developed hereunder.

15. APPROVALS AND WAIVERS

15.1. Approvals. Whenever this Agreement requires our prior approval or consent, you must make a timely written request to us, and our approval or consent must be obtained in writing and signed by one of our officers.

15.2. No Warranty. We make no warranties or guarantees upon which you may rely and assume no liability or obligation to you by providing any waiver, approval, consent, or suggestion to you in connection with this Agreement, or by reason of any neglect, delay, or denial of any request therefor.

15.3. No Implied Waiver. No delay or failure by us to exercise any right reserved to us under this Agreement or to insist upon strict compliance by you with any obligation or condition hereunder, and no custom or practice of the parties at variance with the terms hereof, will constitute a waiver of our right to exercise such right or to demand exact compliance by you with any of the terms hereof. Waiver by us of any particular default by you will not affect or impair our rights with respect to any subsequent default of the same, similar, or a different nature. Acceptance by us of any payments due to us hereunder will not be deemed to be a waiver by us of any preceding breach by you.

15.4. WAIVER OF JURY TRIAL. THE PARTIES IRREVOCABLY WAIVE TRIAL BY JURY IN ANY ACTION, PROCEEDING OR COUNTERCLAIM, WHETHER AT LAW OR IN EQUITY, BROUGHT BY EITHER PARTY RELATING TO THE RELATIONSHIP BETWEEN THE PARTIES OR ARISING UNDER OR IN ANY WAY CONNECTED WITH THIS AGREEMENT OR ANY RIGHT OR REMEDY

HEREUNDER.

16. NOTICES

All notices pursuant to this Agreement must be in writing and delivered in person or sent by certified mail, by national commercial delivery service, or by other means which affords the sender evidence of delivery or attempted delivery, to the respective parties at the following addresses unless and until a different address has been designated by written notice to the other party:

Notices to us: BRUEGGER'S FRANCHISE CORPORATION
1720 S. Bellaire St., Suite Skybox
Denver, Colorado 80222
Attn: Legal Department

Notices to you: _____

17. ENTIRE AGREEMENT

This Agreement and the documents referred to herein constitute the entire agreement between us and you concerning the subject matter hereof and supersede all prior agreements, negotiations, representations, and correspondence concerning the same subject matter, except that nothing in this Agreement is intended to disclaim any representations made to you in any Franchise Disclosure Document that you received from us in connection with this Agreement. Except for those permitted to be made unilaterally by us hereunder, no amendment, change, or variance from this Agreement will be binding on either party unless agreed to by the parties in a writing executed by their authorized officers or agents.

18. SEVERABILITY AND CONSTRUCTION

18.1. Severability. If any provision of this Agreement is determined to be invalid or in conflict with any existing or future law or regulation by a court or agency having valid jurisdiction, the invalidity will not impair the operation of any other provisions which remain otherwise intelligible. The latter will continue to be given full force and effect, and the invalid provisions will be deemed not to be a part of this Agreement.

18.2. Business Judgment. Notwithstanding any contrary provisions contained in this Agreement, Franchisor and Developer acknowledge and agree that (a) this Agreement (and the relationship of the parties which arises from this Agreement) grants Franchisor the discretion to make decisions, take actions and/or refrain from taking actions not inconsistent with Developer's explicit rights and obligations hereunder that may affect favorably or adversely Developer's interests; (b) Franchisor shall use its business judgment in exercising such discretion based on its assessment of its own interests and balancing those interests against the interests of the owners of Bakeries generally (including Franchisor and its affiliates and other franchisees), and specifically without considering Developer's individual interests or the individual interests of any other particular franchisee; (c) Franchisor shall have no liability to Developer for the exercise of its discretion in this manner; and (d) even if Franchisor has numerous motives for a particular action or decision, so long as at least one

motive is a reasonable business justification no trier of fact in any legal action shall substitute its judgment for Franchisor's judgment so exercised, and such action or decision shall not be subject to challenge for abuse of discretion. **IF FRANCHISOR TAKES ANY ACTION OR CHOOSES NOT TO TAKE ANY ACTION IN ITS DISCRETION WITH REGARD TO ANY MATTER RELATED TO THIS AGREEMENT AND SUCH ACTION OR INACTION IS CHALLENGED FOR ANY REASON, THE PARTIES SHALL AGREE TO EXPRESSLY DIRECT THE TRIER OF FACT, IN ANY PLEADING FILED OR LEGAL PROCEEDING RESULTING THERETO, THAT FRANCHISOR'S RELIANCE ON A BUSINESS REASON IN THE EXERCISE OF ITS DISCRETION UNDER THE BUSINESS JUDGMENT RULE IS TO BE VIEWED AS A REASONABLE AND PROPER EXERCISE OF ITS DISCRETION, WITHOUT REGARD TO WHETHER OTHER REASONS FOR ITS DECISION MAY EXIST AND WITHOUT REGARD TO WHETHER THE TRIER OF FACT WOULD INDEPENDENTLY ACCORD THE SAME WEIGHT TO THE BUSINESS REASON.**

18.3. Survival of Obligations. All obligations that expressly or by reasonable implication are to be performed, in whole or in part, after the expiration, termination, or assignment of this Agreement will survive expiration, termination, or assignment.

18.4. No Implied Third Party Beneficiaries. Except as explicitly provided to the contrary herein, nothing in this Agreement is intended or will be deemed to confer any rights or remedies on any person or legal entity other than you, your owner(s), us, and our affiliates.

18.5. Lesser Included Obligations. You agree to be bound by any promise or covenant imposing the maximum duty permitted by law which is subsumed within any provision of this Agreement, as though it were separately articulated in and made a part of this Agreement, that may result from (i) striking any portion of a provision that a court or agency may hold to be unreasonable and unenforceable; or (ii) reducing the scope of any promise or covenant to the extent required to comply with a court or agency order.

18.6. Best Interests of System. Whenever we exercise 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 provided in this Agreement, we can make our decision or exercise our discretion on the basis of our judgment of what is in our best interests. "Best interests" includes what we believe to be the best interests of the System at the time the decision is made or the right or discretion is exercised, even though (a) there may have been other alternative decisions or actions that could have been taken; (b) our decision or the action taken promotes our own financial interest; or (c) our decision or the action may apply differently to different franchisees and/or to any company-owned or affiliate-owned businesses. In the absence of an applicable statute, we will have no liability to you for any such decision or action. If applicable law implies a covenant of good faith and fair dealing in this Agreement, we and you agree that the covenant will not imply any rights or obligations that are inconsistent with a fair construction of the terms of this Agreement.

19. DISCLOSURE STATEMENT AND DISCLAIMER

19.1. Compliance with Applicable Laws. You acknowledge, by your signature hereto, that you received from us the Franchisee Disclosure Document required by the Trade Regulation Rule of the Federal Trade Commission entitled Disclosure Requirements and Prohibitions Concerning Franchising, at least fourteen (14) calendar days prior to the date on which this Agreement was executed and by the State in which the Bakeries shall be located, or Developer's place of residence, as appropriate.

19.2. Receipt of Agreement. You acknowledge that you received from us this Agreement and all applicable attachments with all blanks filled in at least seven (7) calendar days prior to the execution of this Agreement. You represent that you have read this Agreement in its entirety and that you have been given the opportunity to clarify any provisions that you did not understand and to consult with an attorney or other professional advisor. You further represent that you understand the terms, conditions and obligations of this Agreement and agree to be bound thereby.

20. DISPUTES

20.1. Governing Law. This Agreement takes effect upon its acceptance and execution by Franchisor. EXCEPT TO THE EXTENT GOVERNED BY THE UNITED STATES TRADEMARK ACT OF 1946 (LANHAM ACT, 15 U.S.C. §§1051 et. seq.), THIS AGREEMENT SHALL FOR ALL PURPOSES BE GOVERNED BY AND INTERPRETED AND ENFORCED IN ACCORDANCE WITH THE INTERNAL LAWS OF THE STATE OF COLORADO, EXCEPT THAT ITS CHOICE OF LAW AND CONFLICT OF LAW RULES SHALL NOT APPLY.

20.2. Jurisdiction and Venue. Subject to Section 20.3 below, the parties hereto mutually agree that the U.S. District Court for the District of Colorado, or if such court lacks jurisdiction, the state courts located in Jefferson County, Colorado, shall be the venue and exclusive forum in which to adjudicate any case or controversy arising from or relating to this Agreement and any guarantees hereof, undertakings hereunder provided and relationship established thereby, however, with respect to any action which includes injunctive relief or other extraordinary relief, we may bring such action in any court of competent jurisdiction. The parties irrevocably submit to the jurisdiction of such courts and waive any objections to either the jurisdiction of or venue in such courts. The parties mutually agree that personal jurisdiction may be effected by service of process and that when so made shall be as if served personally. This Agreement was executed and accepted at our place of business in Jefferson County, Colorado. The parties anticipate that the performance of certain of your obligations arising under this Agreement, including the payment of certain monies due Franchisor, shall occur in Jefferson County, Colorado.

20.3. Mediation. Before any party may bring an action in court against the other, the parties agree that they must first meet to mediate the dispute (except as otherwise provided in Section 20.5 below). Any such mediation shall be non-binding and shall be conducted in accordance with the then-current rules for mediation of commercial disputes of JAMS (formerly, "Judicial Arbitration and Mediation Services, Inc.") at its location then-nearest to our principal place of business.

20.4. Remedy. No right or remedy conferred upon or reserved by you or us by this Agreement is intended and it shall not be deemed to be exclusive of any other right or remedy provided or permitted herein, by law or at equity, but each right or remedy shall be cumulative of every other right or remedy. You have no right to withhold or set off any amount owed to us under this Agreement based on any claim that you may have or purport to have against us.

20.5. Injunctive Relief. Nothing herein contained shall bar our right to obtain injunctive relief against threatened conduct that shall cause it loss or damage under the usual equity rules, including the applicable rules for obtaining restraining orders and preliminary injunctions.

21. LIMITATIONS ON CLAIMS AND DAMAGES

Except with respect to Developer's obligation to indemnify Franchisor pursuant to the terms of this Agreement and claims Franchisor brings for Developer's unauthorized use of the Proprietary Marks

or unauthorized use or disclosure of any of Franchisor’s trade secrets, the parties waive to the fullest extent permitted by law any right to or claim for any punitive, exemplary, special and consequential damages against the other and agree that, in the event of a dispute between the parties, the parties making a claim shall be limited to equitable relief and to recovery of any direct or general damages it sustains; provided, however that Franchisor shall have the right to recover lost profits and any applicable liquidated damages in the event of termination of this Agreement.

Except for claims arising from Developer’s nonpayment or underpayment of amounts Developer owes Franchisor pursuant to this Agreement, or claims related to Developer’s unauthorized use of the Proprietary Marks, any and all claims arising out of or relating to this Agreement or the relationship created hereby shall be barred unless a judicial proceeding is commenced within two (2) years from the date on which the party asserting such claims knew or should have known of the facts giving rise to such claims. Notwithstanding the foregoing, with respect to any claims arising out of or in connection with an event of Force Majeure, the two year limit on claims provided for in this section shall be extended for a period equal to the extended performance period resulting from the event of Force Majeure, provided that such period shall not exceed ninety (90) days.

22. ACKNOWLEDGMENTS

Developer acknowledges that it has conducted an independent investigation of all aspects relating to the Bakeries and recognizes that the business venture contemplated by this Agreement involves business risks and that its success shall be largely dependent upon the skills and ability of Developer as an independent business person or organization. Developer acknowledges that it has received, read and understands this Agreement, the attachments hereto and agreements relating thereto, and that Franchisor has accorded Developer ample time and opportunity to consult with advisors of Developer’s own choosing about the potential benefits and risks of entering into this Agreement. Developer acknowledges that this Agreement takes effect upon the acceptance and execution by Franchisor.

THE SUCCESS OF DEVELOPER IN OPERATING A FRANCHISE IS SPECULATIVE AND SHALL DEPEND ON MANY FACTORS INCLUDING, TO A LARGE EXTENT, DEVELOPER’S INDEPENDENT BUSINESS ABILITY. THIS OFFERING IS NOT A SECURITY AS THAT TERM IS DEFINED UNDER APPLICABLE FEDERAL AND STATE SECURITIES LAWS. THE OBLIGATION TO TRAIN, MANAGE, PAY, RECRUIT AND SUPERVISE EMPLOYEES OF THE BAKERY RESTS SOLELY WITH DEVELOPER.

FRANCHISOR:

DEVELOPER:

BRUEGGER’S FRANCHISE CORPORATION

(Developer)

By: _____
Print Name:
Title:

By: _____
Print Name:
Title:

EXHIBIT A TO BRUEGGER'S DEVELOPMENT AGREEMENT

DEVELOPMENT AREA

The Development Area (see Section 1.1) will be the following:

EXHIBIT B TO BRUEGGER'S DEVELOPMENT AGREEMENT

DEVELOPMENT SCHEDULE

Number of Sites	Date by which Bakery must be open	Cumulative # of Bakeries Open

EXHIBIT C TO BRUEGGER'S DEVELOPMENT AGREEMENT
DISCLOSURE OF OWNERSHIP INTERESTS

Operating Partner: _____

Developer is a: _____

Developer: _____

Developer was formed/organized on _____ under the laws of the State of _____

Federal Identification Number _____

If Developer is a corporation, partnership, limited liability company, the following persons constitute all of the owners of a legal and/or beneficial interest:

<u>Name</u>	<u>Type of Interest</u>	<u>Percentage Ownership</u>
_____	_____	_____

The following persons constitute all of Developer's officers, directors and the management personnel that is or will receive training of the System:

<u>Name</u>	<u>Position</u>
_____	_____

THIS INFORMATION IS ACCURATE AS OF THE _____ DAY OF _____, _____.

**EXHIBIT C-1 TO BRUEGGER'S DEVELOPMENT AGREEMENT
DISCLOSURE OF OWNERSHIP INTERESTS
(IF OPERATING ENTITY IS DIFFERENT THAN DEVELOPER)**

Operating Partner: _____

Operating Entity is a: _____
(Corporation/limited liability company/partnership)

Operating Entity was formed/organized on _____, 20____ under the laws of the State of _____

Federal Identification Number _____

If entity is a corporation, partnership, limited liability company, the following persons constitute all of the owners of a legal and/or beneficial interest:

<u>Name</u>	<u>Type of Interest</u>	<u>Percentage Ownership</u>
_____	_____	_____ %
_____	_____	_____ %
_____	_____	_____ %
_____	_____	_____ %

The following persons constitute all of Operating Entity officers, directors and the management personnel that is or will receive training of the System:

<u>Name</u>	<u>Position</u>
_____	_____
_____	_____
_____	_____
_____	_____

THIS INFORMATION IS ACCURATE AS OF THE _____ DAY OF _____, 20____.

EXHIBIT D TO BRUEGGER'S DEVELOPMENT AGREEMENT

DEVELOPMENT AGREEMENT GUARANTY

As an inducement to BRUEGGER'S FRANCHISE CORPORATION ("Franchisor"), a Delaware corporation, to execute a Development Agreement (the "Agreement") with _____ ("Company"), a _____, the undersigned individuals (collectively, the "Guarantors"), jointly and severally, hereby unconditionally guarantee to Franchisor, its affiliates, and their successors and assigns (collectively, "BFC") that all of the Company's obligations under the Agreement, and under other agreements or arrangements between the Company and BFC, will be punctually paid and performed.

Upon demand by BFC, the Guarantors will immediately make each contribution or payment required of the Company under the Agreement and under other agreements or arrangements between the Company and MFC. Each Guarantor waives any right to require BFC to: (a) proceed against the Company or any other Guarantor for any contribution or payment required under the Agreement; (b) proceed against or exhaust any security from the Company or any other Guarantor; or (c) pursue or exhaust any remedy, including any legal or equitable relief, against the Company or any other Guarantor. Without affecting the obligations of the Guarantors under this Guaranty, BFC may, without notice to the Guarantors, extend, modify, or release any indebtedness or obligation of the Company, or settle, adjust, or compromise any claims against the Company. The Guarantors waive notice of amendment of the Agreement and notice of demand for contribution, performance or payment by the Company and agree to be bound by any and all such amendments and changes to the Agreement.

The Guarantors agree to hold harmless and indemnify BFC against any and all losses, damages, liabilities, costs, and expenses (including reasonable attorneys' fees, reasonable costs of investigation, court costs, and arbitration fees and expenses) arising out of or in connection with any failure by the Company to perform any obligation under the Agreement or any other agreement between the Company and BFC.

The Guarantors acknowledge and agree to be bound personally by all covenants not to compete, confidentiality provisions, governing law and dispute resolution provisions, and restrictions on transfer of interest contained in the Agreement. Except as expressly authorized by the Agreement, the Guarantors may not make use of any of the intellectual property rights licensed under the Agreement or of BFC's goodwill. The Guarantors may not disclose to any third party or make use of any trade secrets, know-how, systems or methods of which Guarantors may acquire knowledge by virtue of training they may have received from BFC, their involvement in the business, or their ownership interest in the Company.

This Guaranty will terminate upon the termination or expiration of the Agreement, except that all obligations and liabilities of the Guarantors arising from events which occurred on or before the effective date of termination will remain in full force and effect until satisfied or discharged by the Guarantors, and all covenants which by their terms continue in force after the expiration or termination of the Agreement will remain in force according to their terms.

Upon the death of a Guarantor, the Guarantor's estate will be bound by this Guaranty, but only for obligations existing at the time of death. The obligations of the surviving Guarantors will continue in full force and effect.

If the Guarantor resides in a community property state, the Guarantor will cause his or her spouse, if any, to execute this Guaranty.

GUARANTOR:

Print Name: _____

Date: _____

Spouse: _____

Print Name: _____

Date: _____

GUARANTOR:

Print Name: _____

Date: _____

Spouse: _____

Print Name: _____

Date: _____

GUARANTOR:

Print Name: _____

Date: _____

Spouse: _____

Print Name: _____

Date: _____

**EXHIBIT E TO BRUEGGER'S BAGELS DEVELOPMENT AGREEMENT
FORM OF AGREEMENT REGARDING LEASED LOCATION BY TENANT**

**AGREEMENT REGARDING LEASED LOCATION
BY TENANT**

THIS AGREEMENT REGARDING LEASED LOCATION BY TENANT (this "Agreement") is made and entered into this _____ day of _____, 20__ by _____, a _____ company/corporation/individual ("Landlord"), **BRUEGGER'S FRANCHISE CORPORATION**, a Delaware corporation ("Franchisor"), and _____, a _____ company ("Tenant").

WITNESSETH:

WHEREAS, Tenant is a franchisee of Franchisor, pursuant to that certain Franchise Agreement dated _____ (the "Franchise Agreement"); and

WHEREAS, Landlord and Tenant entered into that certain Lease Agreement dated _____, a copy of which is attached hereto as Exhibit A and incorporated herein by reference (the "Lease") respecting certain real property located in _____ as more particularly described in the Lease (the "Premises");

NOW, THEREFORE, as consideration for (i) Tenant entering into the Lease with Landlord and (ii) Tenant entering into the Franchise Agreement with Franchisor, Landlord, Franchisor and Tenant agree that as long as the Franchise Agreement remains in effect, or in the event of the assignment of the Lease or sublease of the Premises, pursuant to Section 4 below, or the termination of the Lease, pursuant to Section 9 herein, the following shall apply:

1. Use of Premises. Landlord agrees that Tenant shall have the right to use the Premises for the operation of a bakery, café, and bistro offering soups, salads, sandwiches, hot or cold entrée items, premium quality assorted breads, bagels, pastries, muffins, desserts, cookies, juices, espresso-based beverages, coffees, teas, smoothies, alcoholic and non-alcoholic beverages, for both on and off premises consumption all in accordance with the Lease. The Premises may also be used for catering and delivery of the foregoing items and for the sale at retail of branded packaged food items, packaged coffees, spices, gift items, cookbooks, cooking utensils and cooking classes, all as incidental to the primary use as a bakery cafe. Tenant's use may be under the tradename "Bruegger's Bagels", or such other tradenames that Franchisor may allow (the "Tradename"). The Landlord acknowledges that the use described above does not violate any now existing exclusives granted to any existing tenant in the center where the Premises are located.

2. Modifications to Premises. Tenant shall have the right to make interior, non-structural changes to the Premises, or any part thereof in accordance with Franchisor's decor and trade dress, as it may exist from time to time, without Landlord's consent or approval. Any change which affects the roof of the Premises or any structural elements thereof (including any penetration of the roof or increasing stresses on the roof and/or structural elements of the Premises), regardless of whether or not an actual change to the roof or structural elements is made, will be considered to be a structural change and may not be made by Tenant without Landlord's prior written approval.

3. Signage for the Premises. Tenant shall have the right to erect standard sign(s) for the Tradename, provided that such signs (including the method of attachment of such signs to the Premises) comply with applicable law, local codes and/or ordinances. In addition, Tenant may use

standard interior window lights and interior advertising materials being a part of Franchisor's trade dress relating to the Tradename.

4. Assignment and Subleases. Tenant may, without Landlord's prior consent, assign this Lease or sublet the Premises to Franchisor, an affiliate of the Franchisor or any franchisor, franchisee or developer of a bakery café operating under the Tradename, provided that no such assignment shall release or discharge Tenant and Tenant shall remain liable for the payment and performance of all of such duties, liabilities, obligations and responsibilities following such assignment. Landlord agrees that Franchisor may further assign the Lease to any affiliate of Franchisor or any franchisor, franchisee or developer of a bakery café operating under the Tradename. In the event of any such assignment or sublease, all of the terms and conditions set forth in this Agreement shall survive and remain in effect.

5. Franchisor's Rights in the Premises. Franchisor may enter the Premises at any time to make modifications reasonably necessary to protect the System or the Proprietary Marks, as defined herein, provided that Franchisor may not (i) make any exterior or structural changes to the Premises other than the removal of any exterior signs of Tenant bearing Franchisor's Proprietary Marks, or (ii) remove from the Premises any fixtures or other personal property which Tenant is not entitled to remove from the Premises pursuant to the terms of the Lease. Franchisor shall not enter and exercise any dominion or control over all or any part of the Premises for any other purpose unless Tenant's interest in the Lease has been assigned to Franchisor pursuant to an assignment document or under the terms of this Agreement, and Franchisor has assumed and agreed to perform all of Tenant's liabilities, duties, responsibilities and obligations under the Lease. Upon any termination of the Lease or of Tenant's right to possession of the Premises (even if the Lease is not terminated), Franchisor, within thirty (30) days after receipt of Landlord's written request and in accordance with the provisions of this paragraph, will make all modifications to the Premises which Franchisor deems reasonably necessary to protect or remove the System or the Proprietary Marks from the Premises. Following the expiration of such thirty (30) day period, it shall conclusively be presumed that no further modifications to the Premises are reasonably necessary to protect the System or the Proprietary Marks, Franchisor shall have no further right to enter the Premises or to make any modifications thereto, and Franchisor has no objection to Landlord using or disposing of any and all fixtures and other personal property of Tenant then remaining in the Premises in such manner as Landlord, in its sole discretion, considers appropriate without being subject to any claim by Franchisor that such use or disposition violates or infringes the System or the Proprietary Marks. Promptly following the completion of any modifications to the Premises pursuant to this paragraph, Tenant, at its expense, shall repair any damage caused to the Premises in connection with the modifications and leave the Premises in good repair and condition. The "System" shall mean all systems developed by Franchisor relating to the preparation and promotion of fresh bakery goods, entrees, sandwiches, soups, salads, pastries, gourmet coffees, wine, and privately-labeled retail items such as soups, salad dressings and gourmet coffees in connection with its bakery café operations. The "Proprietary Marks" shall mean Franchisor's and its affiliates' trade names, service marks, trademarks, copyrights, logos, emblems, and indicia of origin, including but not limited to the mark "BRUEGGER'S BAGELS " and such other trade names, service marks, trademarks, copyrights, logos, emblems, and indicia of origin as may hereafter be provided to Tenant by Franchisor. Landlord further agrees that Franchisor's interest in any System or Proprietary Marks installed on the Premises shall be superior to any interest of Landlord in said items. Landlord consents to Tenant's use of such Proprietary Marks as Franchisor may prescribe from time to time, provided that such use otherwise complies with the provisions of the Lease.

6. Insurance. Prior to any entry and at all times thereafter when Franchisor and/or its employees, agents or contractors are on the Premises, Franchisor shall maintain in effect for

Landlord's benefit liability insurance at least equivalent in amount and terms to that Tenant is required by the Lease to carry (including naming Landlord and its mortgagee as additional insureds and providing proof of such insurance to Landlord), and, in addition to such liability insurance, Franchisor will indemnify, defend (by legal counsel selected by Franchisor and approved by Landlord) and hold harmless Landlord, its successors, assigns, legal representatives, employees and agents, and each of them, from and against any and all liability, claims, causes of action, damages, loss, cost and expense (including reasonable attorney's fees, court costs and other defense costs) relating to, arising out of or caused by any such entry, except to the extent caused by the negligence or misconduct of an indemnified party (which obligation will survive the termination of such entry and the expiration or earlier termination of the Lease).

7. Lease Defaults and Documents. Landlord shall send Franchisor a copy of any notice relating to a breach or default by Tenant under the Lease, and Tenant irrevocably authorizes Landlord to send such copy to Franchisor. If Tenant fails to cure any default within the period provided in the Lease, if any, then Landlord shall give Franchisor immediate written notice of such failure to cure. Landlord agrees that Franchisor, at its sole option and without obligation so to do, may cure any such default within the applicable cure period, if any, afforded to Tenant under the Lease, in which event Landlord shall accept such cure as if the same had been made by Tenant. If as a result of such default, Landlord is electing to terminate the Lease or Tenant's right of possession of the Premises, then Landlord shall offer to Franchisor and Franchisor shall have the right to accept, an assignment of the Lease or a new lease containing the same terms and conditions of the Lease, whichever Franchisor elects. If Franchisor elects to continue the use of the Leased Premises under an assignment of the Lease or a new lease, it shall so notify the Landlord in writing within thirty (30) days after it has received written notice from the Landlord specifying the defaults the Tenant has failed to cure within the grace period specified in the Lease. Upon receipt of such notice from Franchisor, the Landlord shall promptly execute and deliver to Franchisor an assignment of the Lease or a new lease, whichever Franchisor requests, and shall deliver to Franchisor possession of the Leased Premises, free and clear of any rights of the Tenant or any third party. Franchisor, before taking possession of the Leased Premises, shall promptly cure the defaults specified by the Landlord in its notice to Franchisor and shall execute and deliver to the Landlord its acceptance of the assignment of the Lease or of the new lease, as the case may be.

8. Lease Documentation. Tenant irrevocably authorizes Landlord that upon Franchisor's request, Landlord will provide to Franchisor copies of all Lease modifications, amendments, extensions, ancillary documents, estoppel certificates, non-disturbance agreements or any other agreements between Tenant and Landlord relating to the Lease upon the request of Franchisor. Tenant shall also provide to Franchisor at Franchisor's request, and Franchisor has the right to review, inspect and copy, records of Tenant for all Lease modifications, amendments, extensions, ancillary documents, estoppel certificates, non-disturbance agreements or any other agreements between Tenant and Landlord relating to the Lease.

9. Rights upon Termination of Franchise Agreement. If the Franchise Agreement is terminated or expires for any reason during the term of the Lease or any extension thereof, the Tenant, upon the written request of Franchisor, shall assign to Franchisor all of its right, title and interest in and to the Lease. If Franchisor elects to accept the assignment of the Lease from the Tenant, it shall give the Tenant and the Landlord written notice of its election to acquire the leasehold interest. The Landlord hereby consents to the assignment of the Lease from the Tenant to Franchisor, subject to the Tenant's and/or Franchisor's curing any defaults of the Tenant under the Lease before Franchisor takes possession of the Leased Premises. Alternatively, in the event of a termination or expiration of the

Franchise Agreement, Franchisor may elect to enter into a new lease with the Landlord containing terms and conditions no less favorable than the Lease. Upon the Landlord's receipt of written notice from Franchisor advising the Landlord that Franchisor elects to enter into a new lease, the Landlord shall execute and deliver such new lease to Franchisor for its acceptance. Notwithstanding anything set forth in this Agreement to the contrary, in the event of (i) the assignment of the Lease by Tenant to Franchisor, or (ii) the election by Franchisor to enter into a new lease in the manner set forth herein above, or (iii) the subsequent assignment of the existing lease or new lease to any franchisor, franchisee or developer of a bakery café operating under the Tradename pursuant to Paragraph 4 herein, this Agreement shall survive and remain in effect. The Landlord and the Tenant shall deliver possession of the Leased Premises to Franchisor, free and clear of all rights of the Tenant or third parties, subject to Franchisor's curing any defaults of the Tenant, under the Lease, and executing an acceptance of the assignment of Lease or the new lease, as the case may be. In the event that Tenant has breached the Franchise Agreement, Franchisor is terminating Tenant's rights thereunder or the Franchise Agreement has expired, and in either case Franchisor desires to have the Tenant's leasehold interest under the Lease assigned to it, then Franchisor shall give notice thereof to Landlord and Tenant upon which Tenant's rights under the Lease shall be deemed, automatically without any further documentation, assigned to Franchisor effective the date of Franchisor's notice. Notwithstanding such assignment, Tenant shall remain liable for any obligations under the Lease. Upon receiving such notice from Franchisor, Landlord further consents, if such consent is necessary, to Franchisor's use of Tenant's personal property located in the Premises, however such consent does not grant Franchisor any right to do so.

10. Use Restrictions. Landlord agrees that during the term of the Lease (except during any portion of the term following Landlord's termination of Tenant's right to possession of the Premises without a termination of the Lease) not to lease space in the shopping center in which the Premises are located to any Competing Business, as defined below. "Competing Business" includes any entity whose primary business consists of the sale of fresh bakery goods, French-themed entrees, sandwiches, soups, salads, pastries, gourmet coffees, wine, and privately-labeled retail items such as soups, salad dressings and gourmet coffees, and includes such concepts as Panera Bread, Atlanta Bread Company, Au Bon Pain, Einstein Brothers, Manhattan Bagels, Corner Bakery, Paradise Bakery and other similar bakery-café concepts. However, the term "Competing Restaurant" does not include a coffee house such as Starbuck's or Peet's, or any restaurant specializing in any particular type of food other than French cuisine (steaks, seafood, Mexican and/or Tex-Mex food and the like).

11. Delivery of Possession. If it becomes necessary for the Landlord to pursue legal action to evict the Tenant in order to deliver possession of the Premises to Franchisor, Franchisor shall, at the written request of the Landlord, pay into an interest-bearing escrow account all amounts necessary to cure any default of the Tenant's, pending delivery of the Premises to Franchisor. If the Landlord may not legally obtain possession of the Premises or if the Landlord is unable to deliver the Premises to Franchisor within three (3) months from the date Franchisor notifies the Landlord of its election to continue the use of the Leased Premises, then Franchisor shall have the right at any time thereafter to rescind its election to acquire a leasehold interest in the Leased Premises and to terminate the Lease or any new lease between it and the Landlord for the Leased Premises, whereupon all amounts deposited by Franchisor in escrow, together with interest earned thereon, shall be returned forthwith to Franchisor, and the Landlord shall release Franchisor from all of its obligations under the Lease or under any new lease.

12. Franchisor not a Guarantor. The Landlord acknowledges and agrees that notwithstanding any terms or conditions contained in this Agreement or any other agreement, Franchisor shall in no way be construed as a guarantor or surety of the Tenant's obligations under the Lease.

Notwithstanding the foregoing, in the event Franchisor becomes the Tenant by assignment of the Lease in accordance with the terms hereof or enters into a new lease with Landlord, then Franchisor shall be liable for all of the obligations of the Tenant on its part to be performed or observed under the Lease or a new lease.

13. Notices. Any notice, demand, consent, approval or other communication to be given to a party will be written and deemed given three (3) days after mailing, if mailed by registered or certified mail, or one (1) day after mailing, if sent by nationally recognized overnight courier, addressed to Franchisor, Landlord or Tenant as follows:

Franchisor: Bruegger's Franchise Corporation
1720 S. Bellaire St., Suite Skybox
Denver, Colorado 80222
Attention: Franchise Department

With a copy to:

Bruegger's Franchise Corporation
1720 S. Bellaire St., Suite Skybox
Denver, Colorado 80222
Attention: Legal Department
Email: LegalNotices@brueggers.com

Landlord: _____
Notice Address: _____

Email: _____

Tenant: _____
Notice Address: _____

Email: _____

The customary receipt shall be conclusive evidence of service, and notices shall be effective as of the date of mailing thereof unless otherwise specifically set forth herein. Either party may change its address or addresses under this section by ten (10) days prior written notice. Notice given by legal counsel for a party will be effective as notice by that party.

14. Binding Effect. This Agreement shall be binding upon the parties hereto, their heirs, executors, successors, assigns and legal representatives.

15. Severability. If any provision of this Agreement or any part thereof is declared invalid by any court of competent jurisdiction, such act shall not affect the validity of this Agreement and the remainder of this Agreement shall remain in full force and effect according to the terms of the remaining provisions or part of provisions hereof.

16. Remedies. The rights and remedies created herein shall be deemed cumulative and no one of such rights or remedies shall be exclusive at law or in equity of the rights and remedies which Franchisor may have under this or any other agreement to which Franchisor and the Tenant are parties.

17. Attorneys' Fees. If any action is instituted by any party to enforce any provision of this Agreement, the prevailing party shall be entitled to recover all attorneys' fees and costs incurred in connection therewith.

[Remainder of Page Intentionally Left Blank]

IN WITNESS WHEREOF, the parties have executed this Agreement as of the day and year first above written. Except for those terms and conditions of the Lease modified herein, the Lease shall remain unchanged. In the event of a conflict between the Lease and this Agreement, the provisions of this Agreement shall control.

LANDLORD:

By: _____

Title: _____

FRANCHISOR:

BRUEGGER'S FRANCHISE CORPORATION

By: _____

Title: _____

TENANT:

By: _____

Title: _____

EXHIBIT "A" to AGREEMENT REGARDING LEASED LOCATION BY TENANT

The Lease

EXHIBIT F TO BRUEGGER'S DEVELOPMENT AGREEMENT CONFIDENTIALITY AND NON-COMPETITION AGREEMENT

In conjunction with your investment in _____ ("Developer"), a _____, the undersigned individual or business entity ("you"), acknowledges and agrees as follows:

1. Developer is developing one or more Bruegger's ("Bakeries") pursuant to a Development Agreement (the "Development Agreement") with BRUEGGER'S FRANCHISE CORPORATION ("BFC"). The Development Agreement requires persons with legal or beneficial ownership interests in Developer to be personally bound by Developer's obligations under the Development Agreement, including restrictions on competition, confidentiality obligations, restrictions on ownership changes, and dispute resolution provisions.
2. All capitalized terms used in this document have the same meaning as in the Development Agreement.
3. You own or intend to own a legal or beneficial ownership interest in Developer. You acknowledge and agree that: (a) your execution of this Agreement is a condition of acquiring and holding your ownership interest in Developer; and (b) you have received good and valuable consideration for executing this Agreement. BFC may enforce this Agreement directly against you.
4. If a business entity signs this Agreement, all persons who have a legal or beneficial ownership interest in that business entity must also execute this Agreement.
5. You may gain access to confidential information and trade secrets of BFC as a result of investing in Developer. You agree that while you have a legal or beneficial ownership interest in Developer and thereafter you: (a) will not use the confidential information in any other business or capacity (such use being an unfair method of competition); (b) will exert best efforts to maintain the confidentiality of the confidential information; and (c) will not make unauthorized copies of any portion of the confidential information disclosed in written, electronic or other form. If you cease to have an interest in Developer, you must deliver to BFC any such confidential information in your possession or control.
6. During the term of the Development Agreement and for as long as you have any legal or beneficial ownership interest in Developer, you agree that you will not, without BFC's consent (which consent may be withheld at BFC's discretion) directly or indirectly (such as through an affiliate or family members) own any legal or beneficial interest in, or render services or give advice in connection with: (a) any Competing Business located anywhere; or (b) any entity located anywhere that grants franchises or licenses interests to others to operate any Competing Business.
7. For a period of one (1) year after the expiration or termination of the Development Agreement or the approved transfer of the development rights to a new owner, you will not directly or indirectly (such as through an affiliate or family members) will own, maintain, operate, engage in, be employed by, provide assistance to, or have any interest in any Competing Business which is, or is intended to be, located within the Development Area or within five (5) miles of any Bakery, except for any business operated pursuant to a valid franchise agreement with us or our affiliate, or as we otherwise approve in writing. If you fail to or refuse to abide by any of the foregoing restrictions on competition and BFC obtains enforcement in a judicial or arbitration proceeding, the obligations under the breached restriction

will continue in effect for a period ending one (1) year after the date you begin to comply with the order enforcing the restriction.

8. You acknowledge that you possess skills and abilities of a general nature and the opportunity to exploit such skills in other ways, so that enforcement of the restrictions contained in Sections 6 and 7 will not deprive you of your personal goodwill or ability to earn a living. If any restriction in this Agreement is deemed unenforceable by virtue of its scope or in terms of geographic area, the type of business activity prohibited and/or length of time, but could be rendered enforceable by reducing any part or all of it, you agree that it will be enforced to the fullest extent permissible under applicable law and public policy. BFC may obtain in any court of competent jurisdiction any injunctive relief, including temporary restraining orders and preliminary injunctions, against conduct or threatened conduct for which no adequate remedy at law may be available or which may cause it irreparable harm. You acknowledge that any violation of Sections 5, 6 or 7 hereof would result in irreparable injury for which no adequate remedy at law may be available. If BFC files a claim to enforce this Agreement and prevails in the proceeding, you agree to reimburse BFC for all its costs and expenses, including reasonable attorneys' fees.

OWNERS OF DEVELOPER:

If an Individual:

If any Owner of Developer is another business entity:

Print Name:

Date: _____

Print Name:

Date: _____

Type of Business Entity: _____

State of Organization: _____

By: _____

Print Name:

Title: _____

Date: _____

Shareholders/partners/members of Business Entity named immediately above:

Print Name:

Date: _____

EXHIBIT G TO BRUEGGER'S DEVELOPMENT AGREEMENT

DISCLOSURE ACKNOWLEDGEMENT STATEMENT

BRUEGGER'S FRANCHISE CORPORATION ("we" or "us"), through the use of this Disclosure Acknowledgement Statement, wishes to ascertain that _____ ("Developer") and its owners fully understand that the execution of a Development Agreement and/or Franchise Agreement (the "Agreement") for a franchise to own and operate a Bruegger's, is a business decision, complete with associated risks, and that it is our policy to verify that Developer and its owners are not relying upon any oral, written or visual statements, representations, promises or assurances which we have not authorized. In this document, "you" means Developer and each of its owners.

You make the following representations to us, and we rely on them in entering into the Agreement. If any statement is not correct, or if you are aware of exceptions to them, note them after #9 below.

1. You recognize and understand that business risks which exist in connection with the ownership, development and operation of any business make the success or failure of the Bakery franchise subject to many variables, including your skills and abilities, competition, interest rates, the economy, inflation, location(s), operation, labor and supply costs, lease terms and costs and the marketplace. Further, you understand that the economic and business factors that exist at the time you open your franchise may change. You acknowledge that you have conducted an independent investigation of the business venture contemplated by the Agreement and recognize that the success of the venture involves substantial business risk and will be dependent primarily on your ability as an independent business person. You hereby acknowledge your willingness to undertake these business risks.
2. You acknowledge that you received our Franchise Disclosure Document ("FDD") at least 14 days prior to the date you executed the Agreement or paid us any money for the franchise. You acknowledge that you have received, had the opportunity to personally read and review, and understand the FDD, Agreement and attachments. You acknowledge that we have permitted you ample time and opportunity to consult with advisors of your own choosing about the potential benefits and risks associated with operating a Bruegger's franchise and entering into an Agreement.
3. You acknowledge that you will independently evaluate and investigate the proposed site(s) for each Bruegger's and the lease or purchase agreement for the site(s). You acknowledge that you bear primary responsibility for selecting the site(s) and negotiating the terms and conditions of your lease(s), sublease(s) or purchase agreement(s) for the site(s).
4. You acknowledge that, although we will provide you with basic drawings and specifications for a Bruegger's restaurant, will specify certain furniture, fixtures and equipment, and will maintain certain rights of review and/or approval under our Development Agreement and/or Franchise Agreement with you, we have not made, and you have not received or relied upon any warranty concerning the Bruegger's restaurant(s) or the drawings, specifications, furniture, fixtures and equipment. You acknowledge that you are solely responsible for, and we will have no liability or obligation in connection with, the plans or the construction or conversion remodeling of the Bruegger's restaurant(s). You acknowledge that it is solely your responsibility to insure that the construction or conversion remodeling complies with any and all laws, codes or regulations.
5. You understand that we and our affiliates have the right to issue franchises for and/or operate

businesses that may compete with you, as described in Item 12 of the FDD.

6. **Developer's corrections and/or exceptions to the above statements are as follows:** (If no corrections or exceptions, write "none" and initial.) Attach additional sheets if necessary.

This acknowledgment statement does not waive any liability we may have under the Washington Franchise Investment Protection Act, RCW 19.100, and the rules adopted thereunder.

DEVELOPER:

(Name of corporation or other legal entity, if applicable)

By: _____
Print Name:

Its:

EXHIBIT H TO BRUEGGER'S DEVELOPMENT AGREEMENT

LIABILITY WAIVER BY DEVELOPER

I am the managing member of _____("Company"). Company has signed a Development Agreement and/or Franchise Agreement with BRUEGGER'S FRANCHISE CORPORATION. In consideration for the training to be provided to the Company's employees and me by BRUEGGER'S FRANCHISE CORPORATION and/or its affiliates (collectively "BFC") Company agrees to hold BFC harmless from, and hereby waives any and all liability of BFC and its officers, directors, agents, employees, insurers, and franchisees for, any injury, claim, damage or incident which occurs in the course of training at any Bakery or other designated training facility(s) owned or controlled by BFC, specifically including personal injury and property damage, and even if caused in whole or in part by the negligence of BFC or any BFC employee.

Company understands that:

- BFC has invited Company's employees onto its premises for training solely by virtue of Company's franchise relationship with BFC;
- Training may involve a variety of risks, including the risk of physical and/or emotional injury and property damage; and
- BFC assumes no liability to the Company, or employees of the Company for any harm incurred while in training and/or on BFC's premises.

Company acknowledge that its employees must look solely to the Company and its benefits programs and workers compensation insurance to cover the costs of any treatment for injuries or other losses or damages that its employees may sustain in training. Company will not attempt to hold BFC liable or financially responsible for any such losses or damages. Company acknowledges that the indemnification clause of Company's franchise agreement with BFC would apply to any claim against BFC by any of my employees.

Company certifies that it has and will maintain minimum insurance coverage as required by the franchise agreement, including worker's compensation and employees' liability per statutory requirements. At BFC's request, Company agrees to provide a certificate of insurance completed by Company's insurance carrier, certifying that the required minimum insurance coverage is in effect.

Company consents for BFC to arrange for medical treatment for any illness or injury that Company's employees might suffer while participating in the training program.

COMPANY:

(Name of corporation or other legal entity, if applicable)

By: _____

Print name _____

Title: _____

Date: _____

EXHIBIT C

License Agreement

(Attachments: Licensed Trademarks, Sample Menu, Proprietary Items, Federal and State Law Exemptions, Guaranty, Confidentiality and Non-Competition Agreement, Disclosure Acknowledgement Statement)



LICENSE AGREEMENT

between

BRUEGGER'S FRANCHISE CORPORATION

and

TABLE OF CONTENTS

1. GRANT OF LICENSE AND RIGHTS RESERVED 2

2. TERM 3

3. TRADEMARKS AND SYSTEM 3

4. CONFIDENTIALITY AND RESTRICTIONS ON COMPETITION..... 6

5. SERVICES OF LICENSOR..... 8

6. ADDITIONAL DUTIES OF LICENSEE..... 10

7. RECORDS, AUDITS AND REPORTING REQUIREMENTS 14

8. RELATIONSHIP OF PARTIES 16

9. ASSIGNMENT 16

10. DEFAULT AND TERMINATION..... 17

11. INSURANCE AND INDEMNITY 20

12. INTEGRATION OF AGREEMENT 21

13. NOTICES 21

14. MISCELLANEOUS..... 22

Exhibit A LICENSED TRADEMARKS

Exhibit B SAMPLE MENU

Exhibit C PROPRIETARY ITEMS

Exhibit D FEDERAL AND STATE LAW EXEMPTIONS

Exhibit E GUARANTY

Exhibit F CONFIDENTIALITY AND NON-COMPETITION AGREEMENT

Exhibit G DISCLOSURE ACKNOWLEDGEMENT STATEMENT

LICENSE AGREEMENT

This LICENSE AGREEMENT (the "Agreement") is made and entered into as of _____ (the "Effective Date") by and between Bruegger's Franchise Corporation, a Delaware corporation ("Licensor"), with an office at 1720 S. Bellaire St., Suite Skybox, Denver, Colorado 80222, and _____, an _____ company ("Licensee"), with its principal place of business at _____, with respect to the following facts, to which the parties agree:

A. Licensor's affiliate, as the result of the expenditure of time, skill, effort and money has developed and owns and Licensor is licensed to use, a distinctive system ("System") for the operation of food service businesses engaged in the sale of bagels, bagel-related products, cream cheese and other spreads, sandwiches, soups, salads, baked goods, breakfast items, hot and cold beverages, teas, coffees and other food products and merchandise, each of which operates under either the name "Bruegger's®" or "Bruegger's Bagels®" ("Bakeries").

B. Licensor is authorized to use and sublicense the rights to use certain trademarks, service marks, and logotypes, including the mark "Bruegger's®" or "Bruegger's Bagels®"; which, together with any future marks developed by or for the use of Licensor to be used in connection with the Bakeries (collectively, the "Marks").

C. The distinguishing characteristics of the System include, without limitation, distinctive exterior and interior layout, design and color scheme; exclusively designed signage, decorations, furnishings and materials; special recipes, formulae, menus and food and beverage designations; and standards and specifications and procedures for the operation, promotion and advertising of Bakeries and for the training of employees of Bakeries ("Standards").

D. Licensee is a principal concessionaire at the _____ ("_____"), (the "Bakery Site") pursuant to the _____ Lease by and between _____ ("Lessor") and Licensee (which, together with any amendments thereto, is hereinafter referred to as the "Lease"), which authorizes Licensee to use the premises at the _____ ("Facility").

E. The parties mutually desire that Licensor grant Licensee the right to operate and manage a Bakery at the Facility, upon the terms and conditions set forth herein. As used in this Agreement, the term "Facility" shall be limited to the food and beverage areas in which Licensee's Bakery is located and shall not refer to other food service operations operated by Licensee outside the Facility. As used in this Agreement, the term "Bakery" shall be limited to the square footage occupied by the Bruegger's restaurant and shall not refer to other food service operations within the Facility. References to "Lessor" herein are intended to refer only to the Lessor pertaining to the _____ and the Facility.

NOW, THEREFORE, in consideration of the mutual promises, covenants and representations contained herein, the receipt and sufficiency of which is hereby acknowledged, along with the above recitals being incorporated in this Agreement, the parties, intending to be legally bound hereby agree as follows:

1. GRANT OF LICENSE AND RIGHTS RESERVED

1.1. Grant of License. In reliance on Licensee's representations that it has the sole right to operate and manage the food service operations in the Facility, Licensor grants to Licensee, and Licensee accepts, a license to use and display the Marks and utilize the System in connection with the operation of a Bakery within the Facility, upon the terms and subject to the provisions of this Agreement. As long as Licensee fully complies with the terms of this Agreement, Licensee shall have the sole right to operate and manage a Bakery in the Facility during the Term (as defined below).

1.2. Reserved Rights. Licensor has and reserves all other rights not expressly granted to Licensee herein including the right, in its sole discretion, to develop and operate and grant any other person or entity the right to develop and operate Bakeries at any location, wherever located. In addition, Licensor has the right, in its sole discretion, to offer and sell, and license and/or franchise others to offer and sell, any products or services under marks other than the Marks at any location wherever located, including within or outside of the Facility. Notwithstanding the foregoing, provided that Licensee is in compliance with this Agreement in all material respects and makes commercially reasonable efforts to bid or develop additional Bruegger's locations in the Facility, then Licensor agrees that during the Term, it will not develop and operate or grant any other person or entity the right to develop and operate a Bruegger's Bakery in the same Facility of the _____.

1.3. Fees.

(a) Initial License Fee. In consideration of the license granted herein and concurrently with the execution of this Agreement, Licensee shall pay to Licensor a license fee of Twelve Thousand Five Hundred Dollars (\$12,500) (the "License Fee").

(b) "Gross Sales" Defined. "Gross Sales" means the amount received by Licensee for all sales of any food, beverages, or other products sold by Licensee or any other person or entity in, or from the Bakery for cash, credit or otherwise, including but not limited to sales and services where the order originated in, at or from the Bakery regardless of where delivery or performance is made, minus (i) non-branded, non-proprietary merchandise (e.g., newspapers); (ii) refunds to customers that were previously included in Gross Sales, (iii) coupons and other forms of discounts, the issuance of which have been pre-approved by Licensor, such that only the cash or credit charge amount received in a sale will be included, (iv) sales, excise or similar taxes imposed by any governmental authority and collected from customers and paid out by Licensee, and (v) the value of meals provided to employees working at the Bakery, incident to their employment.

(c) Royalty Fee. As a fee for the right to use the Marks and to utilize the System, Licensee shall pay to Licensor, without offset, credit deduction, notice or demand of any nature, a "Royalty Fee" in an amount equal to Five Percent (5.0%) of all Gross Sales commencing with the date the Bakery opens at the Facility ("Opening Date"). The Royalty Fee shall be payable to Licensor by electronic funds transfer on or before Friday of each week during the Agreement's Term (defined in Section 2) based on the Bakery's Gross Sales for the immediately preceding calendar week (i.e., ending on Sunday). Licensee shall not subordinate to any other obligation its obligation to pay the Royalty Fee or any other fee or charge hereunder. Any fees not paid on a timely basis hereunder will bear interest at the rate described in Section 7.5 from the date such payment is due to Licensor until paid.

2. TERM

2.1. Initial Term. Subject to the rights of termination set forth in Section 10 and Licensee's rights under the Lease, the term of this Agreement (the "Term") shall commence on the Effective Date and expire: (a) five (5) years thereafter, or (b) ten (10) years thereafter for airport locations. Upon expiration or termination of this Agreement, Licensee shall fully comply with its post-termination obligations described in Section 10.4 and any of Licensee's obligations that by their nature or terms survive the termination or expiration of this Agreement.

2.2. Renewal Term. Licensee will have a the option, exercisable upon expiration of the Agreement Term, to renew the license granted hereunder for two (2) additional terms (one (1) additional term for airport locations) of five (5) years each, subject to the following conditions:

(a) Licensee must give Licensor written notice of its intention to renew at least six (6) months (but not more than nine (9) months) before the end of the initial Term;

(b) Licensee must not be in default of this Agreement or any other agreement with Licensor, either at the time of giving the notice in Section 2.2(a) or during the remainder of the initial Term, and must have substantially complied with the agreements throughout their respective terms;

(c) Licensee must be current on all monetary obligations to Licensor, and must have timely met those obligations throughout the initial Term;

(d) If the License Agreement is renewed for an additional ten (10) year term, Licensee must remodel and/or refresh the Bakery as soon as practicable following the expiration of the initial Term and in accordance with System Standards;

(e) Licensee must sign Licensor's then-current form of License Agreement, which will supersede this Agreement in all respects;

(f) Licensee and its owners must sign a general release, in a form acceptable to Licensor, of any and all claims against Licensor, its affiliates, and their respective past and present officers, directors, shareholders, and employees, in their corporate and individual capacities, relating to the Bakery; and

(g) Licensee must pay a renewal fee of \$1,250 or 10% of the then-current fee that a new licensee would be required to pay for a new Licensed Bakery, whichever is greater.

3. TRADEMARKS AND SYSTEM

3.1. Non-Ownership of Trademarks and System. Licensor represents and warrants, and Licensee hereby acknowledges that Licensor and/or its affiliates are the owners of all right, title and interest together with all the goodwill of the Marks. Licensee has no right, title or interest in or to any of the Marks or the System, except for Licensee's privilege and license during the Term to display and use the Marks and to operate Licensee's Bakery under the System pursuant to and in compliance with this Agreement and all applicable Standards prescribed by Licensor from time to time during the Term. Licensee acknowledges that Licensee now asserts no claim and later shall assert no claim to any goodwill, reputation or ownership of the Marks or the System by nature of Licensee's use or otherwise. Licensee acknowledges the status of Licensor's U.S. trademark registration of the Marks as described in Exhibit A. Except

as expressly granted in this Agreement, Licensor retains all rights of use and all of the benefits of the Marks and System.

3.2. Acts in Derogation of the Trademarks. Licensee shall not do any act or thing in derogation of any of the rights of Licensor in connection with the Marks or the System, either during the Term or after, and Licensee shall use the Marks and the System only for the uses and in the manner as provided in this Agreement. Any unauthorized use of the Marks or System constitutes a material breach of this Agreement and an infringement of the rights of Licensor in and to the Marks and System. All provisions of this Agreement applicable to the Marks and System apply to all additional trademarks, service marks and commercial symbols authorized for use by and licensed to Licensee by Licensor or its affiliates after the Effective Date. Without limiting the foregoing, Licensee may not use any Mark (or any abbreviation, modification or colorable imitation) as part of any corporate or legal business name or in any other manner (including as an electronic media identifier, such as a web site, web page or domain name) unless Licensor expressly authorizes in writing.

3.3. Prohibition Against Disputing Licensor Rights. During or after the Term, Licensee shall not in any way dispute or impugn the validity of the Marks or System, or the rights of Licensor to them, or the rights of Licensor or other licensees of Licensor to use them.

3.4. Use of Trademarks.

(a) Subject to the approval of the Lessor, Licensee shall affix to the Bakery, at such places as may permissibly be affixed in accordance with Licensee's Management Agreement and/or Lease for the Facility, signs containing the Marks in the size, color and quality of that prescribed by Licensor and approved by the Lessor. Licensee shall not display signs containing any of the Marks at any place to which Licensor reasonably objects.

(b) Licensee shall accept, use and display, as may be applicable, such Marks in accordance with the Standards, which may be determined by Licensor from time to time.

(c) Licensee shall ensure that the Marks bear the "®", "™", or "SM", respectively, as may be prescribed by Licensor from time to time.

(d) Licensee may not register the Marks as part of any Internet domain name or URL, and may neither display nor use any of the Marks or other of Licensor's or its Affiliates' intellectual property in connection with, or associate the System with (through a link or otherwise) any web site advertising, address, or listing on the World Wide Web or any other portion of the Internet without Licensor's prior written consent, which consent may require the licensing of any domain name containing any Marks by Licensor to Licensee.

3.5. Trademark and System Changes. Licensee acknowledges and understands that if Licensor determines that it is advisable at any time to modify or discontinue use of any Marks and/or use one or more additional or substitute trademarks, service marks, or commercial symbols, Licensee agrees to comply with Licensor's directives and to use and display such additional or substitute trademarks, at its own expense, within a reasonable time after receiving written notice thereof; provided, however, that in no event shall Licensee be required to expend more than Five Thousand Dollars and No Cents (\$5,000.00) in any Twelve (12) month period during the Term in complying with this obligation.

3.6. Defense of Marks and System by Licensor. If Licensee receives notice or is informed or learns of any claim, suit or demand against Licensee on account of any alleged infringement, unfair competition, or similar matter relating to Licensee's use of the Marks, Licensee shall promptly notify Licensor of such claim, suit or demand. Upon receiving such notice, Licensor shall promptly consider and may take such action as it deems necessary to protect the Marks and the System. Licensor shall have the right to defend, compromise or settle any such claim, in its sole discretion and at Licensor's sole cost and expense, using attorneys of its own choosing. Licensee agrees to cooperate fully with Licensor in connection with the defense of any such claim. Licensee shall not settle or compromise any such claim without the prior written consent of Licensor. Licensee may participate at Licensee's own expense in such defense or settlement, but Licensor's decision with regard to such defense or settlement shall be final.

3.7. Prosecution of Infringers. If Licensee receives notice or is informed or learns that any third party, which Licensee believes to be unauthorized to use the Marks, is using the Marks, Licensee promptly shall notify Licensor of the facts relating to such alleged unauthorized use. Thereupon, Licensor, in its sole discretion, shall determine whether or not it wishes to take any action against such third party on account of such alleged unauthorized use of the Marks. Licensee shall have no right to make any demand against any such alleged unauthorized user of the Marks or to prosecute any claim of any kind or nature whatsoever against such unauthorized use and any recovery from any claim shall be the sole property of Licensor.

3.8. Quality and Service Compliance. Licensee shall conduct its operations at the Bakery in accordance with the Standards as may be determined by Licensor from time to time.

3.9. Internet Use and Marketing or Advertising. Licensee shall not promote the Bakery using the Marks or the System through the Internet without Licensor's consent, which it may withhold in its sole discretion. In connection with any such consent, Licensor may establish such requirements as it deems appropriate, including: (i) obtaining Licensor's prior approval of any Internet domain name and home page addresses; (ii) submission for Licensor's approval of all Web site pages, advertising, materials and content; (iii) submission for Licensor's approval of all metatags, hyperlinks and other links; (iv) restrictions on use of any materials (including text, video clips, photographs, images and sound bites) in which any third party has any ownership interest; and (v) obtaining Licensor's prior approval of any modifications. Any approval of the Marks for the purposes of this Section 3.9 shall be conducted in accordance with Section 6.5. Licensee shall take all precautions necessary to prevent any misuse of the Marks and the System contemplated by this Section 3.9 and shall take such action as is reasonably necessary to remove or cause the removal of the Marks from any Web site pages, materials, advertising and content including those maintained by any Lessor, in order to maintain and enhance the goodwill associated with the Marks.

(a) Licensor may, at its option and in its sole discretion, market and advertise the Bakery through the Internet.

(b) The following provisions shall apply with respect to any such Internet Web site developed by Licensor or its affiliates:

(i) Licensor will have sole discretion and control over the Web site's design and content. Licensor will not be obligated to maintain the Web site indefinitely, and may discontinue it at any time without being liable to Licensee. Licensee understands that Licensor has no control over the stability or maintenance of the Internet generally and agrees that

Licensor is not responsible for damage or loss caused by errors of the Internet. Licensor is not liable for any direct, indirect, special, incidental, exemplary or consequential damages (including loss of profits, goodwill, damage to or replacement of programs, data or other information) resulting from any failure of the Internet or the Web site, regardless of the cause of the failure;

(ii) Licensor may, but is not obligated to, create and incorporate into its Web site one or a series of interior pages for the Bakeries ("Web site Program"). Unless Licensee's Lessor disapproves of Licensee's participation in writing (which writing shall be provided to Licensor at its request), if Licensor elects to post information about Licensee's Bakery or if Licensor offers Licensee the right to advertise Licensee's Bakery on an interior page, Licensee shall promptly participate in Licensee's Web site Program; and

(iii) If Licensor permits Licensee to advertise Licensee's Bakery on an interior page in connection with its Web site Program, Licensor may establish and enforce reasonable rules and regulations, and impose reasonable fees, relating to such advertising, which Licensor may periodically amend in its discretion. The rules and regulations may relate to, among other things, content, creation, customer service, privacy, and access. Licensor also may require Licensee to execute or assent to a terms of use agreement relating to the Web site.

(iv) The parties acknowledge that costs attributable to Licensee's participation in the Web site Program shall be in addition to the Royalty Fee. If Licensor elects any time to enhance the function of the Web site to enable System licensees to conduct e-commerce activities on or through the web site (including customer order placement), it will not be required to provide Licensee access to or permit Licensee to participate in, any such e-commerce activities, unless Licensee agrees to obtain all equipment required by Licensor therefor and pay Licensor's then-current Web site participation fees.

(v) Notwithstanding the foregoing, Licensee may be required to participate in Licensor's marketing and/or advertising programs at Licensor's discretion. In this event, Licensee shall pay Licensor for its participation in the marketing and/or advertising program and reimburse Licensor for its costs concerning same, which may be in the form of either a pre-determined marketing contribution (based on a percentage of sales, not to exceed 1.0% of Gross Sales), or via direct invoice either from Licensor or a third party which may produce marketing materials on behalf of Licensor. For the avoidance of doubt, these payments and costs are in addition to the Royalty Fee.

4. CONFIDENTIALITY

4.1. Confidentiality.

(a) Licensee acknowledges that its entire knowledge of the operation of the Bakery, including, without limitation, the method of preparation of particular food products, and the Standards is derived from information disclosed to Licensee by Licensor. Licensee shall use and maintain such information in a manner consistent with it being the proprietary, confidential information and trade secrets of Licensor and shall at all times maintain the absolute confidentiality of all Confidential Information (defined below) during and after the Term. Licensee shall permit only employees authorized to work at the Bakery to have access to such information solely in connection with, and to the extent required by, the performance of their work; Licensee shall make part of its employee training program and shall train its employees, in the treatment of and preservation of Licensor's Confidential Information consistent with the purposes and limitations of this Section 4; and Licensee shall not use nor permit the use,

copying or disclosure of any Confidential Information in any other business or in any manner not specifically authorized or approved in writing by Licensor. Without limiting the foregoing, Licensor shall disclose to Licensee the ingredients of the products used or sold in the operation of the Bakery and such information shall be deemed to be Confidential Information.

(b) Licensor acknowledges that it may acquire certain knowledge and that Licensee may divulge certain information regarding Licensee's operation of its food service businesses, including demographic and marketing information, financial data and operating procedures of Licensee's business operations. Such information shall be treated and maintained in a manner consistent with it being the proprietary, confidential information and the trade secret of Licensee ("Licensee Information") in accordance with this Section 4.1(b). To that end, Licensor shall maintain the absolute confidentiality of all Licensee's Information during and after the Term that it reasonably should understand to be Licensee Information and it will not use any Licensee Information in any other business or in any manner not specifically authorized or approved in writing by Licensee; provided, however, (1) Licensor shall be permitted to use and disclose such information internally or with its affiliates in the ordinary course of business; and (2) the forgoing restrictions shall not apply to: (i) the extent that Licensor is required by law to disclose Licensee Information; or (ii) to the extent that Licensee Information relates to the performance of Licensee's Bakery and Licensor desires to disclose such Licensee Information in its franchise offering circular.

(c) Confidential Information is defined as Licensor's proprietary and confidential information relating to the development and operation of Bakeries including without limitation: the Manuals, recipes, ingredients and formulae for food products offered by Bakeries; Standards for the development and operation of Bakeries; sales, marketing and advertising programs for Bakeries; information on suppliers and Standards for fixtures, furniture, décor, equipment, and supplies; knowledge of operating results and financial performance of Bakeries; training programs relating to the management and operation of Bakeries; computer systems and software programs; and subject to Section 4.1 (d), all information pertaining to customers of Bakeries, regardless of whether collected by Licensor, Licensee or third parties, and including all information about Licensor, its affiliates and The Bakeries collected through or contained in any web site. Confidential Information does not include any information, process or technique which (i) is known by Licensee prior to the Effective Date of this Agreement; (ii) is or becomes generally known in the quick service food restaurant business or the general food and beverage industries other than through disclosure of Confidential Information (whether deliberate or inadvertent) by Licensor or Licensee, as the case may be; (iii) is disclosed by a third party without violation of a confidentiality agreement with Licensor or Licensee, as the case may be; or (iv) is part of the public domain.

(d) Except as provided below, any developments or enhancements to the System or Confidential Information shall be the sole property of Licensor, regardless of who creates or implements the development or enhancement and Licensee agrees to execute such documents as necessary to assign any rights or interests in such developments or enhancements to Licensor. Without limiting the foregoing, each party acknowledges and agrees that it will not acquire any interest in the Confidential Information or Licensee Information, other than the right to utilize it in connection with the Bakery during the Term and the use or duplication of such Confidential Information or Licensee Information in any other business would constitute an unfair method of competition. Licensor and Licensee, respectively, will adopt and implement all reasonable procedures prescribed from time to time by the disclosing party to prevent unauthorized use or disclosure of the Confidential Information and Licensee Information. Without limiting the foregoing, Licensor and Licensee acknowledge that Licensee

may from time to time assimilate and use customer information from the operation of the Bakery for the purpose of evaluating the demographics and market for customers of the Bakeries ("Licensee Marketing Studies"). In that event, such Licensee Marketing Studies shall be treated as Licensee Information as long as Licensee gives Licensor access to such information upon Licensor's reasonable request. Otherwise, the raw customer information collected from the operation of the Bakery to be made part of such studies shall be considered joint property of Licensee and Licensor during the Term and thereafter, which Licensor may use in connection with the operation of the System as it sees fit.

(e) Subject to the forgoing, each party agrees that upon the termination or expiration of this Agreement, it will immediately cease to use any of the Confidential Information and Licensee Information, as applicable, in any business or otherwise and return all materials containing the Confidential Information or Licensee Information, as applicable, which have been provided by the other party.

5. SERVICES OF LICENSOR

5.1. Training. Prior to the opening of the Bakery, Licensee shall hire, train and maintain the number of level of management and hourly personnel which Licensee in its good faith business judgment as a leading operator of branded food service businesses deems is required for the conduct of its business including, without limitation, a full-time general manager ("General Manager") and a full-time additional manager in accordance with guidelines established from time to time by Licensor. Licensor shall provide initial training to Licensee's designated General Manager as is reasonably necessary for Licensee to open and operate the Bakery in accordance with the Standards and to train other employees as required hereunder. Licensee shall send two designated managers to such training, which shall not exceed seven (7) weeks. Training shall occur in the service of Licensor for a training session and is included in the initial License Fee except for travelling and hotel expenses. If Licensee wishes to send additional individuals to the initial training program, the training fee will be \$850 for each additional individual to be trained. All expenses incurred by Licensee in having its designated manager attend such training, including, but not limited to, travel costs, room and board expenses, salaries and benefits, shall be the sole responsibility of Licensee. If such manager (or any replacement thereof) ceases at any time during the Term to serve as the manager of the Bakery, Licensee shall promptly replace such manager and obtain training for such manager from Licensor, which manager shall be required to complete to Licensor's satisfaction within 60 (sixty) days after Licensee's prior manager has ceased to serve in such capacity. All costs for such training shall be Licensee's responsibility.

5.2. If the manager satisfactorily completes such initial training and is certified by Licensor as a trainer, the manager shall provide all initial training to employees working at the Bakery in accordance with the Standards. If such training of the employees is conducted fully in compliance with the Standards, such training shall be deemed the equivalent of attending Licensor's training program.

5.3. Licensor shall have the right to require Licensee's manager to attend and complete to Licensor's satisfaction such additional and refresher training as Licensor reasonably determines appropriate in connection with the testing of the operation of the Bakery and to become certified to train the employees working at the Bakery in connection with such additional or refresher training. All costs of such training as described above shall be borne by Licensee. If the manager satisfactorily completes such training, the manager shall provide all such training to employees working at the Bakery in accordance with the Standards. If such training of the

employees is conducted fully in compliance with the Standards, such training shall be deemed the equivalent of attending Licensor's training programs.

5.4. Operational Support. Licensor may also provide Licensee with such assistance in connection with the operation of the Bakery as is reasonably determined to be necessary by Licensor from time to time. From time to time during the Term, upon Licensee's reasonable request, Licensor shall provide a reasonable amount of training or assistance to additional Licensee personnel. Such additional training or assistance shall be at Licensee's sole cost and expense, which may include the cost of instructional materials, training and assistance fees (e.g., compensation for Licensor's representatives), travel, lodging and related costs for Licensor's representatives.

5.5. System. Licensor shall lend to Licensee, only for the Term, a copy of its Operating Manuals ("Manuals"), a list of approved products, recipes, ingredients and the Standards which constitute the System developed and utilized by Licensor for Bakeries. The Manuals may also be on-line or via electronic means. Licensor may modify and supplement the System from time to time to which modifications Licensee shall be bound to comply with upon written notice to Licensee and provided that such modification or supplement to such System shall be reasonably consistent with the System. Licensee shall operate the Bakery in accordance with the System; however, Licensor acknowledges that because the Bakery is in an institutional, non-traditional food service location, reasonable changes to the System may be appropriate. Licensor will not unreasonably withhold its consent to such changes proposed by Licensee.

(a) All Standards and any other information and operating procedures, including, but not limited to, the Manuals and any and all other manuals shall at all times remain the property of Licensor and shall promptly be returned upon the expiration or termination of this Agreement.

(b) All Standards and other information and operating procedures, including but not limited to, the Manuals and any and all other manuals shall be kept confidential by Licensee both during the Term and subsequent to the expiration and/or termination of the Agreement in accordance with Section 4. Licensee shall at all times during the Term ensure that its copy of the Manuals shall be available at the Bakery in a current and up-to-date manner. At all times that Manuals are not in use by authorized personnel, Licensee shall maintain the Manuals in a secure place that is only accessible by authorized personnel. In the event of any dispute as to the contents of the Manuals, the terms of the master copy of the Manuals maintained by Licensor at Licensor's home office shall be controlling.

(c) The Bakery products sold and the services rendered by Licensee pursuant to this Agreement shall at all times be sold and rendered with the highest level of courtesy and with a view to complete customer satisfaction, and shall be consistent with the Standards.

(d) Licensor may, but shall not be obligated to, enter the Bakery at any time during normal business hours to examine the Bakery operations and to determine if Licensee is complying with its obligations under this Agreement, subject to any security or access regulations of the Lessor. Licensor agrees to take necessary steps to minimize any business disruption during such inspections. Licensee shall cooperate with Licensor's representatives in such inspections by rendering such assistance as Licensor may reasonably request, and upon notice from Licensor or its representatives and without limiting Licensor's other rights under this

Agreement, Licensee shall take such steps as may be necessary to correct immediately any deficiencies detected during any such inspection.

6. ADDITIONAL DUTIES OF LICENSEE

6.1. Equipment and Signs. Prior to the commencement of operations at the Bakery, Licensee, at its expense, will provide any other fixtures, equipment, and signs required by Licensor for the operation of the Bakery, which shall comply with the Standards.

6.2. Design, Construction, Equipment and Development of Bakery.

(a) Licensor will furnish to Licensee specifications of Licensor's requirements for design, decoration, layout, equipment, furnishings, fixtures and signs for the Bakery and the trade dress (the "Design Specifications") and operating procedures associated therewith. Licensee acknowledges and agrees that the Design Specifications, which include the trade dress, are an integral part of the System and that the Bakery will be designed and constructed in accordance with the Design Specifications. Licensee will cause to be prepared by a licensed architect and submitted to Licensor for approval the preliminary layout for the Bakery (if not already submitted to and approved by the Licensor) and detailed construction plans, specifications, and space plans for the Bakery (the "Construction Plans"), which comply with the Design Specifications and all applicable ordinances, building codes, permit requirements, and Lease requirements and restrictions.

(b) Promptly after the date of execution of this Agreement, Licensee agrees at its expense to do or cause to be done the following:

(i) submit the Construction Plans and preliminary layout to Licensor for approval;

(ii) obtain all required zoning changes, planning consents, building, utility, sign, health, sanitation and business permits, licenses and approvals, and any other required permits and licenses;

(iii) construct all required improvements in compliance with Construction Plans approved by Licensor;

(iv) decorate and lay out the Bakery in compliance with Design Specifications and plans and specifications approved by Licensor;

(v) purchase or lease and install all required equipment, furnishings, fixtures and signs;

(vi) purchase an opening inventory of products, supplies, smallwares and materials sufficient to meet the demands of its customers;

(vii) obtain all customary contractor's sworn statements and partial and final waivers of lien for construction, remodeling, decorating and installation of services; and

(viii) open the Bakery for business and thereafter operate the Bakery on a regular and continuing basis for the term of this Agreement in accordance herewith.

(c) Licensee shall purchase from Licensor or an approved vendor all furniture, fixtures and equipment necessary for the operation of the Bakery, on the then current terms and conditions of Licensor or vendor. Licensee further acknowledges and agrees that third-party manufacturers will manufacture the furniture, fixtures and equipment for the Units and that Licensee shall not hold Licensor responsible for any delays caused by such third parties.

6.3. Opening and Operation of Bakery.

(a) Except as otherwise provided in this Agreement, Licensee shall fully comply with all requirements set forth in this Agreement, the Manuals and other written policies supplied to Licensee by Licensor.

(b) Licensee shall commence operation of the Bakery no later than _____, or the date Licensee begins any other food and beverage operations under the Lease, whichever is sooner. Prior to the Opening Date, Licensee shall have (i) successfully completed all required training; (ii) procured all necessary licenses, permits, and approvals, including, but not limited to, construction permits; (iii) hired and trained personnel; (iv) made all leasehold improvements; and (v) acquired initial inventory. If Licensee for any reason fails to commence operation as herein provided, unless Licensee is precluded from doing so by Force Majeure (as defined below), such failure shall be considered a material default and Licensor may terminate this Agreement as herein provided. Licensor will provide Licensee with on-site support for a period of one (1) week commencing with the Grand Opening of the Bakery, at no additional cost to Licensee.

(c) Licensee shall keep the Bakery open and in normal operation for the minimum hours and days specified by Licensor, as permitted by applicable laws and the Lessor. Licensee shall, continuously and uninterruptedly from and after the Opening Date, operate and conduct within the Facility the business which it is permitted to operate and conduct under the provisions hereof, except while the Facility is untenable by reason of fire or other casualty, repairs, remodeling, Force Majeure or other unavoidable interruptions, and that it shall fully utilize the Facility for its business at this location.

(d) Force Majeure is defined as acts of God, strikes, lockouts or other industrial disturbances, war, riot, epidemic, fire or other natural catastrophe, terrorist acts or government actions resulting from terrorist acts, or other forces beyond Licensee's control which materially and adversely affect the condition or use of the Bakery or Facility premises for purposes of operating a Bruegger's Bakery.

(e) Licensee shall maintain the condition and appearance of the premises of the Bakery consistent with Licensor's Standards. Subject to the approval of the Lessor, Licensee shall effect such maintenance of the Bakery as is from time to time reasonably required to maintain or improve the appearance and efficient operation of the Bakery including but not limited to replacement, of worn out or obsolete fixtures and signs, repair of the exterior and interior of the premises of the Bakery and purchasing and installation of new or modified equipment. If at any time in Licensor's judgment the general state of repair or the appearance of the premises of the Bakery or its equipment, fixtures, signs or décor does not meet Licensor's Standards, Licensor shall so notify Licensee, specifying the action to be taken by Licensee to correct such deficiency. If Licensee fails or refuses to initiate such maintenance within ten (10) days after receipt of such notice, and thereafter also fails or refuses to continue a bona fide program to complete any required maintenance, such failure or refusal shall be considered a material default and Licensor may terminate this Agreement as herein provided. Licensee's

obligation to initiate and continue any required maintenance shall be suspended during any period in which such maintenance is impractical due to Force Majeure.

(f) Licensee shall make no material alterations or additions to the premises of the Bakery nor shall Licensee make material replacements, alterations or additions to the equipment, fixtures or signs of the Bakery without the prior written approval by Licensor.

(g) The location of the Bakery approved by Licensor in accordance herewith shall be used solely for the purpose of conducting a Bakery.

(h) Licensee shall offer for sale and sell at the Bakery all menu items and other food and beverage products authorized by Licensor prior to or at the opening of the Bakery for business to the public and shall not offer for sale or sell at the Bakery any other menu items or products or use the Bakery for any purpose, other than the operation of a Bakery, in full compliance with this Agreement. By way of example, Licensor will direct Licensee to offer bagels, bagel-related for consumption by consumers the following examples: bakery products, cream cheese and other spreads, sandwiches, soups, salads, baked goods, breakfast items, hot and cold beverages, teas, coffees and other food and beverage items. Attached and incorporated herein as Exhibit B is an example of typical Bakery offerings. During the Term, Licensee will offer and sell any menu items and products that Licensor requires from time to time; notwithstanding the foregoing, Licensee is not required to offer and sell a product which is expressly prohibited by the Lessor.

(i) In order to ensure that all menu items produced and sold by Licensee meet Licensor's high standards of taste, texture, appearance and freshness, and in order to protect Licensor's goodwill and Marks, all menu items and other food products shall be prepared only by properly trained personnel strictly in accordance with Licensor's recipes and Standards including the Manuals, and shall be sold only at retail to customers in conformity with Licensor's marketing plan and concept. Licensee acknowledges that its recipes, preparation techniques and processes for such products are integral to the System and failure to strictly adhere to such recipes, preparation techniques and processes (including the handling and storage of both ingredients and fully prepared menu items) shall be detrimental to the System and Marks and shall constitute a material breach of this Agreement.

(j) Licensor will provide to Licensee a list of approved manufacturers, suppliers and distributors ("Approved Suppliers List"), approved inventory products, fixtures, furniture, equipment, signs, stationery, supplies, and other items or services necessary to operate the Bakery ("Approved Supplies List"). Such list will specify the inventory products, fixtures, furniture, equipment, signs, stationery, supplies and services and the manufacturer, supplier and distributor for such items which Licensor has approved to be carried or used in the System. Licensor and its affiliates are approved suppliers for certain products and other items. Licensor may revise the Approved Suppliers List and Approved Supplies List from time to time, in its sole discretion, and such lists shall be submitted to Licensee as Licensor deems advisable.

(k) If Licensee proposes to offer for sale at the Bakery any brand of product, or to use in the operation of the Bakery any brand of food ingredient or other material or supply which is not then approved by Licensor as meeting its minimum Standards, or to purchase any product from a supplier that is not then designated by Licensor as an approved supplier, Licensee shall first notify Licensor and shall upon request by Licensor submit samples and such other information as Licensor requires for examination and/or testing or to otherwise determine whether such product, material or supply, or such proposed supplier meets its specifications

and quality standards. Licensor, at its option, may charge Licensee a fee in connection with such examination and/or testing which will not exceed the reasonable cost of the inspection and evaluation and the actual cost of the test. Licensor reserves the right, at its option, to re-inspect the facilities and products of any supplier of an approved item and to revoke its approval of any item which fails to continue to meet any of Licensor's criteria.

(l) Licensor shall not require Licensee to purchase any Approved Supplies, Trade Secret Food Products (as defined below) or other products or paper packaging bearing the Marks from any vendor unless such vendor has represented in writing to Licensor that it has obtained from an insurance carrier acceptable to Licensor and Licensee, and at all times maintains, commercial and general liability insurance, including premises, operations, products and contractual liability, with a combined single limit of not less than \$2,000,000.00 (Two Million U.S. Dollars and No Cents) per occurrence for personal injury and property damage. Upon execution of this Agreement, and annually thereafter, Licensor shall cause such vendors to provide Licensee with a Certificate of Insurance evidencing the coverages herein required.

(m) All inventory, products and materials, and other items and supplies used in the operation of the Bakery which are not specifically required to be purchased in accordance with Licensor's Approved Supplies List and Approved Suppliers List shall conform to the Standards established by Licensor from time to time.

(n) Licensee shall secure and maintain in force all required licenses, permits and certificates relating to the operation of the Bakery and shall operate the Bakery in full compliance with all applicable laws, ordinances and regulations, including without limitation all government regulations relating to occupational hazards and health, dispensing of food products, consumer protection, trade regulation, worker's compensation, unemployment insurance and withholding and payment of federal and state income taxes and social security taxes and sales, use and property taxes.

(o) Licensee shall refrain from any merchandising, advertising or promotional practice which is unethical or may be injurious to the business of Licensor and/or other Bakery or to the goodwill associated with the Marks.

(p) Licensee shall in the operation of the Bakery use only items, displays, trays, boxes, bags, wrapping paper, cups, labels, forms, and other paper and plastic products imprinted with the Marks and colors as prescribed from time to time by Licensor. Licensee must use proprietary packaging provided by Licensor to service bagels, sandwiches, salads, coffee, beverages, and other food items, as well as bags for "take out." Licensee must require its employees to use proprietary uniforms provided by Licensor. The required list of proprietary items is included in Exhibit C, which is incorporated herein by reference.

(q) During the 90-day period beginning 30 days before opening the Bakery and ending 60 days after that opening, you must conduct an opening campaign that we approve in writing.

(r) From time to time, Licensee shall purchase point-of-purchase materials that relate to promotions initiated or approved by Licensor from Licensor or a vendor approved by Licensor. In the event Licensor supplies such materials, it shall supply them to Licensee at Licensor's actual, out-of-pocket cost to manufacture or purchase them, plus a markup to cover Licensor's costs or order processing, handling, and shipping.

(s) The terms of the Lease shall govern the manner in which Licensee sets retail prices.

(t) Licensee acknowledges that the Bakery shall at all times maintain an inventory of ingredients, food and beverage products and other products, materials and supplies that will permit operation of the Bakery at maximum capacity.

(u) The Bakery shall at all times be under the direct, on-premises supervision of Licensee's designated manager.

(v) Licensee shall not install or maintain at the Bakery any counter displays, newspaper racks, video games, juke boxes, gaming machines, gum machines, games, rides, vending machines or other similar devices without the prior written approval of Licensor.

(w) Licensee shall notify Licensor in writing within five (5) days of the commencement of any action, suit, or proceeding, and of the issuance of any order, writ, injunction, award or decree of any court, agency, or other governmental instrumentality, which may adversely affect the operation, financial condition, or reputation of the Bakery.

(x) Licensee shall notify Licensor immediately in writing in the event that it receives from Lessor a notice of default of the Lease.

6.4. Final Approvals by Licensor. Licensee agrees not to open the operations at the Bakery until:

(a) training of Licensee's designated manager has been completed to Licensor's satisfaction;

(b) Licensor has been furnished with copies of all insurance policies required by Section 11.2, and such other evidence of insurance coverage as Licensor reasonably requests; and

(c) Licensor has complied with all other pre-opening conditions set forth in this Agreement. When Licensor has given Licensee final written approval for the opening of the operations at the Bakery, such approval not to be unreasonably withheld, Licensee agrees to open the Bakery for business within five (5) days after receipt of such approval; provided, however, that if local governmental approval is withheld during such period, Licensor shall grant Licensee such reasonable additional time as is necessary to obtain such approval, not to exceed sixty (60) days.

7. RECORDS, AUDITS AND REPORTING REQUIREMENTS

7.1. Test Data and Periodic Reports. Within 10 (ten) days after the end of each of Licensee's 28-day reporting periods, Licensee shall furnish Licensor: (i) a report on Gross Sales (which shall include sales, sales mix, and other data as Licensor and Licensee shall agree) for the immediately preceding period. Within ninety (90) days after the end of Licensee's fiscal year, Licensee shall furnish to Licensor: (i) a year-end balance sheet and income statement and statement of cash flow of the Bakery for such fiscal year, reflecting all year-end adjustments and accruals; and (ii) such other information, records and reports concerning Licensee and the Bakery operated under this Agreement, as Licensor may require from time to time, including sales tax statements. Licensee shall verify that the information in each such report and financial

statement is complete and accurate and sign it. Licensor shall have the right to disclose data from such records, reports and statements, if it considers disclosure advisable, consistent with this Agreement. Licensor reserves the right to require that Licensee's annual financial statements be audited, at Licensee's expense, by an independent certified public accountant approved by Licensor; provided, however, if the Facility requires independent audited financial statements from a different certified public accountant than that which Licensor requests, then Licensor will not unreasonably withhold consent to same. At Licensor's request, Licensee agrees to transmit any of the foregoing information to Licensor electronically or by any other means Licensor designates in accordance with such policies and procedures as it may establish from time to time as described below. In connection with any such electronic communications, Licensee agrees that (i) such electronic reports shall be deemed to be a "writing," and such reports shall be deemed for all purposes to have been signed and to constitute an original when printed from electronic files or records established and maintained by us in the normal course of business; and (ii) Licensee will not contest the validity, enforceability or admissibility of any such reports, if introduced as evidence on paper in any judicial or arbitration proceedings.

7.2. Information Systems. Licensee must acquire and install in the Bakery, at Licensee's expense, the point of sale (POS) system, back office computer, and other computer equipment, communications devices, audio/visual equipment, and software systems that Licensor specifies from time to time, unless Licensee or the Facility provides an equivalent technology suite. Licensee must maintain an electronic connection between its systems and Licensor's systems; must transmit data to Licensor at the times Licensor specifies; must give Licensor independent access to Licensee's systems and provide any user names and passwords necessary for that purpose; and must maintain Licensee's systems in good working order at all times. If Licensor introduces a new technology suite that applies to Licensed Bakeries generally, subject to any restrictions imposed by the Facility, Licensee must promptly install any new equipment, upgrades, additions, changes, modifications, substitutions and/or replacements of hardware, software, data connectivity, and electrical power as may be reasonably necessary to implement the new technology suite. Licensee shall maintain compliance with the current version of the Payment Card Industry Data Security Standard (PCI DSS) and any other similar standards under applicable law concerning the security of personally identifiable information. Licensee is solely responsible for the setup, installation, and maintenance of Licensee's computerized systems.

7.3. Accounting Records. Licensee shall keep, and preserve during the Term its books and records relating to the operation of the Bakery as described in Section 7.1 for the preceding 36 (Thirty Six) months.

7.4. Audit. Upon three (3) days' notice to Licensee, Licensor shall have the right at any time during normal business hours to enter Licensee's Bakery to interview customers, managers or employees or to inspect, audit and make copies of Licensee's books and records relating to Gross Sales and the other reports and records described in Section 8.1. Upon request by Licensor, Licensee shall make any such materials available for examination at the Bakery.

7.5. Cost of Audit. Any audit shall be conducted by Licensor within two years after the later of the date on which the Gross Sales report relating to such audit was delivered or was to have been delivered to Licensor. Licensee shall pay to Licensor the amount of any deficiency in Royalty Fee, which is disclosed by such audit plus interest at the rate of eighteen percent (18%) per annum or the maximum interest rate permitted by applicable law, whichever is lower. If any audit is conducted pursuant to Section 7.4 above and the audit or examination discloses

any liability for Royalty Fee in excess of three percent (3%) of the Royalty Fee paid by Licensee for any monthly reporting period, Licensee shall also promptly pay Licensor the reasonable cost of the audit and any professional fees and the costs of travel, lodging and meals.

8. RELATIONSHIP OF PARTIES

8.1. Independent Contractor. In all matters pertaining to the operation of the Bakery, Licensee is and shall be an independent contractor as to Licensor. Neither Licensee nor any officer or employee of Licensee shall be deemed to be an employee of Licensor or a fiduciary or agent of the Licensor. Nothing contained in this Agreement shall be construed to create a partnership, joint venture or agency; and neither party to this Agreement shall be liable for the debts or obligations of the other (except as expressly provided in this Agreement). Except as otherwise herein expressly provided, Licensor shall not have the power to hire or fire Licensee's employees, may not control or have access to Licensee's funds or the expenditures of these funds, or any other way exercise control over Licensee's business.

8.2. Notice. Licensee shall prominently display by posting a sign within public view, on or in the premises of the Bakery, a statement/notice that clearly indicates that the Bakery is independently owned and operated by Licensee as a Bruegger's licensee and not as an agent of Licensor or its affiliates. Such notice shall also appear on all contracts, invoices (if applicable), and letterhead of Licensee's Bakery.

9. ASSIGNMENT

9.1. Assignment by Licensor. Licensor has the right to freely assign this Agreement, and all of its rights and privileges herein and its interest in any and all Bakeries, its Marks and the System to any person or entity and any direct and indirect interests in Licensor may be freely assigned, to any other person or entity. Provided that with respect to any transfer of Licensor's interest in this Agreement, the Marks must have been assigned to or the right to use the Marks must be licensed to such person or entity, and with respect to any assignment resulting in the subsequent performance by the assignee of the functions of Licensor under this Agreement, the assignee shall, at the time of such assignment, undertake to assume and perform such obligations. Without limitation or condition, Licensor may assign this Agreement to any parent, subsidiary, or affiliated corporation or entity.

9.2. Assignment by Licensee.

(a) With respect to Licensee's obligations, this Agreement is a personal one, being entered into in reliance upon and in consideration of the singular personal skill, character, and qualifications of Licensee and the trust and confidence reposed in the principal stockholders, officers and management of Licensee. Therefore, Licensee may not assign, transfer or sell its rights and interest in this Agreement (voluntarily or by operation of law) or sell the Bakery or its assets, voluntarily or involuntarily, by operation of law or otherwise, in any manner without the prior written consent of Licensor. Notwithstanding the foregoing, Licensee may assign its rights and interest in this Agreement to any parent, subsidiary or other affiliated corporation without the prior consent by Licensor; provided that (i) the transferee entity and Licensee have substantially the same management (any new managers undergo training by Licensor at assignee's sole cost before the assignment is made pursuant to Section 5.1 of this Agreement) are controlled by the same entity; (ii) the transferee entity has the financial and operational ability to perform and agrees to assume and perform, the obligations of Licensee under this Agreement in a form acceptable to Licensor; and (iii) Licensee notifies Licensor of

such proposed transfer a reasonable time prior to the transfer being made in order to ensure the conditions in the subparagraphs above can be and are satisfied.

(b) If at any time during the Term of this Agreement, any ownership interest or other interest in Licensee is assigned, transferred or sold, indirectly or directly, so as to result in a transfer of Control (as defined below) of Licensee to any third party, Licensor may, at its option, terminate this Agreement upon 30 days' notice to Licensee. "Control" shall mean for the purposes of this Section 9.2, possession (through one or more intermediaries) of the power to direct, or cause the direction of, the management or policies of any other entity, whether through the ownership of voting interest, by contract, or otherwise.

(c) For each assignment or transfer of ownership by Licensee that Licensor approves under this Section 9.2, if any, Licensee shall pay Licensor a transfer fee equal to 50% of the initial license fee then being charged by Licensor for new License Agreements.

10. DEFAULT AND TERMINATION

10.1. Termination by Licensor. Licensor shall have the right to terminate this Agreement if any one or more of the following events shall occur:

(a) Licensee shall become insolvent, or shall take the benefit of any present or future insolvency statute, or shall make a general assignment for the benefit of creditors, or file a voluntary petition in bankruptcy or a petition or answer seeking an arrangement for its reorganization, or the readjustment of its indebtedness under the federal bankruptcy laws, or under any other law or statute of the United States or any state thereof, or shall consent to the appointment of a receiver, trustee or liquidator of all or substantially all of its property;

(b) A petition under any part of the federal bankruptcy laws, or an action under any present or future insolvency laws or statute, shall be filed against Licensee and shall not be dismissed within thirty (30) days after the filing thereof;

(c) Licensee shall materially fail to keep, perform and observe each and every other promise, covenant and agreement set forth in this Agreement on its part to be kept, performed or observed, and such failure shall continue for a period of more than ten (10) days in the case of a breach or default of the fee payment provisions of Section 1.3 hereof, or thirty (30) days in the case of all other such failures after receipt by Licensee of written notice of such failure, except where fulfillment of its obligations (other than monetary obligations) requires activity over a period of time which in no event shall exceed thirty (30) days and Licensee shall have commenced to perform, on a timely and diligent basis whatever may be required for fulfillment of its obligations and continued such performance without interruption except for Force Majeure events. The remedies herein provided for shall not be exclusive, but shall be cumulative upon all other remedies, legal or equitable in nature;

(d) Licensee materially misuses or makes an unauthorized use of any Marks or commits any act which can reasonably be expected to materially impair the goodwill associated with any Marks;

(e) Licensee fails on three (3) or more separate occasions within any period of twelve (12) consecutive months to submit when due reports or other information or supporting records, to pay when due the Royalty Fees, amounts due for purchases from Licensor and or its affiliates or other payments due to Licensor and/or its affiliates, or otherwise fails to comply with

this Agreement, whether or not such failures to comply are corrected after notice thereof is delivered to Licensee;

(f) Licensee continues to violate any health, safety or sanitation law, ordinance or regulation or operates the Bakery in a manner that presents a health or safety hazard to its customers of the public.

(g) Licensee's Lease with Facility Site is terminated for any reason.

(h) Licensee is in default of its Lease and fails to cure the default with 14 (fourteen) days' notice of such default.

(i) Licensee is in default of its Lease on three (3) or more separate occasions within any period of twelve (12) consecutive months, irrespective of whether Licensee cures any or all defaults.

With respect to Sections 10.1(a) and 10.1(g), termination shall be automatic upon the occurrence of the event. With respect to Sections 10.1(b), 10.1(d), 10.1(e), 10.1(f), Licensor may terminate upon notice, and with respect to Sections 10.1(c), 10.1(h), and 10.1(i), Licensor may terminate after the applicable cure period has expired, upon notice.

10.2. Termination by Licensee. Licensee shall have the right to terminate this Agreement, if any one or more of the following events shall occur:

(a) Licensor becomes insolvent, or takes the benefit of any present or future insolvency statute, or shall make a general assignment for the benefit of creditors, or file a voluntary petition in bankruptcy or a petition or answer seeking an arrangement for its reorganization, or the readjustment of its indebtedness under the federal bankruptcy laws, or under any other law or statute of the United States or any state thereof, or shall consent to the appointment of a receiver, trustee or liquidator of all or substantially all of its property or shall materially breach the provisions of Section 10.1 hereof;

(b) A petition under any part of the federal bankruptcy laws, or an action under any present or future insolvency laws or statute, is filed against Licensor and shall not be dismissed within thirty (30) days after the filing thereof;

(c) Licensor materially fails to keep, perform and observe each and every other promise, covenant and agreement set forth in this Agreement on its part to be kept, performed or observed, and such failure shall continue for a period of more than thirty (30) days after receipt by Licensor of written notice of such breach or default, except where fulfillment of its obligations requires activity over a period of time which in no event shall exceed thirty (30) days and Licensor shall have commenced to perform in a timely and diligent basis whatever may be required for fulfillment of its obligations and continued such performance without interruption, except for Force Majeure events;

(d) With respect to Section 10.2(a), termination shall be automatic upon the occurrence of the event. With respect to Section 10.2(b), Licensee may terminate upon notice, and with respect to Section 10.2(c), Licensee may terminate after the applicable cure or notice period has expired; or

(e) If Licensee is in compliance with terms of this Agreement, and upon delivering to Licensor sixty (60) days' prior written notice that the lease or concession agreement with the host facility for the Bakery has been terminated, expired or not renewed.

10.3. Notice. To the extent that the provisions of this Agreement provide for periods of notice less than those required by applicable law, or provide for termination, cancellation, non-renewal or the like other than in accordance with applicable law, such provisions shall, to the extent such are not in accordance with applicable law, not be effective, and Licensor shall comply with applicable law in connection with each of these matters.

10.4. Procedures in Event of Termination. For the Facility covered by this Agreement, upon termination or expiration, this Agreement and all rights granted hereunder to Licensee shall terminate, and:

(a) Licensee shall immediately cease to operate the Bakery under this Agreement, and shall not, directly or indirectly, represent to the public or hold itself out as a present or former licensee of Licensor;

(b) Licensee shall immediately and permanently cease to use, by advertising or in any manner whatsoever, any Confidential Information including the Manuals and any confidential methods, procedures, and techniques associated with the System; the Marks and distinctive forms, slogans, signs, symbols, logos, or devices associated with the System. In particular, Licensee shall cease to use, without limitation, all signs, advertising materials, stationery, forms, and any other articles which display the Marks associated with the System;

(c) Licensee shall take such action as may be necessary to cancel or assign to Licensor or Licensor's designee, at Licensor's option, any assumed name rights or equivalent registration filed with state, city, or county authorities which contains the name "Bruegger's" or any Mark, and Licensee shall furnish Licensor with evidence satisfactory to Licensor of compliance with this obligation within thirty (30) days after termination or expiration of this Agreement;

(d) Licensee shall not use any reproduction, counterfeit, copy or colorable imitation of the Marks, which is likely to cause confusion, mistake or deception, or which is likely to dilute Licensor's exclusive rights in and to the Marks and shall not utilize any designation of origin or description or representation which falsely suggests or represents an association or connection with Licensor so as to constitute unfair competition. Upon consent of the Lessor, Licensee shall make such modifications or alterations to the premises of the Bakery immediately upon termination or expiration of this Agreement as may be necessary to prevent any association between Licensor or the System and any business thereon subsequently operated by Licensee or others, and Licensee shall make such specific additional changes thereto as Licensor may reasonably request for that purpose, including, without limitation, removal of all distinctive physical and structural features which identify the System;

(e) Licensee shall promptly pay all undisputed sums owing to Licensor; and

(f) Licensee shall immediately turn over to Licensor all Confidential Information including the Manuals, the proprietary software program (if any), customer information and lists, records, files, instructions, brochures, agreements, disclosure statements, and any and all other materials provided by Licensor to Licensee relating to the specific operation of the Bakery in the Facility (all of which are acknowledged to be Licensor's property).

11. INSURANCE AND INDEMNITY

11.1. Licensee's Insurance. Licensee, during the Term, will, at its sole cost and expense, maintain for itself general public liability insurance, on an occurrence basis, including blanket contractual liability, broad form property damage and all risk coverage, personal injury, property damage, completed operations and products liability and products property damage insurance with limits of not less than Five Million Dollars (\$5,000,000.00) for personal injury, disease or death to any persons arising out of any occurrence. All policies, or certificates issued thereunder, insuring against liability for personal injury, disease or death, or damage to property shall contain an endorsement by which the insurer extends the coverage thereunder, to the extent necessary, to include the contractual liability of Licensee arising by reason of the indemnity provisions of this Agreement, shall be issued in the names of Licensee and Licensor, as their interests may appear, and shall name Licensor, its parents, subsidiaries, and affiliates as additional insured under all such policies.

11.2. Licensee's Indemnification of Licensor. Licensee shall defend, indemnify and hold harmless Licensor (including its affiliates) and its officers, directors, members, managers, employees, agents, contractors, successors and assigns ("Indemnitees") from and against any and all claims, actions, expenses, losses, liabilities, damages, fines, penalties, costs and demands whatsoever, together with all counsel fees and expenses, arising out of, concerning or affecting, in whole or in part: the obligations of Licensee under this Agreement or the business conducted by Licensee, its agents or employees under this Agreement, occurring at, in or about the Bakery without limitation and without regard to the cause or causes of the acts, errors, or omissions or the negligence (whether that negligence is sole, joint or concurrent, and whether active or passive) or strict liability of the Indemnitees in connection therewith. Licensor may undertake the defense of any such claim or demand and supervise all settlement negotiations related thereto; provided, however, in that event, Licensor shall pay the legal fees and other expenses it incurs in connection with undertaking such defense and settlement. If a proposed settlement were to result in liability or financial contribution by Licensee, Licensor will not settle the claim, demand or proceeding without Licensee's prior written approval, which approval will not be unreasonably withheld or delayed. Licensee acknowledges that Licensor's election to undertake the defense or settlement of a claim or demand subject to indemnification hereunder, will in no way be construed as diminishing or extinguishing Licensee's obligation to indemnify and hold the Indemnitees harmless as provided hereunder.

11.3. Certificates of Insurance. Licensee shall furnish to Licensor, 30 (thirty) days before the Bakery opens, a Certificate of Insurance which:

(a) Indicates that Licensee has general liability insurance, including coverage for premises, operations, contractual, and products liability;

(b) Provides limits of not less than \$5,000,000.00 per occurrence for bodily injury and \$5,000,000.00 for Property Damage, or a combined single limit of \$5,000,000.00 for bodily injury and property damage;

(c) Indicates that Licensor, its parents, subsidiaries, and affiliates are listed as additional insured(s) as a Vendor; and

(d) Provides for a 30-day notice to Licensor of any cancellation or material change in coverage.

12. INTEGRATION OF AGREEMENT

12.1. Entire Agreement. This Agreement and any ancillary agreements executed contemporaneously with it constitute the entire agreement between the parties with reference to the subject matter of this Agreement and supersede all prior negotiations, understandings, representations and agreements, if any.

12.2. Amendment. This Agreement, including but not limited to this provision, may not be amended orally, but may be amended only by a written instrument signed by the parties. Licensor and Licensee each expressly acknowledge that no oral promises or declarations were made by either to the other and that the obligation of both Licensor and Licensee are confined exclusively to the terms in this Agreement.

13. NOTICES

13.1. Manner of Notice. Any notice required or permitted to be given under this Agreement shall be in writing and shall be served upon the other party personally, by certified mail, return receipt requested, first class postage prepaid, or sent overnight courier and shall be deemed given three (3) days after the date and time of mailing; provided that if delivery is rejected, delivery will be deemed to have been given at the time of such rejection. Notices shall be addressed as follows:

(a) Notices to Licensor:

Bruegger’s Franchise Corporation
1720 S. Bellaire St., Suite Skybox
Denver, Colorado 80222
Attention: Legal Department
E-mail: LegalNotices@Brueggers.com

(b) Notices to Licensee:

Attn: _____

14. MISCELLANEOUS

14.1. Construction and Interpretation.

(a) The titles and subtitles of the various sections and paragraphs of this Agreement are inserted for convenience and shall not be deemed to affect the meaning or construction of any of the terms, provisions, covenants and conditions of this Agreement.

(b) The language in all parts of this Agreement shall in all cases be construed simply according to its fair meaning and not strictly for or against either party.

(c) If any provision of this Agreement is capable of two constructions, one of which would render the provision void and the other of which would render the provision valid, then the provision shall have the meaning that renders it valid.

(d) The word "shall" as used in this Agreement is used as a command. The word "including" as used in this Agreement is used in a nonexclusive sense.

14.2. Severability. Nothing contained in this Agreement shall be construed as requiring the commission of any act contrary to law. Whenever there is any conflict between any provisions of this Agreement and any present or future statute, law, ordinance or regulation contrary to which the parties have no legal right to contract, the latter shall prevail, but in such event, the provision of this Agreement thus effected shall be curtailed and limited only to the extent necessary to bring it within the requirements of the law. If any part, article, paragraph, sentence or clause of this Agreement is held to be indefinite, invalid or otherwise unenforceable, the entire Agreement shall not fail on account of such holding, and the balance of this Agreement shall continue in full force and effect.

14.3. Counterparts. This Agreement may be executed in any number of counterparts, each of which shall be deemed to be an original and all of which together shall be deemed to be one and the same instrument.

14.4. Effect of Waiver. No failure on the part of either party to this Agreement to exercise any power reserved to it by this Agreement or to insist on strict compliance by the other party with any obligation or condition under this Agreement, and no custom or practice of the parties at variance with the terms of this Agreement, shall constitute a waiver of such party's right to demand exact compliance with any of the terms in this Agreement. Failure by Licensee to conform with the provisions herein and subsequent non-action by Licensor to require Licensee to cure or remedy any such failure and default shall not be deemed a waiver of any existing, continuing, future or additional failure and default by Licensee under this provision and/or any other provision of this Agreement. Waiver by either party to this Agreement of any particular default by the other party shall not affect or impair such party's rights with respect to any subsequent default of the same, similar, or different nature. Any delay, forbearance, or omission of either party to this Agreement to exercise any power or right arising out of any breach or default by the other party of any of the terms, provisions or covenants of this Agreement, shall not affect or impair such party's rights under this Agreement, or right to declare any subsequent breach or default and to terminate this Agreement.

14.5. Binding Effects. Subject to the restrictions on assignment of Section 9, this Agreement shall be binding upon and inure to the benefit of the parties hereto and all transferees and assignees and their successors and assigns.

14.6. Governing Law. This Agreement takes effect upon its acceptance and execution by Licensor. EXCEPT TO THE EXTENT GOVERNED BY THE UNITED STATES TRADEMARK ACT OF 1946 (LANHAM ACT, 15 U.S.C. §§1051 et. seq.), THIS AGREEMENT SHALL FOR ALL PURPOSES BE GOVERNED BY AND INTERPRETED AND ENFORCED IN ACCORDANCE WITH THE INTERNAL LAWS OF THE STATE OF COLORADO, EXCEPT THAT ITS CHOICE OF LAW AND CONFLICT OF LAW RULES SHALL NOT APPLY.

14.7. Jurisdiction and Venue. The parties hereto mutually agree that the U.S. District Court for the District of Colorado, or if such court lacks jurisdiction, the state courts located in Jefferson County, Colorado, shall be the venue and exclusive forum in which to adjudicate any case or controversy arising from or relating to this Agreement and any guarantees hereof, undertakings hereunder provided and relationship established thereby, however, with respect to any action which includes injunctive relief or other extraordinary relief, we may bring such action in any court of competent jurisdiction. The parties irrevocably submit to the jurisdiction of such courts and waive any objections to either the jurisdiction of or venue in such courts. The parties mutually agree that personal jurisdiction may be effected by service of process and that when so made shall be as if served personally. This Agreement was executed and accepted at our place of business in Jefferson County, Colorado. The parties anticipate that the performance of certain of your obligations arising under this Agreement, including the payment of certain monies due Licensor, shall occur in Jefferson County, Colorado.

14.8. Mediation. Before any party may bring an action in court against the other, the parties agree that they must first meet to mediate the dispute (except as otherwise provided in Section 14.10 below). Any such mediation shall be non-binding and shall be conducted in accordance with the then-current rules for mediation of commercial disputes of JAMS (formerly, "Judicial Arbitration and Mediation Services, Inc.") at its location then-nearest to our principal place of business.

14.9. Remedies. Except as expressly provided in this Article 14, no right or remedy conferred upon or reserved by you or us by this Agreement is intended and it shall not be deemed to be exclusive of any other right or remedy provided or permitted herein, by law or at equity, but each right or remedy shall be cumulative of every other right or remedy. You have no right to withhold or set off any amount owed to us under this Agreement based on any claim that you may have or purport to have against us.

14.10. Injunctive Relief. Nothing herein contained shall bar our right to obtain injunctive relief against threatened conduct that may cause us loss or damage under the usual equity rules, including the applicable rules for obtaining restraining orders and preliminary injunctions.

14.11. WAIVER OF JURY TRIAL. THE PARTIES IRREVOCABLY WAIVE TRIAL BY JURY IN ANY ACTION, PROCEEDING OR COUNTERCLAIM, WHETHER AT LAW OR IN EQUITY, BROUGHT BY EITHER PARTY RELATING TO THE RELATIONSHIP BETWEEN THE PARTIES OR ARISING UNDER OR IN ANY WAY CONNECTED WITH THIS AGREEMENT OR ANY RIGHT OR REMEDY HEREUNDER.

14.12. Limitations on Damages. Except with respect to Licensee's obligation to indemnify Licensor pursuant to the terms of this Agreement and claims Licensor brings for Licensee's unauthorized use of the Proprietary Marks or unauthorized use or disclosure of any of Licensor's trade secrets, the parties waive to the fullest extent permitted by law any right to or claim for any punitive, exemplary, special and consequential damages against the other and agree that, in the event of a dispute between the parties, the parties making a claim shall be

limited to equitable relief and to recovery of any direct or general damages it sustains; provided, however that Licensor shall have the right to recover lost profits and any applicable liquidated damages in the event of termination of this Agreement.

14.13. Time Period for Filing. Except for claims arising from Licensee's nonpayment or underpayment of amounts Licensee owes Licensor pursuant to this Agreement, or claims related to Licensee's unauthorized use of the Proprietary Marks, any and all claims arising out of or relating to this Agreement or the relationship created hereby shall be barred unless a judicial proceeding is commenced within two (2) years from the date on which the party asserting such claims knew or should have known of the facts giving rise to such claims. Notwithstanding the foregoing, with respect to any claims arising out of or in connection with an event of Force Majeure, the two year limit on claims provided for in this section shall be extended for a period equal to the extended performance period resulting from the event of Force Majeure, provided that such period shall not exceed ninety (90) days.

14.14. Business Judgment. Notwithstanding any contrary provisions contained in this Agreement, Licensor and Licensee acknowledge and agree that (a) this Agreement (and the relationship of the parties which arises from this Agreement) grants Licensor the discretion to make decisions, take actions and/or refrain from taking actions not inconsistent with Licensee's explicit rights and obligations hereunder that may affect favorably or adversely Licensee's interests; (b) Licensor shall use its business judgment in exercising such discretion based on its assessment of its own interests and balancing those interests against the interests of the owners of Bakeries generally (including Licensor's affiliates and other franchisees), and specifically without considering Licensee's individual interests or the individual interests of any other particular franchisee; (c) Licensor shall have no liability to Licensee for the exercise of its discretion in this manner; and (d) even if Licensor has numerous motives for a particular action or decision, so long as at least one motive is a reasonable business justification no trier of fact in any legal action shall substitute its judgment for Licensor's judgment so exercised, and such action or decision shall not be subject to challenge for abuse of discretion. **IF LICENSOR TAKES ANY ACTION OR CHOOSES NOT TO TAKE ANY ACTION IN ITS DISCRETION WITH REGARD TO ANY MATTER RELATED TO THIS AGREEMENT AND SUCH ACTION OR INACTION IS CHALLENGED FOR ANY REASON, THE PARTIES SHALL AGREE TO EXPRESSLY DIRECT THE TRIER OF FACT, IN ANY PLEADING FILED OR LEGAL PROCEEDING RESULTING THERETO, THAT LICENSOR'S RELIANCE ON A BUSINESS REASON IN THE EXERCISE OF ITS DISCRETION UNDER THE BUSINESS JUDGMENT RULE IS TO BE VIEWED AS A REASONABLE AND PROPER EXERCISE OF ITS DISCRETION, WITHOUT REGARD TO WHETHER OTHER REASONS FOR ITS DECISION MAY EXIST AND WITHOUT REGARD TO WHETHER THE TRIER OF FACT WOULD INDEPENDENTLY ACCORD THE SAME WEIGHT TO THE BUSINESS REASON.**

14.15. Cost of Enforcement or Defense. Without affecting the provisions of Section 14.7, in the event that one party to this Agreement is required at any time during or after the term of this Agreement to employ legal counsel or to incur other expenses to enforce any obligation of the second party hereunder, or to defend against any claim, demand, action, or proceeding by reason of the second party's failure to perform any obligation imposed upon the second party by this Agreement, and provided that legal action is filed in a court or an arbitration proceeding is initiated and such action or the settlement thereof establishes the second party's default hereunder, then the first party shall be entitled to recover from the second party the amount of all reasonable attorney's fees of such counsel and all other expenses incurred in enforcing such obligation or in defending against such claim, demand, action, or proceeding,

whether incurred prior to, or in preparation for, or in contemplation of the filing of such action or thereafter.

14.16. Force Majeure. Whenever a period of time is provided in this Agreement for either party to do or perform any act or thing, except the payment of monies, neither party shall be liable or responsible for any delays due to Force Majeure, and in any event said time period for the performance of an obligation hereunder shall be extended for the amount of time of the delay. This clause shall not apply or not result in an extension of the term of this Agreement, and if the time of delay due to Force Majeure extends beyond 180 (One Hundred Eighty) days, Licensor or Licensee may terminate this Agreement upon written notice.

14.17. Acknowledgments and Representations.

(a) Licensee expressly disclaims the making of and Licensee acknowledges that it has not received nor relied upon any warranty or guaranty, express or implied, as to the revenues, profits or success of the business venture contemplated by this Agreement;

(b) Licensee has read and understands this Agreement;

(c) Licensee recognizes Licensor's concept of the Bakeries have may change over time;

(d) Licensee understands and acknowledges that an investment in a Bakery involves business risks and the success of the venture is largely dependent on the Licensee's own business abilities, efforts and financial resources; and

(e) Licensee represents, covenants and warrants to Licensor that neither it nor any owner thereof is identified, either by name or an alias, pseudonym or nickname, on the lists of "Specially Designated Nationals" or "Blocked Persons" maintained by the U.S. Treasury Department's Office of Foreign Assets Control (texts available at www.treas.gov/offices/enforcement/ofac/). Further, Licensee represents, covenants and warrants that it has not violated and agrees that it will not violate any law (in effect now or which may become effective in the future) prohibiting corrupt business practices, money laundering or the aid or support of persons or entities who conspire to commit acts of terror against any person or government, including acts prohibited by the U.S. Patriot Act (text available at <http://www.epic.org/privacy/terrorism/hr3162.html>), U.S. Executive Order 13244 (text available at <http://treas.gov/offices/enforcement/ofac/sanctions/terrorism.html>), or similar law. The foregoing constitute continuing representations and warranties, and Licensee shall notify Licensor immediately in writing of the occurrence of any event or the development of any circumstance that might render the foregoing representation and warranty false, inaccurate or misleading.

[Remainder of page intentionally left blank; signature page follows.]

IN WITNESS WHEREOF, the parties hereto have executed this Agreement the day and year first above written.

LICENSOR:

BRUEGGER'S FRANCHISE CORPORATION

By: _____

Title: _____

LICENSEE:

a _____

By: _____

Title: _____

EXHIBIT A TO LICENSE AGREEMENT**PRINCIPAL MARKS**

<u>MARK</u>	<u>REGISTRATION NUMBER</u>	<u>CLASS</u>	<u>DESCRIPTION OF GOODS OR SERVICES</u>
Bruegger's Bagels Baked Fresh	4444758	30	Coffee, bagels, bakery goods and sandwiches for consumption on or off the premises
Bruegger's Bagels Baked Fresh	4444758	43	Restaurants and retail stores providing bagels, baked goods, sandwiches, soups, cream cheese, beverages, fruit, novelty food items, and coffee for consumption on or off the premises
Est. 1983 Bruegger's Bagels Authentic New York Style	4648272	30, 43	Coffee, bagels, bakery goods and sandwiches for consumption on or off the premises; Restaurant and catering services.
Bruegger's Baked Fresh	3273293	43	Restaurant services providing bagels, baked goods, sandwiches, soups, cream cheese, beverages, fruit, novelty items, and coffee for consumption on or off the premises
Bruegger's	1513741	30	Coffee, bagels, bakery goods and sandwiches for consumption on or off the premises.

EXHIBIT B TO LICENSE AGREEMENT**SAMPLE MENU**

The following is a sample of the Bakery menu, which is subject to change in Licensor's sole discretion.

Bagel Sandwiches
Herby Turkey
Thai Peanut Chicken
Leonardo da Veggie
Smoked Salmon
Deli Sandwiches on a Bagel
Turkey, Ham or Roast Beef
Tuna Salad or BLT
Chicken Breast
Garden Veggie
Deli on Alt Breads
Turkey, Ham or Roast Beef
Tuna Salad or BLT
Chicken Breast
Garden Veggie
Add-ons
Bacon
Cheese
Extra Deli Meat
Extra Veggies
Extra Salmon
Sundried Tomato Spread or Pesto
Extra Cream cheese
Signature Sandwiches
Turkey Chipotle Club
Roma Roast Beef
Tarragon Cranberry Chicken Salad
Hot Paninis
Turkey Artichoke Mozz
Harvest Turkey
Roast Beef Cheddar Melt

Primo Pesto
4 Cheese Tomato
Salads
Entree Salads
Cafe Salads
Add a Coke and Chips
Trio
Soup
Cup
Bowl
Take home (not on menu banners)
Add a Cup of Soup
Breakfast Sandwiches
Egg & cheese
Egg, cheese & bacon, ham or sausage
Spinach & Cheddar Omelet
Spinach & Cheddar Omelet with Meat
Western
Softwich Add on
Egg White & SDT
Rio Grande Wrap
Classic Wrap
Smoked Salmon bagel
Better Bacon Cheddar (Raleigh Only)
not on menu board:
Egg
Egg & bacon, ham or sausage
Bagels & Cream Cheese
Cream cheese
Butter, jelly or honey
Peanut butter
PB & J
Hummus
Baker's dozen
Half dozen
Three bagels
Single bagel
Specialty bagel
Single softwich
Big Bagel Bundle
Bagel Bundle

Cream cheese tub - Plain and Light Plain
Cream cheese tub - All other varieties
not on menu board:
Last Night's Bagels
Loaf of Bread
Coffee
Small
Medium
Large
Mug refills
Brew for the Crew
Hot chocolate - Small
Hot chocolate - Medium
Hot chocolate - Large
Hot chocolate - Mug refill
Chai Tea - S
Chai Tea - M
Chai Tea - L
Hot tea
Brrueggaccino 16 oz
Brrueggaccino 24 oz
Mocha Brrueggaccino 16 oz
Mocha Brrueggaccino 24 oz
Iced Coffee Cooler 16 oz
Iced Coffee Cooler 24 oz
Iced Coffee - Small
Iced Coffee - Medium
Iced Coffee - Large
Iced Coffee - Mug refill (not listed)
Beverages * vary by market
Soft drinks
Soft drink - Small
Soft drink - Medium
Soft drink - Large
Iced Tea - Small
Iced Tea - Medium
Iced Tea - Large
Iced Tea - Mug refill (not listed)
Naked Juice
Nantucket Nectars
Snapple
Orange Juice (bottled)

Orange Juice (poured)
Milk
Bottled water
Vitamin Water
Honest Tea
Bottled soda
not on menu board:
Chips
Cookie
Dessert bars
Marshmallow chew
Muffin
Yogurt
Fresh fruit
Salmon packet
Salmon side
Make it a Meal
Add a Cookie
Add a Coke and Chips

EXHIBIT C TO LICENSE AGREEMENT

PROPRIETARY ITEMS

The following is a list of proprietary, branded to-go items:

Approved items to be selected from Bruegger's Bagels current menu options.

EXHIBIT D TO LICENSE AGREEMENT

FEDERAL AND STATE LAW EXEMPTIONS

I. **FTC Franchise Rule.**

A. Licensee represents and warrants that:

- i. Licensee and/or its current director(s) or executive officer(s) have been in the type of business represented by the franchise relationship for more than the past two (2) years;
- ii. Licensee, together with the subsidiary(ies) of Licensee (if any) in which Licensee owns a Controlling Interest, as defined in I.A.iii. below, and any individual or entity with a Controlling Interest in Licensee (such subsidiary(ies), individuals, entities and Licensee referred to collectively as "Licensee Entities") do not, in good faith, anticipate that the aggregate sales arising from the relationships created by the license agreements to be executed with Licensor on the date hereof, in total, for at least one year from the date that each licensed business is opened, will be more than twenty percent (20%) of the sales in dollar volume of Licensee Entities, based upon the Licensee Entities' revenues; and
- iii. "Controlling Interest" means, with respect to any person or entity ("Person"), any other person or entity controlling, controlled by, or under common control with such Person. "Control" means the ability to direct the policies and operations of a person or entity.

- B. Licensee or Licensee Entities, as applicable, do not have any present plans to sell, prior to one (1) year after commencement of operations, any portion of their business, where such sale would result in a decrease in the aggregate of the Licensee Entities' gross sales, such that the gross sales from the operation of the licensed units of the Bruegger's Store(s) would represent more than twenty percent (20%) of such aggregate gross sales.

II. **Maryland Franchise Registration and Disclosure Law.** Licensee represents and warrants that the license represented by the Test Agreement is substantially similar to licenses already owned by Licensee.

III. **New York General Business Law.**

A. Licensee represents and warrants that:

- i. Licensee has actively operated a business pursuant to a license from Licensor for the eighteen (18) months preceding the offer, which license is substantially the same as the licenses represented by the License Agreement;

- ii. Licensee is purchasing the license in order to operate the business and not for the purpose of resale; and

IV. Rhode Island Franchise Investment Act.

A. Licensee represents and warrants that:

- i. Licensee has a net worth of at least one million dollars, according to its financial statements for the most recently concluded fiscal year; and
- ii. Licensee has knowledge and experience in financial and business matters in order to evaluate the merits and risks of the license.

B. Licensee also represents and warrants that the license represented by the License Agreement is substantially the same as the license under which Licensee has operated for at least two (2) years at the time of the sale.

C. Licensee also represents that Licensee is not a resident of Rhode Island.

V. Virginia Retail Franchising Act.

A. Licensee represents and warrants Licensee does not anticipate that the gross sales arising from the relationship created by the License Agreement and any other license agreements executed with Licensor on the date hereof will represent more than twenty percent (20%) of gross sales of Licensee's principal business, based upon the Licensee Entities' revenues.

VI. Licensee and its principals have undertaken an independent investigation to confirm the accuracy of the above, and understand that Licensor has offered the rights described in and executed the License Agreement in reliance on the above.

VII. If Licensee has falsely made any of the representations or warranties set forth herein, including all attachments, by making such representation or omitting to make a statement or provide information, such action or omission shall constitute a material breach of the License Agreement.

VIII. Unless otherwise indicated, all terms contained in this Addendum shall have the meaning attributable to them in the License Agreement.

IX. This Addendum constitutes an integral part of the License Agreement between the parties, and the terms of this Addendum will be controlling with respect to the subject matter.

EXHIBIT E TO LICENSE AGREEMENT**GUARANTY**

As an inducement to BRUEGGER'S BAGELS FRANCHISE CORPORATION ("Licensor"), a Delaware corporation, to execute a License Agreement (the "Agreement") with _____ ("Company"), a _____, the undersigned individuals (collectively, the "Guarantors"), jointly and severally, hereby unconditionally guarantee to Licensor, its affiliates, and their successors and assigns (collectively, "BFC") that all of the Company's obligations under the Agreement, and under other agreements or arrangements between the Company and BFC, will be punctually paid and performed.

Upon demand by BFC, the Guarantors will immediately make each contribution or payment required of the Company under the Agreement and under other agreements or arrangements between the Company and BFC. Each Guarantor waives any right to require BFC to: (a) proceed against the Company or any other Guarantor for any contribution or payment required under the Agreement; (b) proceed against or exhaust any security from the Company or any other Guarantor; or (c) pursue or exhaust any remedy, including any legal or equitable relief, against the Company or any other Guarantor. Without affecting the obligations of the Guarantors under this Guaranty, BFC may, without notice to the Guarantors, extend, modify, or release any indebtedness or obligation of the Company, or settle, adjust, or compromise any claims against the Company. The Guarantors waive notice of amendment of the Agreement and notice of demand for contribution, performance or payment by the Company and agree to be bound by any and all such amendments and changes to the Agreement.

The Guarantors agree to hold harmless and indemnify BFC against any and all losses, damages, liabilities, costs, and expenses (including reasonable attorneys' fees, reasonable costs of investigation, court costs, and arbitration fees and expenses) arising out of or in connection with any failure by the Company to perform any obligation under the Agreement or any other agreement between the Company and BFC.

The Guarantors acknowledge and agree to be bound personally by all covenants not to compete, confidentiality provisions, governing law and dispute resolution provisions, and restrictions on transfer of interest contained in the Agreement. Except as expressly authorized by the Agreement, the Guarantors may not make use of any of the intellectual property rights licensed under the Agreement or of BFC's goodwill. The Guarantors may not disclose to any third party or make use of any trade secrets, know-how, systems or methods of which Guarantors may acquire knowledge by virtue of training they may have received from BFC, their involvement in the business, or their ownership interest in the Company.

This Guaranty will terminate upon the termination or expiration of the Agreement, except that all obligations and liabilities of the Guarantors arising from events which occurred on or before the effective date of termination will remain in full force and effect until satisfied or discharged by the Guarantors, and all covenants which by their terms continue in force after the expiration or termination of the Agreement will remain in force according to their terms.

Upon the death of a Guarantor, the Guarantor's estate will be bound by this Guaranty, but only for obligations existing at the time of death. The obligations of the surviving Guarantors will continue in full force and effect.

If the Guarantor resides in a community property state, the Guarantor will cause his or her spouse, if any, to execute this Guaranty.

GUARANTOR:

Print Name: _____

Date: _____

Spouse: _____

Print Name: _____

Date: _____

GUARANTOR:

Print Name: _____

Date: _____

Spouse: _____

Print Name: _____

Date: _____

GUARANTOR:

Print Name: _____

Date: _____

Spouse: _____

Print Name: _____

Date: _____

EXHIBIT F TO LICENSE AGREEMENT

CONFIDENTIALITY AND NON-COMPETITION AGREEMENT

In conjunction with your investment in _____ (“**Licensee**”) a _____, the undersigned individual or business entity (“**you**”) acknowledges and agrees as follows:

1. Licensee owns and operates, or is developing, a BRUEGGER’S BAGELS restaurant pursuant to a License Agreement (the “**License Agreement**”) with BRUEGGER’S FRANCHISE CORPORATION (“**BFC**”). The License Agreement requires persons with legal or beneficial ownership interests in Licensee to be personally bound by Licensee’s obligations under the License Agreement, including restrictions on competition, confidentiality obligations, restrictions on ownership changes, and dispute resolution provisions.
2. All capitalized terms used in this document have the same meaning as in the License Agreement.
3. You own or intend to own a legal or beneficial ownership interest in Licensee. You acknowledge and agree that: (a) your execution of this Agreement is a condition of acquiring and holding your ownership interest in the Licensee, and (b) you have received good and valuable consideration for executing this Agreement. BFC may enforce this Agreement directly against you.
4. If a business entity signs this Agreement, all persons who have a legal or beneficial ownership interest in that business entity must also execute this Agreement and if your owners reside in a community property state we may require their spouse to execute this Confidentiality and Non-Competition Agreement.
5. You may gain access to confidential information and trade secrets of BFC and its affiliates as a result of investing in Licensee. You agree that while you have a legal or beneficial ownership interest in Licensee and thereafter, you: (a) will not use the confidential information in any other business or capacity (such use being an unfair method of competition); (b) will exert best efforts to maintain the confidentiality of the confidential information; and (c) will not make unauthorized copies of any portion of the confidential information disclosed in written, electronic or other form. If you cease to have an interest in Licensee, you must deliver to BFC any such confidential information in your possession or control.
6. During the term of the License Agreement and for as long as you have any legal or beneficial ownership interest in Licensee, you agree that you will not, without BFC’s consent (which consent may be withheld at BFC’s discretion) directly or indirectly (such as through an Affiliate or family members) own any legal or beneficial interest in, or render services or give advice in connection with: (a) any Competing Business located anywhere; or (b) any entity located anywhere that grants franchises or licenses interests to others to operate any Competing Business.
7. For a period of one (1) year after the expiration or termination of the License Agreement or the approved transfer of the Bakery to a new owner, you will not directly or indirectly own, maintain, operate, engage in, be employed by, provide assistance to, or have any interest in any Competing Business which is, or is intended to be, located within ten (10) miles of the Premises or within five (5) miles of any other BRUEGGER’S BAGELS restaurant, except for any business operated pursuant to a valid License Agreement with us or as we otherwise approve in writing. If you fail or refuse to abide by any of the foregoing restrictions and BFC obtains enforcement in a judicial or arbitration proceeding, the obligations under the breached restriction will continue in effect for one (1) year after the date you begin to comply with the order enforcing the restriction.

8. You acknowledge that you possess skills and abilities of a general nature and the opportunity to exploit your skills in other ways, so that enforcement of the restrictions contained in Sections 6 and 7 will not deprive you of your personal goodwill or ability to earn a living. If any restriction in this document is deemed unenforceable by virtue of its scope, geographic area, type of business activity prohibited, and/or length of time, but the restriction could be rendered enforceable by reducing any part or all of it, you and we agree that it will be enforced to the fullest extent permissible under applicable law and public policy. BFC may obtain in any court of competent jurisdiction any injunctive relief, including temporary restraining orders and preliminary injunctions, against conduct or threatened conduct for which no adequate remedy at law may be available or which may cause it irreparable harm. You acknowledge that any violation of Sections 5, 6 or 7 would result in irreparable injury for which no adequate remedy at law may be available. If BFC files a claim to enforce this Agreement and prevails in such proceeding, you agree to reimburse BFC for all its costs and expenses, including reasonable attorneys' fees.

[signature page follows]

OWNERS OF LICENSEE:

If an Individual:

Signature: _____

Print name _____

Date: _____

Signature: _____

Print name _____

Date: _____

Signature: _____

Print name _____

Date: _____

Spouse: _____

Print name: _____

Date: _____

Spouse: _____

Print name: _____

Date: _____

(add additional pages if necessary)

If any Owner of Licensee is another business entity:

Name of entity

Type of Business entity: _____

State of Organization: _____

By: _____

Print name: _____

Title: _____

Date: _____

Shareholders/partners/members of Business Entity named immediately above:

Print name: _____

Date: _____

Print name: _____

Date: _____

EXHIBIT G TO LICENSE AGREEMENT**DISCLOSURE ACKNOWLEDGEMENT STATEMENT**

BRUEGGER'S FRANCHISE CORPORATION ("we" or "us"), through the use of this Disclosure Acknowledgement Statement, wishes to ascertain that _____ ("Licensee") and its owners fully understand that the execution of a License Agreement for a license to own and operate a BRUEGGER'S BAGELS restaurant is a business decision, complete with associated risks, and that it is our policy to verify that Licensee and its owners are not relying upon any oral, written or visual statements, representations, promises or assurances which we have not authorized. In this document, "you" means Licensee and each of its owners.

You make the following representations to us, and we rely on them in granting you a license. If any statement is not correct, or if you are aware of exceptions to them, note them after #9 below.

1. You recognize and understand that business risks which exist in connection with the ownership, development and operation of any business make the success or failure of the BRUEGGER'S BAGELS restaurant license subject to many variables, including your skills and abilities, competition, interest rates, the economy, inflation, location(s), operation, labor and supply costs, lease terms and costs and the marketplace. Further, you understand that the economic and business factors that exist at the time you open your license may change. You acknowledge that you have conducted an independent investigation of the business venture contemplated by the License Agreement and recognize that the success of the venture involves substantial business risk and will be dependent primarily on your ability as an independent businessperson. You hereby acknowledge your willingness to undertake these business risks.
2. You acknowledge that you received our Franchise Disclosure Document ("FDD") at least 14 days prior to the date you executed the License Agreement or paid us any money for the license. You acknowledge that you have received, had the opportunity to personally read and review, and understand the FDD, License Agreement and attachments. You acknowledge that we have permitted you ample time and opportunity to consult with advisors of your own choosing about the potential benefits and risks associated with operating a BRUEGGER'S BAGELS restaurant license and entering into a License Agreement.
3. You acknowledge that you will independently evaluate and investigate the proposed site(s) for each BRUEGGER'S BAGELS restaurant and the lease or purchase agreement for the site(s). You acknowledge that you bear primary responsibility for selecting the site(s) and negotiating the terms and conditions of your lease(s), sublease(s) or purchase agreement(s) for the site(s).
4. You acknowledge that, although we will provide you with basic drawings and specifications for a BRUEGGER'S BAGELS restaurant, will specify certain furniture, fixtures and equipment, and will maintain certain rights of review and/or approval under our License Agreement with you, we have not made, and you have not received or

relied upon any warranty concerning the BRUEGGER'S BAGELS restaurant(s) or the drawings, specifications, furniture, fixtures and equipment. You acknowledge that you are solely responsible for, and we will have no liability or obligation in connection with, the plans or the construction or conversion remodeling of the BRUEGGER'S BAGELS restaurant(s). You acknowledge that it is solely your responsibility to insure that the construction or conversion remodeling complies with any and all laws, codes or regulations.

- 5. You understand that we and our affiliates have the right to issue licenses for and/or operate businesses that may compete with you, as described in Item 12 of the FDD.
- 6. **Licensee's corrections and/or exceptions to the above statements are as follows:** (If no corrections or exceptions, write "none" and initial.) Attach additional sheets if necessary.

This acknowledgment statement does not waive any liability we may have under the Washington Franchise Investment Protection Act, RCW 19.100, and the rules adopted thereunder.

BRUEGGER'S FRANCHISE CORPORATION

LICENSEE:

By: _____

By: _____

Its: _____

Date: _____

EXHIBIT D**Table of Contents of Operations & Training Manuals**

Summary of Operations and Training Tools	Est. Page Count
Standard Operating Procedure Documents (SOPs) and Forms	150
Food Preparation Procedure Guide: The Prep Guide	100
Food and Nutritional Guide: The Food Guide	144
Catering Operations Manual & Systems Guide	86
Catering Training Guides	40
Catering Recipe Guide	76
Catering Sales Tools & Tactics	68
Counter Training Workbook & Trainer's Guide	63
Baker Training & Certifications Guide	152
Shift Supervisor Training & Certification Guide	111
Bakery Manager Training Workbook & Forms	18
District Manager Training Workbook & Forms	20
	1,028

EXHIBIT E

Sample of Release to be signed when you develop, renew, or transfer a Bakery

GENERAL RELEASE

THIS GENERAL RELEASE ("Release") is executed on _____ by _____

 ("Franchisee") and _____ (collectively, "Guarantors") as a condition of the (1) transfer of the Bruegger's Development Agreement dated _____ ("Development Agreement") between Franchisee and Bruegger's Franchise Corporation. ("Franchisor"); (2) transfer of the Bruegger's Franchise Agreement dated _____ ("Franchise Agreement") between Franchisee and Franchisor; or (3) execution of a Successor Franchise Agreement by Franchisee and Franchisor.

Release by Franchisee and Guarantors. Franchisee (if Franchisee is an entity, on behalf of itself and its parent, subsidiaries and affiliates and their respective past and present officers, directors, shareholders, agents and employees, in their corporate and individual capacities and, if Franchisee is an individual, on behalf of himself/herself and his/her heirs, representatives, successors and assigns) (collectively, "Releasers") and Guarantors hereby release and forever discharge Franchisor, its predecessors, parents, subsidiaries, and affiliates and their respective officers, directors, shareholders, employees, successors, and assigns, past and present, from any claims, debts, liabilities, demands, obligations, actions, and causes of action, known or unknown, vested or contingent, which any of them may have ever had, now has, or may hereafter have by reason of any event, transaction, or circumstance arising out of or relating to the Franchise Agreement, the Development Agreement or the relationship of the parties thereto (collectively, "Claims") unless prohibited by applicable law, but excluding claims based on any representation made by Franchisor in the most recent Franchise Disclosure Document (including its exhibits and amendments) that Franchisor delivered to Franchisee or its representative in connection with the offer and sale of the Franchise Agreement or Development Agreement.

[For California franchisees, add: Each of the Releasers and Guarantors expressly waive and relinquish all rights and benefits which they may now have or in the future have under and by virtue of California Civil Code Section 1542. The Releasers and Guarantors do so understanding the significance and consequence of such specific waiver. Section 1542 provides that "[a] general release does not extend to claims which the creditor does not know or suspect exist in his favor at the time of executing the release, which if known by him must have materially affected his settlement with the debtor." For the purpose of implementing a general release and discharge as described herein, the Releasers and Guarantors expressly acknowledge that this agreement is intended to include in its effect, without limitation, all claims which the Releasers and Guarantors do not know or suspect to exist in their favor at the time of execution hereof, and that this agreement contemplates the extinguishment of any such claims.]

Risk of Changed Facts. Franchisee and Guarantors understand that the facts in respect of which the release in Section 1 is given may turn out to be different from the facts now known or believed by them to be true. Franchisee and Guarantors hereby accept and assume the risk of the facts turning out to be different and agree that the release in Section 1 shall nevertheless be effective in all respects and not subject to termination or rescission by virtue of any such difference in facts.

No prior Assignment. Franchisee and Guarantors represent and warrant that they are the sole owners of all Claims and rights released in Section 1 and that they have not assigned or

transferred, or purported to assign or transfer, to any person or entity, any Claim released under Section 1.

Covenant Not to Sue. Franchisee and Guarantors (on behalf of Releasors) covenant not to initiate, prosecute, encourage, assist, or (except as required by law) participate in any civil, criminal, or administrative proceeding or investigation in any court, agency, or other forum, either affirmatively or by way of cross-claim, defense, or counterclaim, against any person or entity released under Section 1 with respect to any Claim released under Section 1.

Complete Defense. Franchisee and Guarantors: (a) acknowledge that the release in Section 1 shall be a complete defense to any Claim released under Section 1; and (b) consent to the entry of a temporary or permanent injunction to prevent or end the assertion of any such Claim.

Successors and Assigns. This Release will inure to the benefit of and bind the successors, assigns, heirs and personal representatives of Franchisor, Releasors and Guarantors.

Capitalized Terms. Any capitalized terms that are not defined in this Release shall have the meaning given them in the Development Agreement or the Franchise Agreement, as the context requires.

This general release does not apply with respect to claims arising under the Washington Franchise Investment Protection Act, RCW 19.100, and the rules adopted thereunder.

IN WITNESS WHEREOF, Franchisee and Guarantors have executed this Release as of the date shown above.

ATTEST:

By: _____

Print Name: _____

FRANCHISEE:

By: _____

Print Name: _____

Title: _____

Date: _____

WITNESS:

By: _____

Print Name: _____

GUARANTOR:

By: _____

Print Name: _____

Date: _____

WITNESS:

By: _____

Print Name: _____

GUARANTOR:

By: _____

Print Name: _____

Date: _____

EXHIBIT F

FRANCHISED AND LICENSED OUTLETS AS OF DECEMBER 26, 2023

COMPANY OWNED OUTLETS AS OF DECEMBER 26, 2023

FRANCHISES THAT LEFT THE SYSTEM DURING 2023

EXHIBIT F TO FRANCHISE DISCLOSURE DOCUMENT**Bruegger's Bagels – Franchisees**
(as of December 26, 2023)

Store Number	Bruegger's Bagels Franchisees	Street Address	City	State	Zip	Phone Number
4101	Tucson Bagel Co., LLC.	1064 North Campbell Avenue	Tucson	AZ	85719	(520) 325-4567
4102	Tucson Bagel Co., LLC.	7127 East Tanque Verde	Tucson	AZ	85715	(520) 885-0123
4107	Tucson Bagel Co., LLC.	3843 East Broadway Boulevard	Tucson	AZ	85716	(520) 323-0033
4113	Tucson Bagel Co., LLC.	5665 North Swan Road	Tucson	AZ	85718	(520) 529-7424
4116	Tucson Bagel Co., LLC.	88 West River Road	Tucson	AZ	85704	(520) 292-2111
4119	Tucson Bagel Co., LLC.	6165 East Broadway Boulevard	Tucson	AZ	85711	(520) 745-0800
4125	Tucson Bagel Co., LLC.	11165 North LaCanada, Suite 161	Tucson	AZ	85737	(520) 575-0651
4140	Tucson Bagel Co., LLC.	8140 South Houghton Road	Tucson	AZ	85747	(520) 664-1600
4163	Delaware North	7250 S Tucson Blvd	Tucson	AZ	85756	(888) 822-5379
4110	Pacific Bagel Partners, L.P.	26921 Aliso Creek Road	Aliso Viejo	CA	92656	(949) 360-8217
4117	Pacific Bagel Partners, L.P.	2435 East Imperial Highway	Brea	CA	92821	(714) 529-6492
4122	Pacific Bagels, LLC.	7680 Camino Real, 102	Carlsbad	CA	92009	(760) 632-1432
4108	Pacific Bagel Partners, L.P.	2743 East Pacific Coast Highway	Corona del Mar	CA	92625	(949) 723-4485
4111	Pacific Bagels, LLC.	1305 Orange Avenue	Coronado	CA	92118	(619) 435-3900
4118	Pacific Bagel Partners, L.P.	15346 Alton Parkway	Irvine	CA	92612	(949) 788-0800
4134	Orange County Bagel Partners L.P.	3991 Irvine Boulevard	Irvine	CA	92602	(714) 669-1308
4121	Pacific Bagel Partners, L.P.	27702 Crown Valley Parkway, F3	Ladera Ranch	CA	92694	(949) 347-2470
4105	Pacific Bagel Partners, L.P.	4678 Campus Drive	Newport Beach	CA	92660	(949) 852-9480
4123	Pacific Bagel Partners, L.P.	22361 Antonio Parkway, E110	Rancho Santa Margarita	CA	92688	(949) 589-1790
	Pacific Bagels, LLC	6735 Mira Mesa Blvd	San Diego	CA	92121	(858) 546-0916
4104	Pacific Bagels, LLC.	1886 Garnet Avenue	San Diego	CA	92109	(858) 273-3836
4120	Pacific Bagels, LLC.	10625 Scripps Poway Parkway, Suite B	San Diego	CA	92131	(858) 577-0300
4137	Pacific Bagels, LLC.	655 West Broadway	San Diego	CA	92101	(619) 696-9390
4145	Pacific Bagels, LLC.	1080 B Street	San Diego	CA	92101	(619) 546-8060
4103	Pacific Bagel Partners, L.P.	2811 West MacArthur Boulevard Suite 3-E	Santa Ana	CA	92704	(714) 557-3855

Store Number	Bruegger's Bagels Franchisees	Street Address	City	State	Zip	Phone Number
4115	Pacific Bagel Partners, L.P.	2262 East 17th	Santa Ana	CA	92705	(714) 547-5369
4135	Orange County Bagel Partners L.P.	39584 Winchester Road	Temecula	CA	92590	(951) 506-5860
4106	Colorado Bagel Co., LLC.	2000 South University Boulevard	Denver	CO	80210	(303) 777-7600
4109	Colorado Bagel Co., LLC.	817 17th Street, Bank Lofts Building	Denver	CO	80202	(303) 675-0606
4136	Colorado Bagel Co., LLC.	180 South Union Boulevard	Lakewood	CO	80228	(303) 989-9393
4139	Five Star Equity Partners	263-275 Boston Post Road	Orange	CT	06477	(203) 795-1300
4142	S.S.S. Properties, LLC.	501 E Kennedy Boulevard	Tampa	FL	33602	(813) 402-2989
4150	LB Group, LLC.	119 Breckenridge Lane	Louisville	KY	40207	(502) 618-1158
4131	AL Enterprises	3450 Pilot Knob Road	Eagan	MN	55122	(651) 688-0400
4146	Lucky Seven Bagel Co., LLC.	16528 West 78th Street	Eden Prairie	MN	55346	(952) 974-9777
6357	Jon Boyde*	Minneapolis International Airport	Minneapolis	MN	55111	(612) 726-5555
4154	Lucky Seven Bagel Co., LLC.	4781 Country Road 101	Minnetonka	MN	55345	(952) 238-1388
	Areas Aero MSP JV, LLC	4300 Glumack Drive	St. Paul	MN	55111	(305) 267-8510
4126	Danjul, Inc.	760 West Williams Street	Apex	NC	27502	(919) 367-7720
4099	Blue Ridge Investment Partners, LLC.	160 Hendersonville Road	Asheville	NC	28804	(828) 277-1070
4100	Blue Ridge Investment Partners, LLC.	671 Merrimon Avenue	Asheville	NC	28804	(828) 254-1560
4132	Carolina Bagels, LLC.	8204 Tryon Woods Drive	Cary	NC	27511	(919) 851-0906
4147	Carolina Bagels, LLC.	4104 Surles Court, Suite 3	Durham	NC	27703	(919) 941-6306
4127	Kshipra Inc.	10750 Wakefield Commons Drive, Suite 111	Raleigh	NC	27614	(919) 453-2700
4129	Carolina Bagels, LLC.	8211-103 Brier Creek Parkway	Raleigh	NC	27617	(919) 484-8262
4141	LECM, LLC.	5300 Riverside Drive Main Terminal Conco	Cleveland	OH	44135	(216) 265-8459
4133	North Coast Bakeries, Inc.	4425 West Dublin Granville Road	Dublin	OH	43017	(614) 761-3730
4143	North Coast Bakeries, Inc.	1621 Lane Avenue	Upper Arlington	OH	43221	(614) 486-7500
4162	NYIC, Inc.	Terminal A West 8000 Essington Ave	Philadelphia	PA	19153	(215) 365-4819
4130	ColaTown Bagels, LLC	4601 Forest Drive	Columbia	SC	29206	(803) 738-8112
4144	ColaTown Bagels, LLC	945 Lake Murray Boulevard	Irmo	SC	29063	(803) 749-3000
4149	Saltworks Ventures, Inc.	3267 Bee Caves Road, Suite 105	Austin	TX	78746	(512) 394-7174
4155	POP Restaurants/Four Leaf Ventures	Love Field Terminal Building 8008 Cedar	Dallas	TX	75235	(972) 629-9255
4152	VA Tech University	Room 210 - Turner Place - Lavery Hall (M	Blacksburg	VA	24061	(540) 231-2985

* This is a licensed location in a Non-Traditional Facility.

None of these franchisees are also area developers.

Bruegger's Bagels
Company-Owned Restaurants
(as of December 26, 2023)

Store Number	Street Address	City	State	Zip	Phone Number
3829	2000 Cecil Ashburn Drive	Huntsville	AL	35802	(256) 650-3755
3834	347 Hughes Road Unit C	Madison	AL	35758	(256) 258-0880
3733	51 E Main St	Avon	CT	06001	(860) 674-1755
3753	2801 Main St	Glastonbury	CT	06033	(860) 659-4540
3803	1 Whitney Avenue	New Haven	CT	06510	(203) 773-3199
3818	817 Bridgeport Ave	Shelton	CT	06484	(203) 925-9377
3805	900 C White Plains Road	Trumbull	CT	06611	(203) 459-9156
3715	1 S Main St	W Hartford	CT	06107	(860) 236-9565
3835	970 No. Colony Rd, Building G	Wallingford	CT	06492	(203) 269-5666
3789	1216 North Monroe Street	Tallahassee	FL	32303	(850) 224-1409
3859	3122 Mahan Drive	Tallahassee	FL	32308	(850) 309-0044
3764	1503 E. Kimberly Road/Middle Road	Bettendorf	IA	52722	(563) 359-4540
3717	3310 Mt Vernon Rd SE	Cedar Rapids	IA	52403	(319) 364-6964
3855	4870 1st Avenue NE	Cedar Rapids	IA	52402	(319) 447-1029
3724	1650 86th St, NW	Clive	IA	50325	(515) 225-4444
3730	404 1st Avenue	Coralville	IA	52241	(319) 337-2243
3747	3730 Ingersoll Ave	Des Moines	IA	50312	(515) 277-4030
3693	245 Iowa Ave	Iowa City	IA	52240	(319) 354-2278
3865	708 S Riverside Dr.	Iowa City	IA	52246	(319) 333-0019
3861	3087 Terminal Drive Concourse B, Space B-026	Hebron	KY	41048	(859) 767-5812
3694	170 N Pleasant St	Amherst	MA	01002	(413) 253-5713
3703	2050 Commonwealth Ave	Auburndale	MA	02466	(617) 964-9508
3866	158-K Great Rd	Bedford	MA	01730	(781) 778-2927
3708	41 Leonard St	Belmont	MA	02478	(617) 484-4655
3719	375 Longwood Ave	Boston	MA	02215	(617) 731-8993
3788	7 School Street	Boston	MA	02108	(617) 367-4702
3749	253 Harvard St	Brookline	MA	02446	(617) 566-3983
3713	667A VFW Parkway	Chestnut Hill	MA	02467	(617) 327-6465
3801	360 Granite Avenue	East Milton	MA	02186	(617) 698-6154
3776	211 Lincoln Street	Hingham	MA	02043	(781) 740-4871
3711	413 Waltham St	Lexington	MA	02421	(781) 674-2040
3808	496 Main Street	Melrose	MA	02176	(781) 665-1913
3802	600 Main Street	Winchester	MA	01890	(781) 721-2204
3746	709 N University Ave	Ann Arbor	MI	48104	(734) 747-8561
3751	2260 S Main St	Ann Arbor	MI	48103	(734) 213-2560
3858	39568 N. Woodward Ave	Bloomfield Hills	MI	48304	(248) 723-5080
3810	505 East Grand River Avenue	East Lansing	MI	48823	(517) 332-9940

Store Number	Street Address	City	State	Zip	Phone Number
3748	1398 Walton Boulevard	Rochester Hills	MI	48309	(248) 650-5166
3793	201 South Main Street	Royal Oak	MI	48067	(248) 541-9899
3731	7745 150th St W	Apple Valley	MN	55124	(952) 891-2422
3827	12525 Ulysses St, Suite 100	Blaine	MN	55434	(763) 862-7830
3785	7801 Southtown Center	Bloomington	MN	55431	(952) 703-0443
3799	2149A Cliff Road	Eagan	MN	55122	(651) 405-8895
3823	9641 Anderson Lakes Parkway	Eden Prairie	MN	55344	(952) 829-9532
3699	4412 France Ave S	Edina	MN	55410	(952) 927-9446
3800	7101 France Avenue	Edina	MN	55435	(952) 926-2696
3863	13384 Bass Lake Road, Suite #104	Maple Grove	MN	55311	(763) 416-4750
3732	651 Nicollet Mall, #139	Minneapolis	MN	55402	(612) 339-3311
3783	4554 Nicollet Avenue South	Minneapolis	MN	55419	(612) 822-5401
3806	228 East Hennepin Avenue	Minneapolis	MN	55414	(612) 617-9617
3815	720 Washington Avenue SE	Minneapolis	MN	55414	(612) 378-2145
3705	3558 Winnetka Ave N	New Hope	MN	55427	(763) 545-6783
3763	111 Village Center Drive	North Oaks	MN	55127	(651) 486-7135
3772	4000 Annapolis Lane	Plymouth	MN	55447	(763) 553-9893
3830	155 1st Avenue SW	Rochester	MN	55902	(507) 424-4777
3779	2712 Lincoln Drive	Roseville	MN	55113	(651) 635-0185
3817	1650 Park Place Blvd	St. Louis Park	MN	55416	(952) 545-0398
3700	800 Grand Ave	St. Paul	MN	55105	(651) 221-1909
3795	2133 Hudson Road, Suite 3	St. Paul	MN	55119	(651) 578-0580
3819	1970 Market Dr	Stillwater	MN	55082	(651) 439-3090
3822	1179A E Wayzata Blvd	Wayzata	MN	55391	(952) 476-6587
3777	8320 City Centre Dr., Suite A	Woodbury	MN	55125	(651) 735-7711
3771	4212 NW Cary Parkway	Cary	NC	27513	(919) 463-5563
3710	1800 East Franklin Street	Chapel Hill	NC	27514	(919) 929-5524
3787	4327 Park Road; Bldg #25	Charlotte	NC	28209	(704) 525-5295
3831	8706 Pineville-Matthews Road	Charlotte	NC	28226	(704) 367-0737
3775	20619 Torrence Chapel Road	Cornelius	NC	28031	(704) 896-3199
3695	626 Ninth St	Durham	NC	27705	(919) 286-4900
3765	1831 & 1833 Martin Luther King Parkway	Durham	NC	27707	(919) 401-3700
3813	3116 West Friendly Avenue	Greensboro	NC	27401	(336) 547-0510
3820	3211 Battleground Avenue	Greensboro	NC	27408	(336) 288-1030
3773	1905 Matthews Township Parkway	Matthews	NC	28105	(704) 849-7222
3698	2302 Hillsborough St	Raleigh	NC	27607	(919) 828-7103
3739	2231 Avent Ferry Rd	Raleigh	NC	27606	(919) 828-1416
3750	7550 Creedmoor Road	Raleigh	NC	27613	(919) 848-4902
3760	9704 Strickland Road	Raleigh	NC	27615	(919) 846-0183
3761	106 South Sharon Amity Road	Raleigh	NC	28211	(704) 367-0737

Store Number	Street Address	City	State	Zip	Phone Number
3755	4015 Dodge St	Omaha	NE	68131	(402) 558-0800
3757	228 N 114th St	Omaha	NE	68154	(402) 697-7888
3792	12989 West Center Road	Omaha	NE	68144	(402) 333-8886
3876	1770 Central Avenue	Albany	NY	12205	(518) 464-0363
3878	98 Wolf Road	Albany	NY	12205	(518) 438-5014
3868	19 Clifton Country Rd	Clifton Park	NY	12065	(518) 383-5814
3891	3065 Erie Boulevard	DeWitt	NY	13224	(315) 449-2528
3870	279 Troy Road	East Greenbush	NY	12144	(518) 283-2219
3887	585 Mosley Road	Fairport	NY	14450	(585) 223-0450
3892	112 East Seneca Street	Manlius	NY	13104	(315) 682-2575
3894	5198 West Taft Road	N. Syracuse	NY	13212	(315) 396-0371
3885	1601 Penfield Road	Penfield	NY	14625	(585) 264-0550
3879	707-709 Pittsford Victor Road	Pittsford	NY	14534	(585) 264-0060
3882	3177 Latta Road	Rochester	NY	14612	(585) 227-8030
3883	2951 Monroe Avenue	Rochester	NY	14618	(585) 697-0158
3884	548 Monroe Avenue	Rochester	NY	14607	(585) 256-3410
3889	3333 West Henrietta Road	Rochester	NY	14623	(585) 424-6110
3875	1634 Union Street	Schenectady	NY	12309	(518) 393-8667
3893	333 Nottingham Road	Syracuse	NY	13210	(315) 446-3934
3874	55 Congress Street	Troy	NY	12180	(518) 274-4469
3880	1950 Empire Boulevard	Webster	NY	14580	(585) 671-0720
3729	24215 Chagrin Blvd	Beachwood	OH	44122	(216) 595-9915
3736	9590 Kenwood Rd	Blue Ash	OH	45242	(513) 984-5111
3770	7322 Chippewa Road	Brecksville	OH	44141	(440) 717-0028
3735	3842 Paxton Rd	Cincinnati	OH	45209	(513) 533-0900
3743	3317 Clifton Ave	Cincinnati	OH	45220	(513) 221-2243
3759	7005 Miami Ave	Cincinnati	OH	45243	(513) 272-1101
3851	3515 Columbia Parkway	Cincinnati	OH	45226	(513) 321-4400
3786	12443 Cedar Road	Cleveland Heights	OH	44106	(216) 321-8933
3840	1630 Neil Avenue	Columbus	OH	43201	(614) 429-6042
3737	3737 W Market St, Unit C	Fairlawn	OH	44333	(330) 665-1050
3812	84 West Streetsboro Street	Hudson	OH	44236	(330) 342-4708
3742	9210 Mentor Ave	Mentor	OH	44060	(440) 974-9350
3769	4963 Darrow Road	Stow	OH	44224	(330) 342-4333
3734	15035 Pearl Rd	Strongsville	OH	44136	(440) 572-4646
3738	30155 Detroit Rd	Westlake	OH	44145	(440) 892-1250
3797	5900 SOM Center Road	Willoughby	OH	44094	(440) 944-8865
3782	5213 Library Road	Bethel Park	PA	15102	(412) 833-9381
3781	1134 Thorn Run Rd. Extension	Coraopolis	PA	15108	(412) 264-2243
3718	1719 Murray Ave	Pittsburgh	PA	15217	(412) 422-2814

Store Number	Street Address	City	State	Zip	Phone Number
3726	1644 Cochran Rd	Pittsburgh	PA	15220	(412) 561-5560
3727	4885 McKnight Rd	Pittsburgh	PA	15237	(412) 369-7138
3740	531 Grant St	Pittsburgh	PA	15219	(412) 471-9249
3744	429 4th Ave	Pittsburgh	PA	15219	(412) 434-0188
3778	806 South Aiken Ave.	Pittsburgh	PA	15232	(412) 621-2335
3811	1801 East Carson Street	Pittsburgh	PA	15203	(412) 381-2833
3860	Pittsburgh Int'l Airport Space SE-10A/B	Pittsburgh	PA	15231	(412) 472-0693
3745	422 Beaver St	Sewickley	PA	15143	(412) 741-3069
3768	330 Franklin Road	Brentwood	TN	37027	(615) 661-5668
3758	5311 Harding Rd	Nashville	TN	37205	(615) 352-1128
3857	499 Canal St Unit 8	Brattleboro	VT	05301	(802) 254-2763
3791	1043 East Summit Avenue	Oconomowoc	WI	53066	(262) 569-8043
3790	8340 West Bluemound Road	Wauwatosa	WI	53213	(414) 443-1303
3728	601 E Silver Spring Drive	Whitefish Bay	WI	53217	(414) 964-4600

Bruegger's Bagels – Former Franchisees and Area Developers
 (during the period from December 28, 2022 through December 26, 2023)

Former Franchisee	Street Address	City	State	Zip	Phone Number
Navy Bagels LP	32nd St. San Diego Naval Base Robertson Street BLD 3405 San Diego, CA 92136	San Diego	CA	92136	757-631-3590
J.Q. Enterprises, Inc.	1025 Airside Drive Suite 2101	Raleigh	NC	27623	(919) 384-3410

EXHIBIT G

List of State Administrators; Agents for Service of Process

LIST OF STATE ADMINISTRATORS

We intend to register our franchise offering in some or all of the following states, if required by the applicable state laws. If and when we pursue franchise registration (or otherwise comply with the franchise investment laws) in these states, the following are the state administrators responsible for the review, registration, and oversight of franchises in these states:

<p>CALIFORNIA Commissioner of Financial Protection and Innovation Department of Financial Protection and Innovation 320 West Fourth Street, Suite 750 Los Angeles, California 90013-2344 (213) 576-7500 Toll Free: (866) 275-2677</p>	<p>NEW YORK New York State Department of Law Investor Protection Bureau 28 Liberty Street, 21st Floor New York, New York 10005 (212) 416-8285</p>
<p>HAWAII Commissioner of Securities of the State of Hawaii Department of Commerce & Consumer Affairs Business Registration Division Securities Compliance Branch 335 Merchant Street, Room 205 Honolulu, Hawaii 96813 (808) 586-2722</p>	<p>NORTH DAKOTA North Dakota Securities Department State Capitol Department 414 600 East Boulevard Avenue, Fifth Floor Bismarck, North Dakota 58505-0510 (701) 328-4712</p>
<p>ILLINOIS Illinois Office of the Attorney General Franchise Bureau 500 South Second Street Springfield, Illinois 62706 (217) 782-4465</p>	<p>RHODE ISLAND Department of Business Regulation Securities Division, Building 69, First Floor John O. Pastore Center 1511 Pontiac Avenue Cranston, Rhode Island 02920 (401) 462-9527</p>
<p>INDIANA Secretary of State Franchise Section 302 West Washington, Room E-111 Indianapolis, Indiana 46204 (317) 232-6681</p>	<p>SOUTH DAKOTA Division of Insurance Securities Regulation 124 South Euclid Avenue, 2nd Floor Pierre, South Dakota 57501 (605) 773-3563</p>
<p>MARYLAND Office of the Attorney General Securities Division 200 St. Paul Place Baltimore, Maryland 21202-2020 (410) 576-6360</p>	<p>VIRGINIA State Corporation Commission Division of Securities and Retail Franchising 1300 East Main Street, 9th Floor Richmond, Virginia 23219 (804) 371-9051</p>
<p>MICHIGAN Michigan Attorney General's Office Corporate Oversight Division, Franchise Section 525 West Ottawa Street G. Mennen Williams Building, 1st Floor Lansing, Michigan 48913 (517) 335-7567</p>	<p>WASHINGTON Department of Financial Institutions Securities Division – 3rd Floor 150 Israel Road, Southwest Tumwater, Washington 98501 (360) 902-8760</p>
<p>MINNESOTA Minnesota Department of Commerce 85 7th Place East, Suite 280 St. Paul, Minnesota 55101 (651) 539-1600</p>	<p>WISCONSIN Division of Securities 4822 Madison Yards Way, North Tower Madison, Wisconsin 53705 (608) 266-2139</p>

AGENTS FOR SERVICE OF PROCESS

We intend to register our franchise offering in some or all of the following states, if required by the applicable state law. If and when we pursue franchise registration (or otherwise comply with the franchise investment laws) in these states, we will designate the following state offices or officials as our agents for service of process in these states:

<p>CALIFORNIA Commissioner of Financial Protection and Innovation Department of Financial Protection and Innovation 320 West Fourth Street, Suite 750 Los Angeles, California 90013-2344 (213) 576-7500 Toll Free: (866) 275-2677</p>	<p>NEW YORK New York Secretary of State New York Department of State One Commerce Plaza, 99 Washington Avenue, 6th Floor Albany, New York 12231-0001 (518) 473-2492</p>
<p>HAWAII Commissioner of Securities of the State of Hawaii Department of Commerce & Consumer Affairs Business Registration Division Securities Compliance Branch 335 Merchant Street, Room 205 Honolulu, Hawaii 96813 (808) 586-2722</p>	<p>NORTH DAKOTA North Dakota Securities Commissioner State Capitol 600 East Boulevard Avenue, Fifth Floor Bismarck, North Dakota 58505-0510 (701) 328-4712</p>
<p>ILLINOIS Illinois Attorney General 500 South Second Street Springfield, Illinois 62706 (217) 782-4465</p>	<p>RHODE ISLAND Director of Department of Business Regulation Department of Business Regulation Securities Division, Building 69, First Floor John O. Pastore Center 1511 Pontiac Avenue Cranston, Rhode Island 02920 (401) 462-9527</p>
<p>INDIANA Secretary of State Franchise Section 302 West Washington, Room E-111 Indianapolis, Indiana 46204 (317) 232-6681</p>	<p>SOUTH DAKOTA Division of Insurance Director of the Securities Regulation 124 South Euclid Avenue, 2nd Floor Pierre, South Dakota 57501 (605) 773-3563</p>
<p>MARYLAND Maryland Securities Commissioner 200 St. Paul Place Baltimore, Maryland 21202-2020 (410) 576-6360</p>	<p>VIRGINIA Clerk of the State Corporation Commission 1300 East Main Street, 1st Floor Richmond, Virginia 23219 (804) 371-9733</p>
<p>MICHIGAN Michigan Attorney General's Office Corporate Oversight Division, Franchise Section 525 West Ottawa Street G. Mennen Williams Building, 1st Floor Lansing, Michigan 48913 (517) 335-7567</p>	<p>WASHINGTON Director of Department of Financial Institutions Securities Division – 3rd Floor 150 Israel Road, Southwest Tumwater, Washington 98501 (360) 902-8760</p>
<p>MINNESOTA Commissioner of Commerce Minnesota Department of Commerce 85 7th Place East, Suite 280 St. Paul, Minnesota 55101 (651) 539-1600</p>	<p>WISCONSIN Division of Securities 4822 Madison Yards Way, North Tower Madison, Wisconsin 53705 (608) 266-2139</p>

EXHIBIT H

**ADDITIONAL STATE-REQUIRED INFORMATION AND
STATE REQUIRED CONTRACT ADDENDA**

INFORMATION REQUIRED BY THE STATE OF CALIFORNIA

THE CALIFORNIA FRANCHISE INVESTMENT LAW REQUIRES THAT A COPY OF ALL PROPOSED AGREEMENTS RELATING TO THE SALE OF THE FRANCHISE BE DELIVERED TOGETHER WITH THE DISCLOSURE DOCUMENT.

SEE THE COVER PAGE OF THE DISCLOSURE DOCUMENT FOR OUR WEB SITE ADDRESS, OUR WEBSITE HAS NOT BEEN REVIEWED OR APPROVED BY THE CALIFORNIA DEPARTMENT OF FINANCIAL PROTECTION AND INNOVATION. ANY COMPLAINTS CONCERNING THE CONTENTS OF THIS WEBSITE MAY BE DIRECTED TO THE CALIFORNIA DEPARTMENT OF FINANCIAL PROTECTION AND INNOVATION AT WWW.DPFI.CA.GOV.

Item 3, Additional Disclosure.

Neither we, nor any person identified in Item 2 above, is subject to any currently effective order of any national securities association or national securities exchange (as defined in the Securities and Exchange Act of 1934, 15 U.S.C. § 78a, et seq.) suspending or expelling such person from membership in such association or exchange.

Item 5, Additional Disclosure.

The California Department of Financial Protection and Innovation has determined that we, the franchisor, have not demonstrated we are adequately capitalized and/or that we must rely on franchise fees to fund our operations. The Commissioner has imposed a fee deferral condition, which requires that we defer the collection of all initial fees from California franchisees until we have completed all of our pre-opening obligations and you are open for business. For California franchisees who sign a development agreement, the payment of the development and initial fees attributable to a specific unit in your development schedule is deferred until that unit is open.

Item 17, Additional Disclosures.

California Business and Professions Code Sections 20000 through 20043 provide rights to the franchisee concerning termination, transfer or non-renewal of a franchise. If the Franchise Agreement and/or Development Agreement includes a provision that is inconsistent with the law, the law will control.

The Franchise Agreement and the Development Agreement provide for termination upon bankruptcy. This provision may not be enforceable under federal bankruptcy law (11 U.S.C. § 101, et seq.).

The Franchise Agreement and the Development Agreement contain a covenant not to compete which extends beyond the termination of the agreements. This provision may not be enforceable under California law.

The Franchise Agreement contains a liquidated damages clause. Under California Civil Code § 1671, certain liquidated damages clauses are unenforceable.

The Franchise Agreement and the Development Agreement require application of the laws of the State of Colorado. This provision may not be enforceable under California law.

The Franchise Agreement, License Agreement, and Development Agreement contain a provision requiring you to waive your right to punitive or exemplary damages against the Franchisor or any of its representatives, limiting your recovery to actual damages. Under California Corporations Code section 31512, these provisions may not be enforceable in California for any claims you may have under the California Franchise Investment Law.

The Franchise Agreement and Development Agreement contain a venue provision for litigation. This provision may not be enforceable under California law.

You must sign a general release if you transfer area development rights or renew or transfer the franchise. These provisions may not be enforceable under California law. California Corporations Code Section 31512 voids a waiver of your rights under the California Franchise Investment Law (California Corporations Code Sections 31000 through 31516). Business and Professional Code Section 21000 voids a waiver of your rights under the California Franchise Relations Act (Business and Professions Code Sections 20000 through 20043).

Section 31125 of the California Corporations Code requires us to give you a disclosure document, in a form containing the information that the commissioner may by rule or order require, before a solicitation of a proposed material modification of an existing franchise.

The registration of this franchise offering by the California Department of Financial Protection and Innovation does not constitute approval, recommendation, or endorsement by the commissioner.

CALIFORNIA ADDENDUM TO THE FRANCHISE AGREEMENT, LICENSE AGREEMENT AND DEVELOPMENT AGREEMENT

FRANCHISOR and FRANCHISEE have signed a Franchise Agreement or License Agreement or Area Development Agreement for a franchise to be located in California. This Addendum reflects provisions of California law.

1. The California Department of Financial Protection and Innovation has determined that we, the franchisor, have not demonstrated we are adequately capitalized and/or that we must rely on franchise fees to fund our operations. The Commissioner has imposed a fee deferral condition, which requires that we defer the collection of all initial fees from California franchisees until we have completed all of our pre-opening obligations and you are open for business. For California franchisees who sign a development agreement, the payment of the development and initial fees attributable to a specific unit in your development schedule is deferred until that unit is open.

2. No disclaimer, questionnaire, clause, or statement signed by a franchisee or prospective franchisee in connection with the commencement of the franchise relationship shall be construed or interpreted as waiving any claim of fraud in the inducement, whether common law or statutory, or as disclaiming reliance on or the right to rely upon any statement made or information provided by any franchisor, broker or other person acting on behalf of the franchisor that was a material inducement to a franchisee's investment. This provision supersedes any other or inconsistent term of any document executed in connection with the franchise.

3. This Addendum will have effect only if the Franchise Agreement or License Agreement or Area Development Agreement and/or the relationship between FRANCHISOR and FRANCHISEE satisfy all of the jurisdictional requirements of the California Franchise Investment Law, without considering this Addendum. Except as expressly modified by this Addendum, the Franchise Agreement or License Agreement or Area Development Agreement remains unmodified and in full force and effect.

BRUEGGER'S FRANCHISE CORPORATION

FRANCHISEE [print company name]:

By: _____

By: _____

Title: _____

Print Name: _____

Title: _____

**INFORMATION REQUIRED
BY THE STATE OF HAWAII**

This Addendum relates to franchises sold in the State of Hawaii and is intended to comply with Hawaii statutes and regulations.

THE FRANCHISES WILL BE/HAVE BEEN FILED UNDER THE FRANCHISE INVESTMENT LAW OF THE STATE OF HAWAII. FILING DOES NOT CONSTITUTE APPROVAL, RECOMMENDATION OR ENDORSEMENT BY THE DIRECTOR OF COMMERCE AND CONSUMER AFFAIRS OR A FINDING BY THE DIRECTOR OF COMMERCE AND CONSUMER AFFAIRS THAT THE INFORMATION PROVIDED HEREIN IS TRUE, COMPLETE AND NOT MISLEADING.

THE FRANCHISE INVESTMENT LAW MAKES IT UNLAWFUL TO OFFER OR SELL ANY FRANCHISE IN THE STATE WITHOUT FIRST PROVIDING TO THE PROSPECTIVE FRANCHISEE, OR SUBFRANCHISOR, AT LEAST SEVEN DAYS PRIOR TO THE EXECUTION BY THE PROSPECTIVE FRANCHISEE, OF ANY BINDING FRANCHISE OR OTHER AGREEMENT, OR AT LEAST SEVEN DAYS PRIOR TO THE PAYMENT OF ANY CONSIDERATION BY THE FRANCHISEE, OR SUBFRANCHISOR, WHICHEVER OCCURS FIRST, A COPY OF THE DISCLOSURE DOCUMENT, TOGETHER WITH A COPY OF ALL PROPOSED AGREEMENTS RELATING TO THE SALE OF THE FRANCHISE.

THIS DISCLOSURE DOCUMENT CONTAINS A SUMMARY ONLY OF CERTAIN MATERIAL PROVISIONS OF THE FRANCHISE AGREEMENT. THE CONTRACT OR AGREEMENT SHOULD BE REFERRED TO FOR A STATEMENT OF ALL RIGHTS, CONDITIONS, RESTRICTIONS AND OBLIGATIONS OF BOTH THE FRANCHISOR AND THE FRANCHISEE.

The name and address of our agent in this state authorized to receive service of process is Commissioner of Securities, Department of Commerce and Consumer Affairs, 335 Merchant Street, Room 205, Honolulu, Hawaii 96813.

INFORMATION REQUIRED BY THE STATE OF ILLINOIS

Cover Page, Additional Disclosures.

THE GOVERNING LAW, VENUE AND JURISDICTION REQUIREMENTS IN THE DISCLOSURE DOCUMENT, THE FRANCHISE AGREEMENT, AND THE DEVELOPMENT AGREEMENT ARE SUBJECT TO THE PROVISIONS OF THE ILLINOIS FRANCHISE DISCLOSURE ACT, AND NOTHING IN THESE DOCUMENTS SHALL BE CONSIDERED A WAIVER OF ANY RIGHT CONFERRED UPON YOU BY THE ILLINOIS FRANCHISE DISCLOSURE ACT.

Item 17, Additional Disclosures.

The conditions under which the Franchise Agreement or Development Agreement can be terminated and your rights upon non-renewal may be affected by Sections 19 and 20 of the Illinois Franchise Disclosure Act.

In conformance with Section 4 of the Illinois Franchise Disclosure Act, any provision in the franchise agreement/license agreement that designates jurisdiction and venue in a forum outside of the State of Illinois is void. However, a franchise agreement/license agreement may provide for arbitration to take place outside of Illinois.

Illinois law governs the Agreement(s).

In conformance with Section 41 of the Illinois Franchise Disclosure Act, any condition, stipulation or provision purporting to bind any person acquiring any franchise to waive compliance with the Illinois Franchise Disclosure Act or any other law of Illinois is void.

No statement, questionnaire or acknowledgement signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of: (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on behalf of the Franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

ILLINOIS ADDENDUM TO THE FRANCHISE AGREEMENT

In recognition of the Illinois Franchise Disclosure Act of 1987 (the "Act"), Illinois Compiled Statutes, Chapter 815, Sections 705/1 to 705/44, the parties agree to modify the Franchise Agreement as follows:

1. Term and Successor Franchise Agreement. Section 3 is amended by adding the following:

If anything in this Section concerning non-renewal is inconsistent with Section 20 of the Act, then the Act shall apply.

2. Default and Termination. Section 16 is amended by adding the following:

If anything in this Section concerning termination is inconsistent with Section 19 of the Act, then the Act shall apply.

3. Governing Law. Section 27.1 is deleted and the following added:

Illinois law governs the Agreement.

4. Jurisdiction and Venue. Section 27.2 is amended by adding the following:

In conformance with Section 4 of the Illinois Franchise Disclosure Act, any provision in the franchise agreement that designates jurisdiction and venue in a forum outside of the State of Illinois is void. However, a franchise agreement may provide for arbitration to take place outside of Illinois.

5. Time Limit on Filing. Section 28 is amended by adding the following:

Any claims arising under the Act shall be commenced within the period of limitation established in Section 27 of the Act.

6. No statement, questionnaire or acknowledgement signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of: (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on behalf of the Franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

7. In conformance with Section 41 of the Illinois Franchise Disclosure Act, any condition, stipulation or provision purporting to bind any person acquiring any franchise to waive compliance with the Illinois Franchise Disclosure Act or any other law of Illinois is void.

BRUEGGER'S FRANCHISE CORPORATION

FRANCHISEE [print company name]:

By: _____

By: _____

Title: _____

Print Name: _____

Title: _____

ILLINOIS ADDENDUM TO THE LICENSE AGREEMENT

In recognition of the Illinois Franchise Disclosure Act of 1987 (the "Act"), Illinois Compiled Statutes, Chapter 815, Sections 705/1 to 705/44, the parties agree to modify the License Agreement as follows:

1. Renewal Term. Section 2.2 is amended by adding the following:

If anything in this Section concerning non-renewal is inconsistent with Section 20 of the Act, then the Act shall apply.

2. Default and Termination. Section 10 is amended by adding the following:

If anything in this Section concerning termination is inconsistent with Section 19 of the Act, then the Act shall apply.

3. Governing Law. Section 14.6 is deleted and the following added:

Illinois law governs the Agreement.

4. Jurisdiction and Venue. Section 14.7 is amended by adding the following:

In conformance with Section 4 of the Illinois Franchise Disclosure Act, any provision in the franchise agreement that designates jurisdiction and venue in a forum outside of the State of Illinois is void. However, a franchise agreement may provide for arbitration to take place outside of Illinois.

5. Time Period for Filing. Section 14.12 is amended by adding the following:

Any claims arising under the Act shall be commenced within the period of limitation established in Section 27 of the Act.

6. Section 12.1 is amended by adding the following: "Notwithstanding the foregoing, nothing in this or any related agreement is intended to disclaim the express representations made in the Franchise Disclosure Document, its exhibits and amendments."

7. No statement, questionnaire or acknowledgement signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of: (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on behalf of the Franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

8. In conformance with Section 41 of the Illinois Franchise Disclosure Act, any condition, stipulation or provision purporting to bind any person acquiring any franchise to waive compliance with the Illinois Franchise Disclosure Act or any other law of Illinois is void.

BRUEGGER'S FRANCHISE CORPORATION

LICENSEE [print company name]:

By: _____

By: _____

Title: _____

Print Name: _____

Title: _____

ILLINOIS ADDENDUM TO THE DEVELOPMENT AGREEMENT

In recognition of the Illinois Franchise Disclosure Act of 1987 (the "Act"), Illinois Compiled Statutes, Chapter 815, Sections 705/1 to 705/44, the parties agree to modify the Development Agreement as follows:

1. Term. Section 2 is amended by adding the following:

If anything in this Section concerning non-renewal is inconsistent with Section 20 of the Act, then the Act shall apply.

2. Default and Termination. Section 9 is amended by adding the following:

If anything in this Section concerning termination is inconsistent with Section 19 of the Act, then the Act shall apply.

3. Governing Law. Section 20.1 is deleted and the following added:

Illinois law governs the Agreement.

4. Jurisdiction and Venue. Section 20.2 is amended by adding the following:

In conformance with Section 4 of the Illinois Franchise Disclosure Act, any provision in the franchise agreement that designates jurisdiction and venue in a forum outside of the State of Illinois is void. However, a franchise agreement may provide for arbitration to take place outside of Illinois.

5. Time Limit on Filing. Section 21 is amended by adding the following:

Any claims arising under the Act shall be commenced within the period of limitation established in Section 27 of the Act.

6. No statement, questionnaire or acknowledgement signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of: (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on behalf of the Franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

7. In conformance with Section 41 of the Illinois Franchise Disclosure Act, any condition, stipulation or provision purporting to bind any person acquiring any franchise to waive compliance with the Illinois Franchise Disclosure Act or any other law of Illinois is void.

BRUEGGER'S FRANCHISE CORPORATION

DEVELOPER [print company name]:

By: _____

By: _____

Title: _____

Print Name: _____

Title: _____

INDIANA ADDENDUM TO THE FRANCHISE AGREEMENT AND LICENSE AGREEMENT

FRANCHISOR and FRANCHISEE have signed a Franchise Agreement or License Agreement for a franchise to be located in Indiana. This Addendum reflects provisions of Indiana law.

1. Pursuant to Section 23.2-2.7-1 of the Indiana Code, it is unlawful for any franchise agreement entered into between any franchisor and a franchisee who is either a resident of Indiana or a nonresident who will be operating a franchise in Indiana to contain any of the following provisions:

(1) Requiring goods, supplies, inventories, or services to be purchased exclusively from the franchisor or sources designated by the franchisor where such goods, supplies, inventories, or services of comparable quality are available from sources other than those designated by the franchisor. However, the publication by the franchisor of a list of approved suppliers of goods, supplies, inventories, or service or the requirement that such goods, supplies, inventories, or services comply with specifications and standards prescribed by the franchisor does not constitute designation of a source nor does a reasonable right of the franchisor to disapprove a supplier constitute a designation. This subdivision does not apply to the principal goods, supplies, inventories, or services manufactured or trademarked by the franchisor.

(2) Allowing the franchisor to establish a franchisor-owned outlet engaged in a substantially identical business to that of the franchisee within the exclusive territory granted the franchisee by the franchise agreement; or, if no exclusive territory is designated, permitting the franchisor to compete unfairly with the franchisee within a reasonable area.

(3) Allowing substantial modification of the franchise agreement by the franchisor without the consent in writing of the franchisee.

(4) Allowing the franchisor to obtain money, goods, services, or any other benefit from any other person with whom the franchisee does business, on account of, or in relation to, the transaction between the franchisee and the other person, other than for compensation for services rendered by the franchisor, unless the benefit is promptly accounted for, and transmitted to the franchisee.

(5) Requiring the franchisee to prospectively assent to a release, assignment, novation, waiver, or estoppel which purports to relieve any person from liability to be imposed by this chapter or requiring any controversy between the franchisee and the franchisor to be referred to any person, if referral would be binding on the franchisee. This subdivision does not apply to arbitration before an independent arbitrator.

(6) Allowing for an increase in prices of goods provided by the franchisor which the franchisee had ordered for private retail consumers prior to the franchisee's receipt of an official price increase notification. A sales contract signed by a private retail consumer shall constitute evidence of each order. Price changes applicable to new models of a product at the time of introduction of such new models shall not be considered a price increase. Price increases caused by conformity to a state or federal law, or the revaluation of the United States dollar in the case of foreign-made goods, are not subject to this subdivision.

(7) Permitting unilateral termination of the franchise if such termination is without good cause or in bad faith. Good cause within the meaning of this subdivision includes any material violation of the franchise agreement.

(8) Permitting the franchisor to fail to renew a franchise without good cause or in bad faith. This chapter shall not prohibit a franchise agreement from providing that the agreement is not renewable upon expiration or that the agreement is renewable if the franchisee meets certain conditions specified in the agreement.

(9) Requiring a franchisee to covenant not to compete with the franchisor for a period longer than three (3) years or in an area greater than the exclusive area granted by the franchise agreement or, in absence of such a provision in the agreement, an area of reasonable size, upon termination of or failure to renew the franchise.

(10) Limiting litigation brought for breach of the agreement in any manner whatsoever.

(11) Requiring the franchisee to participate in any:

(A) advertising campaign or contest;

(B) promotional campaign;

(C) promotional materials; or

(D) display decorations or materials;

at an expense to the franchisee that is indeterminate, determined by a third party, or determined by a formula, unless the franchise agreement specifies the maximum percentage of gross monthly sales or the maximum absolute sum that the franchisee may be required to pay.

(12) If the Agreement contains a provision that is inconsistent with the Indiana Code, the provisions of the Indiana Code will supersede the Agreement.

(13) This Addendum will have effect only if the Franchise Agreement or License Agreement and/or the relationship between FRANCHISOR and FRANCHISEE satisfy all of the jurisdictional requirements of the Indiana Code, without considering this Addendum. Except as expressly modified by this Addendum, the Franchise Agreement or License Agreement remains unmodified and in full force and effect.

BRUEGGER'S FRANCHISE CORPORATION

FRANCHISEE [print company name]:

By: _____

By: _____

Print Name: _____

Title: _____

Title: _____

INFORMATION REQUIRED BY THE STATE OF MARYLAND

Item 17, Additional Disclosures.

The Franchise Agreement and Development Agreement provide for termination upon bankruptcy. This provision may not be enforceable under federal bankruptcy law (11 U.S.C. Section 101 *et seq.*).

The Franchise Agreement and License Agreement require you to sign a general release as a condition of renewal or transfer of the franchise or license. The Development Agreement requires you to sign a general release when you sign a Franchise Agreement to exercise development rights and as a condition of transfer of the development rights.

A franchisee may bring a lawsuit in Maryland for claims arising under the Maryland Franchise Registration and Disclosure Law.

Any claims arising under the Maryland Franchise Registration and Disclosure Law must be brought within three (3) years after the grant of the franchise.

No statement, questionnaire or acknowledgement signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of: (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on behalf of the Franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

Item 22, Additional Disclosure.

Your responses to the Disclosure Acknowledgment Statement (Exhibit D to the Franchise Agreement; Exhibit G to the Development Agreement) do not act as a release, estoppel, or waiver of any liability of the Franchisor under the Maryland Franchise Registration and Disclosure Law.

MARYLAND ADDENDUM TO THE FRANCHISE AGREEMENT

In recognition of the Maryland Franchise Registration and Disclosure Law, Maryland Stat. §§ 14-201 to 14-233, and the Rules and Regulations promulgated thereunder, the parties agree to modify the Franchise Agreement as follows:

1. Releases. The following is added to Section 3.2 (Successor Agreement) and Section 16.5 (Conditions of Our Consent) of the Franchise Agreement:

This release will not apply to any liability under the Maryland Franchise Registration and Disclosure Law.

2. Entire Agreement; Disclosure Statement and Disclaimer. Section 24 and Section 26 are each amended by adding the following:

All representations requiring prospective franchisees to assent to a release, estoppel or waiver of liability are not intended to nor shall they act as a release, estoppel or waiver of any liability incurred under the Maryland Franchise Registration and Disclosure Law.

3. Disclosure Statement and Disclaimer. Section 27 is amended by adding the following new Section 27.3:

27.3. All representations requiring prospective franchisees to assent to a release, estoppel or waiver of liability are not intended to nor shall they act as a release, estoppel or waiver of any liability incurred under the Maryland Franchise Registration and Disclosure Law.

4. Jurisdiction and Venue. Section 28.2 is amended by adding the following:

A franchisee may bring a lawsuit in Maryland for claims arising under the Maryland Franchise Registration and Disclosure Law.

5. Time Limit on Filing. Section 29 is amended by adding the following:

Any claims arising under the Maryland Franchise Registration and Disclosure Law must be brought within 3 years after the grant of the franchise.

6. Acknowledgments. Section 30 is deleted.

7. No statement, questionnaire or acknowledgement signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of: (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on behalf of the Franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

8. This Addendum will have effect only if the Franchise Agreement and/or the relationship between you and BFC satisfy all of the jurisdictional requirements of the Maryland Franchise Registration and Disclosure Law, without considering this Addendum. Except as expressly modified by this Addendum, the Franchise Agreement remains unmodified and in full force and effect.

BRUEGGER'S FRANCHISE CORPORATION

FRANCHISEE [print company name]:

By: _____

By: _____

Print Name: _____

Title: _____

Title: _____

MARYLAND ADDENDUM TO THE LICENSE AGREEMENT

In recognition of the Maryland Franchise Registration and Disclosure Law, Maryland Stat. §§ 14-201 to 14-233, and the Rules and Regulations promulgated thereunder, the parties agree to modify the License Agreement as follows:

1. Releases. The following is added to Section 2.2 (Renewal Term) of the License Agreement:

This release will not apply to any liability under the Maryland Franchise Registration and Disclosure Law.

2. Integration of Agreement; Disclosure Acknowledgement Statement. Section 12 and Exhibit G are each amended by adding the following:

Notwithstanding anything to the contrary in this Agreement, you are not required to waive any of your rights under the Maryland Franchise Registration and Disclosure Law with regard to BFC's prior representations. All representations requiring prospective franchisees to assent to a release, estoppel or waiver of liability are not intended to nor shall they act as a release, estoppel or waiver of any liability incurred under the Maryland Franchise Registration and Disclosure Law.

3. Jurisdiction and Venue. Section 14.7 is amended by adding the following:

A franchisee may bring a lawsuit in Maryland for claims arising under the Maryland Franchise Registration and Disclosure Law.

4. Time Period for Filing. Section 14.12 is amended by adding the following:

Any claims arising under the Maryland Franchise Registration and Disclosure Law must be brought within 3 years after the grant of the franchise.

5. Acknowledgments and Representations. Section 14.17(a) and (d) are deleted.

6. No statement, questionnaire or acknowledgement signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of: (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on behalf of the Franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

7. This Addendum will have effect only if the License Agreement and/or the relationship between you and BFC satisfy all of the jurisdictional requirements of the Maryland Franchise Registration and Disclosure Law, without considering this Addendum. Except as expressly modified by this Addendum, the License Agreement remains unmodified and in full force and effect.

**BRUEGGER'S FRANCHISE
CORPORATION**

LICENSEE [print company name]:

By: _____

By: _____

Print Name: _____

Title: _____

Title: _____

MARYLAND ADDENDUM TO THE DEVELOPMENT AGREEMENT

In recognition of the Maryland Franchise Registration and Disclosure Law, Maryland Stat. §§ 14-201 to 14-233, and the Rules and Regulations promulgated thereunder, the parties agree to modify the Development Agreement as follows:

1. Releases. The following is added to Section 4.2 (Site Selection and Acceptance) and Section 8.5 (Conditions of Our Consent) of the Development Agreement:

This release will not apply to any liability under the Maryland Franchise Registration and Disclosure Law.

2. Entire Agreement; Disclosure Statement and Disclaimer. Section 17 and Section 19 are each amended by adding the following:

All representations requiring prospective franchisees to assent to a release, estoppel or waiver of liability are not intended to nor shall they act as a release, estoppel or waiver of any liability incurred under the Maryland Franchise Registration and Disclosure Law.

3. Jurisdiction and Venue. Section 20.2 is amended by adding the following:

A franchisee may bring a lawsuit in Maryland for claims arising under the Maryland Franchise Registration and Disclosure Law.

4. Time Limit on Filing. Section 21 is amended by adding the following:

Any claims arising under the Maryland Franchise Registration and Disclosure Law must be brought within 3 years after the grant of the franchise.

5. Acknowledgments. Section 22 is deleted.

6. No statement, questionnaire or acknowledgement signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of: (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on behalf of the Franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

7. This Addendum will have effect only if the Development Agreement and/or the relationship between you and BFC satisfy all of the jurisdictional requirements of the Maryland Franchise Registration and Disclosure Law, without considering this Addendum. Except as expressly modified by this Addendum, the Development Agreement remains unmodified and in full force and effect.

**BRUEGGER'S FRANCHISE
CORPORATION**

DEVELOPER [print company name]:

By: _____

By: _____

Title: _____

Print Name: _____

Title: _____

**INFORMATION REQUIRED
BY THE STATE OF MICHIGAN**

Cover Page, Additional Disclosures.

THE STATE OF MICHIGAN PROHIBITS CERTAIN UNFAIR PROVISIONS THAT ARE SOMETIMES IN FRANCHISE DOCUMENTS. IF ANY OF THE FOLLOWING PROVISIONS ARE IN THESE FRANCHISE DOCUMENTS, THE PROVISIONS ARE VOID AND CANNOT BE ENFORCED AGAINST YOU.

Each of the following provisions is void and unenforceable if contained in any documents relating to a franchise:

- (a) A prohibition of the right of a franchisee to join an association of franchisees.
- (b) A requirement that a franchisee assent to a release, assignment, novation, waiver, or estoppel which deprives a franchisee of rights and protections provided in the Michigan Franchise Investment Law. This shall not preclude a franchisee, after entering into a franchise agreement, from settling any and all claims.
- (c) A provision that permits a franchisor to terminate a franchise prior to the expiration of its term except for good cause. Good cause shall include the failure of the franchisee to comply with any lawful provision of the franchise agreement and to cure such failure after being given written notice thereof and a reasonable opportunity, which in no event need be more than 30 days, to cure such failure.
- (d) A provision that permits a franchisor to refuse to renew a franchise without fairly compensating the franchisee by repurchase or other means for the fair market value at the time of expiration of the franchisee's inventory, supplies, equipment, fixtures, and furnishings. Personalized materials which have no value to the franchisor and inventory, supplies, equipment, fixtures, and furnishings not reasonably required in the conduct of the franchise business are not subject to compensation. This subsection applies only if: (i) The term of the franchise is less than 5 years; and (ii) the franchisee is prohibited by the franchise or other agreement from continuing to conduct substantially the same business under another trademark, service mark, trade name, logotype, advertising, or other commercial symbol in the same area subsequent to the expiration of the franchise or the franchisee does not receive at least 6 months advance notice of franchisor's intent not to renew the franchise.
- (e) A provision that permits the franchisor to refuse to renew a franchise on terms generally available to other franchises of the same class or type under similar circumstances. This section does not require a renewal provision.
- (f) A provision requiring that arbitration or litigation be conducted outside this state. This shall not preclude the franchisee from entering into an agreement, at the time of arbitration, to conduct arbitration at a location outside this state. **[Note: BFC reserves the right to challenge the restriction on the location of arbitration under the Federal Arbitration Act.]**
- (g) A provision which permits a franchisor to refuse to permit a transfer of ownership of a franchise, except for good cause. This subdivision does not prevent a franchisor from exercising a right of first refusal to purchase the franchise. Good cause shall include, but is not limited to:

(i) The failure of the proposed transferee to meet the franchisor's then current reasonable qualifications or standards.

(ii) The fact that the proposed transferee is a competitor of the franchisor or subfranchisor.

(iii) The unwillingness of the proposed transferee to agree in writing to comply with all lawful obligations.

(iv) The failure of the franchisee or proposed transferee to pay any sums owing to the franchisor or to cure any default in the franchise agreement existing at the time of the proposed transfer.

(h) A provision that requires the franchisee to resell to the franchisor items that are not uniquely identified with the franchisor. This subdivision does not prohibit a provision that grants to a franchisor a right of first refusal to purchase the assets of a franchise on the same terms and conditions as a bona fide third party willing and able to purchase those assets, nor does this subdivision prohibit a provision that grants the franchisor the right to acquire the assets of a franchise for the market or appraised value of such assets if the franchisee has breached the lawful provisions of the franchise agreement and has failed to cure the breach in the manner provided in subdivision (c).

(i) A provision which permits the franchisor to directly or indirectly convey, assign, or otherwise transfer its obligations to fulfill contractual obligations to the franchisee unless provision has been made for providing the required contractual services.

THE FACT THAT THERE IS A NOTICE OF THIS OFFERING ON FILE WITH THE ATTORNEY GENERAL DOES NOT CONSTITUTE APPROVAL, RECOMMENDATION, OR ENDORSEMENT BY THE ATTORNEY GENERAL.

Any questions regarding this Notice shall be directed to the Department of Attorney General, Corporate Oversight Division, Franchise Section, 525 West Ottawa Street, G. Mennen Williams Building, 1st Floor, Lansing, Michigan 48913 (517) 373-7117.

**INFORMATION REQUIRED
BY THE STATE OF MINNESOTA**

Item 13, Additional Disclosure.

BFC will indemnify you against liability to a third party resulting from claims that your use of the Marks infringes trademark rights of the third party, provided that your use of the Marks is in accordance with the requirements of the Franchise Agreement and the System.

Item 17, Additional Disclosures.

BFC will comply with Minnesota Statutes Section 80C.14, subdivisions 3, 4, and 5, which require, except in certain specified cases, that a franchisee be given 90 days notice of termination (with 60 days to cure) and 180 days notice for non-renewal of the Franchise Agreement.

Minnesota Statutes § 80C.21 and Minnesota Rule 2860.4400J prohibit us from requiring you to waive your rights as provided for in Minnesota Statutes, Chapter 80C, or your rights to any procedure, forum, or remedies provided for by the laws of the jurisdiction.

Minnesota Rule 2860.4400D prohibits us from requiring you to assent to a release, assignment, novation, or waiver that would relieve any person from liability imposed by Minnesota Statutes §§ 80C.01 - 80C.22.

Minnesota Rule 2860.4400J prohibits us from requiring you to waive your rights to a trial or to consent to liquidated damages, termination penalties, or judgment notes. This rule does not bar a voluntary arbitration of any matter.

MINNESOTA ADDENDUM TO THE FRANCHISE AGREEMENT

In recognition of the Minnesota Franchises Law, Minn. Stat. §§ 80C.01-80C.22, and the Rules and Regulations promulgated thereunder by the Minnesota Commissioner of Commerce, the parties agree to modify the Franchise Agreement as follows:

1. Releases. The following sentence is added to Section 3.2 and Section 15.5:
Notwithstanding the foregoing, you will not be required to assent to a release, assignment, novation, or waiver that would relieve any person from liability imposed by Minnesota Statute §§ 80C.01 - 80C.22, provided that the foregoing shall not bar the voluntary settlement of disputes.
2. Term and Successor Franchise Agreement; Default and Termination. Section 3 and Section 16 are each amended by adding the following:
Notwithstanding anything to the contrary in Sections 3 and 16, BFC will comply with Minnesota Statutes Clause 80C.14, Subdivision 3, 4, and 5, which require, except in certain cases, that Minnesota franchisees be given 90 days notice of termination (with 60 days to cure) and 180 days notice for non-renewal of the Franchise Agreement.
3. Proprietary Marks and Copyrights. Section 9 is amended by adding the following:
BFC will indemnify you against liability to a third party resulting from claims that your use of the Proprietary Marks or the Works infringes trademark rights of the third party, provided that your use is in accordance with the requirements of the Franchise Agreement and the System.
4. Jurisdiction and Venue. Section 27.2 is amended to add the following:
Under Minnesota Statutes Section 80C.21, this section will not in any way abrogate or reduce any rights of the Franchisee as provided for in Minnesota Statutes, Chapter 80C, including the right to submit matters to the jurisdiction of the courts in Minnesota. Minnesota Statutes Section 80C.21 and Minnesota Rule 2860.4400J prohibit BFC from requiring litigation to be conducted outside Minnesota.
5. Time Limit on Filing. Section 28 is amended to add the following:
Notwithstanding anything to the contrary in this Section, any claim or action arising out of or relating to the Minnesota Franchises Law must be commenced within three (3) years from the occurrence of the facts giving rise to the claim or action, or the claim or action is barred.
6. Entire Agreement; Disclosure Statement and Disclaimer; Acknowledgments. Section 24, Section 26, and Section 29 are each amended by adding the following:
Pursuant to Minn. Stat. § 80C.21 and Minn. Rule Part 2860.4400J, nothing in the Agreement shall in any way abrogate or reduce any of your rights as provided for in Minnesota Statutes, Chapter 80C.
7. This Addendum will have effect only if the Franchise Agreement and/or the relationship between you and BFC satisfy all of the jurisdictional requirements of Minnesota

Statutes §§ 80C.01 - 80C.22. Except as expressly modified by this Addendum, the Franchise Agreement remains unmodified and in full force and effect.

**BRUEGGER'S FRANCHISE
CORPORATION**

FRANCHISEE [print company name]:

By: _____

By: _____

Print Name: _____

Title: _____

Title: _____

MINNESOTA ADDENDUM TO THE LICENSE AGREEMENT

In recognition of the Minnesota Franchises Law, Minn. Stat. §§ 80C.01-80C.22, and the Rules and Regulations promulgated thereunder by the Minnesota Commissioner of Commerce, the parties agree to modify the License Agreement as follows:

1. Releases. The following sentence is added to Section 2.2:
Notwithstanding the foregoing, you will not be required to assent to a release, assignment, novation, or waiver that would relieve any person from liability imposed by Minnesota Statute §§ 80C.01 - 80C.22, provided that the foregoing shall not bar the voluntary settlement of disputes.
2. Renewal Term; Default and Termination. Section 2.2 and Section 10 are each amended by adding the following:
Notwithstanding anything to the contrary in Sections 3 and 16, BFC will comply with Minnesota Statutes Clause 80C.14, Subdivision 3, 4, and 5, which require, except in certain cases, that Minnesota franchisees be given 90 days notice of termination (with 60 days to cure) and 180 days notice for non-renewal of the Franchise Agreement.
3. Proprietary Marks and Copyrights. Section 3 is amended by adding the following:
BFC will indemnify you against liability to a third party resulting from claims that your use of the Proprietary Marks or the Works infringes trademark rights of the third party, provided that your use is in accordance with the requirements of the License Agreement and the System.
4. Jurisdiction and Venue. Section 14.7 is amended to add the following:
Under Minnesota Statutes Section 80C.21, this section will not in any way abrogate or reduce any rights of the Franchisee as provided for in Minnesota Statutes, Chapter 80C, including the right to submit matters to the jurisdiction of the courts in Minnesota. Minnesota Statutes Section 80C.21 and Minnesota Rule 2860.4400J prohibit BFC from requiring litigation to be conducted outside Minnesota.
5. Time Period for Filing. Section 14.12 is amended to add the following:
Notwithstanding anything to the contrary in this Section, any claim or action arising out of or relating to the Minnesota Franchises Law must be commenced within three (3) years from the occurrence of the facts giving rise to the claim or action, or the claim or action is barred.
6. Integration of Agreement; Acknowledgments and Representations; Disclosure Acknowledgment Statement. Section 12, Section 14.16, and Exhibit G are each amended by adding the following:
Pursuant to Minn. Stat. § 80C.21 and Minn. Rule Part 2860.4400J, nothing in the Agreement shall in any way abrogate or reduce any of your rights as provided for in Minnesota Statutes, Chapter 80C.
7. This Addendum will have effect only if the License Agreement and/or the relationship between you and BFC satisfy all of the jurisdictional requirements of Minnesota

Statutes §§ 80C.01 - 80C.22. Except as expressly modified by this Addendum, the License Agreement remains unmodified and in full force and effect.

**BRUEGGER'S FRANCHISE
CORPORATION**

LICENSEE [print company name]:

By: _____

By: _____

Print Name: _____

Title: _____

Title: _____

MINNESOTA ADDENDUM TO THE DEVELOPMENT AGREEMENT

In recognition of the Minnesota Franchises Law, Minn. Stat. §§ 80C.01-80C.22, and the Rules and Regulations promulgated thereunder by the Minnesota Commissioner of Commerce, the parties agree to modify the Development Agreement as follows:

1. Releases. The following sentence is added to Section 4.2 and Section 8.5:

Notwithstanding the foregoing, you will not be required to assent to a release, assignment, novation, or waiver that would relieve any person from liability imposed by Minnesota Statute §§ 80C.01 - 80C.22, provided that the foregoing shall not bar the voluntary settlement of disputes.

2. Term; Default and Termination. Section 2 and Section 9 are each amended by adding the following:

Notwithstanding anything to the contrary in Sections 2 and 16, BFC will comply with Minnesota Statutes Clause 80C.14, Subdivision 3, 4, and 5, which require, except in certain cases, that Minnesota franchisees be given 90 days notice of termination (with 60 days to cure) and 180 days notice for non-renewal of the Franchise Agreement.

3. Jurisdiction and Venue. Section 20.2 is amended to add the following:

Under Minnesota Statutes Section 80C.21, this section will not in any way abrogate or reduce any rights of the Franchisee as provided for in Minnesota Statutes, Chapter 80C, including the right to submit matters to the jurisdiction of the courts in Minnesota. Minnesota Statutes Section 80C.21 and Minnesota Rule 2860.4400J prohibit BFC from requiring litigation to be conducted outside Minnesota.

4. Time Limit on Filing. Section 21 is amended to add the following:

Notwithstanding anything to the contrary in this Section, any claim or action arising out of or relating to the Minnesota Franchises Law must be commenced within three (3) years from the occurrence of the facts giving rise to the claim or action, or the claim or action is barred.

5. Entire Agreement; Disclosure Statement and Disclaimer; Acknowledgments.

Section 17, Section 19, and Section 22 are each amended by adding the following: Pursuant to Minn. Stat. § 80C.21 and Minn. Rule Part 2860.4400J, nothing in the Agreement shall in any way abrogate or reduce any of your rights as provided for in Minnesota Statutes, Chapter 80C.

6. This Addendum will have effect only if the Development Agreement and/or the relationship between you and BFC satisfy all of the jurisdictional requirements of Minnesota Statutes §§ 80C.01 - 80C.22. Except as expressly modified by this Addendum, the Development Agreement remains unmodified and in full force and effect.

BRUEGGER'S FRANCHISE CORPORATION

DEVELOPER [print company name]:

By: _____

By: _____

Print Name: _____

Title: _____

Title: _____

**INFORMATION REQUIRED
BY THE STATE OF NEW YORK**

Cover page, Additional Disclosures.

INFORMATION COMPARING FRANCHISORS IS AVAILABLE. CALL THE STATE ADMINISTRATORS LISTED IN EXHIBIT G OR YOUR PUBLIC LIBRARY FOR SOURCES OF INFORMATION. REGISTRATION OF THIS FRANCHISE BY NEW YORK STATE DOES NOT MEAN THAT NEW YORK STATE RECOMMENDS IT OR HAS VERIFIED THE INFORMATION IN THIS DISCLOSURE DOCUMENT. IF YOU LEARN THAT ANYTHING IN THE DISCLOSURE DOCUMENT IS UNTRUE, CONTACT THE FEDERAL TRADE COMMISSION AND THE NEW YORK STATE DEPARTMENT OF LAW, INVESTOR PROTECTION BUREAU, 28 LIBERTY STREET, 21ST FLOOR, NEW YORK, NEW YORK 10005.

THE FRANCHISOR MAY, IF IT CHOOSES, NEGOTIATE WITH YOU ABOUT ITEMS COVERED IN THE DISCLOSURE DOCUMENT. HOWEVER, THE FRANCHISOR CANNOT USE THE NEGOTIATING PROCESS TO PREVAIL UPON YOU TO ACCEPT TERMS WHICH ARE LESS FAVORABLE THAN THOSE SET FORTH IN THIS DISCLOSURE DOCUMENT.

BFC REPRESENTS THAT THIS DISCLOSURE DOCUMENT DOES NOT KNOWINGLY OMIT ANY MATERIAL FACT OR CONTAIN ANY UNTRUE STATEMENT OF MATERIAL FACT.

Item 3, Additional Disclosures.

Neither BFC nor any person listed in Item 2:

1. Has any administrative, criminal or material civil action pending against that person alleging: a felony; a violation of a franchise, antitrust or securities law, fraud, embezzlement, fraudulent conversion, misappropriation of property; unfair or deceptive practices or comparable civil or misdemeanor allegations. There are no pending actions, other than routine litigation incidental to the business, which are significant in the context of the number of EBF franchises and the size, nature or financial condition of the System or its business operations.
2. Has been convicted of a felony or pleaded nolo contendere to a felony charge or, within the ten-year period immediately preceding the date of this disclosure document, has been convicted of or pleaded nolo contendere to a misdemeanor charge or has been the subject of a civil action alleging: violation of a franchise, antifraud or securities law, fraud, embezzlement, fraudulent conversion or misappropriation of property, or unfair or deceptive practices or comparable allegations.
3. Is subject to a currently effective injunctive or restrictive order or decree relating to the franchise or under any federal, state or Canadian franchise, securities, antitrust, trade regulation or trade practice law, resulting from a concluded or pending action or proceeding brought by a public agency; or is subject to any currently effective order of any national securities association or national securities exchange (as defined in the Securities and Exchange Act of 1934) suspending or expelling such person from membership in such association or exchange; or is subject to a currently effective injunctive or restrictive order relating to any other business activity as a result of an action brought by a public agency or department, including, without limitation, actions affecting a license as a real estate broker or sales agent.

Item 4, Additional Disclosure.

Except as described in this Item, neither BFC, its affiliates, its predecessors, officers, nor general partners, during the ten-year period immediately before the date of the disclosure document: (a) filed as a debtor (or had filed against it) a petition to start an action under the U.S. Bankruptcy Code or any foreign bankruptcy laws; (b) obtained a discharge of its debts under the U.S. Bankruptcy Code or any foreign bankruptcy laws; or (c) was a principal officer of a company or general partner of a partnership that either filed as a debtor (or had filed against it) a petition to start an action under the U.S. Bankruptcy Code or any foreign bankruptcy laws, or that obtained a discharge of its debts under the U.S. Bankruptcy Code or any foreign bankruptcy laws during or within one year after the officer or general partner of EBF held this position in the company or partnership.

Item 5, Additional Disclosure.

We use the initial franchise fee to defray our costs of offering franchises and assisting franchisees to start business. A portion of the initial franchise fee may be profit to us.

Item 17, Revised Disclosures.

1. *In the Item 17 Tables, the following sentence is added to item "d":*

You may also terminate the Franchise Agreement or Development Agreement on any grounds available by law.

2. *In the Item 17 Tables, the following sentence is added to item "j":*

However, no assignment will be made by BFC except to an assignee who, in BFC's good faith judgment, is willing and able to assume BFC's obligations under the Franchise Agreement or Development Agreement.

3. *In the Item 17 Tables, the following sentence is added to item "w":*

The foregoing choice of law should not be considered a waiver of any right conferred upon you by the General Business Law of the State of New York, Article 33.

Item 17, Additional Disclosures.

The New York General Business Law, Article 33, Sections 680 through 695 may supersede any provision of the Franchise Agreement or Development Agreement inconsistent with that law.

You must sign a general release when you sign a Franchise Agreement to exercise development rights, when you transfer area development rights, or when you renew or transfer a franchise. This provision may not be enforceable under New York law.

NEW YORK ADDENDUM TO THE FRANCHISE AGREEMENT

In recognition of the requirements of the New York General Business Law, Article 33, Sections 680 through 695, and of the regulations promulgated thereunder (N.Y. Comp. Code R. & Regs., tit. 13, §§ 200.1 through 201.16), the parties agree to modify the Franchise Agreement as follows:

1. Any provision in the Franchise Agreement that is inconsistent with the New York General Business Law, Article 33, Sections 680 – 695 may not be enforceable.

2. Releases. Section 3.2 and Section 15.5 are each amended to add the following:

The foregoing release of claims does not release any claim you may have under New York General Business Law, Article 33, Sections 680-695.

3. Assignment by BFC. Section 15.1 is amended by adding the following:

BFC will not assign its rights under the Franchise Agreement except to an assignee who in BFC's good faith judgment is willing and able to assume BFC's obligations under the Franchise Agreement.

4. Default and Termination. Section 16 is amended by adding the following:

You also may terminate this Agreement on any grounds available by law under the provisions of Article 33 of the General Business Law of the State of New York.

5. Governing Law. Section 27.1 is amended by adding the following:

Notwithstanding the foregoing, the New York General Business Law shall govern any claim arising under that law.

6. This Addendum will have effect only if the Franchise Agreement and/or the relationship between you and BFC satisfy all of the jurisdictional requirements of New York General Business Law, without considering this Addendum. Except as expressly modified by this Addendum, the Franchise Agreement remains unmodified and in full force and effect.

BRUEGGER'S FRANCHISE CORPORATION

FRANCHISEE [print company name]:

By: _____

By: _____

Print Name: _____

Title: _____

Title: _____

NEW YORK ADDENDUM TO THE LICENSE AGREEMENT

In recognition of the requirements of the New York General Business Law, Article 33, Sections 680 through 695, and of the regulations promulgated thereunder (N.Y. Comp. Code R. & Regs., tit. 13, §§ 200.1 through 201.16), the parties agree to modify the License Agreement as follows:

1. Any provision in the License Agreement that is inconsistent with the New York General Business Law, Article 33, Sections 680 – 695 may not be enforceable.

2. Releases. Section 2.2 is amended to add the following:

The foregoing release of claims does not release any claim you may have under New York General Business Law, Article 33, Sections 680-695.

3. Assignment by BFC. Section 9.1 is amended by adding the following:

BFC will not assign its rights under the License Agreement except to an assignee who in BFC's good faith judgment is willing and able to assume BFC's obligations under the License Agreement.

4. Termination by Licensee. Section 10.2 is amended by adding the following:

You also may terminate this Agreement on any grounds available by law under the provisions of Article 33 of the General Business Law of the State of New York.

5. Governing Law. Section 14.6 is amended by adding the following:

Notwithstanding the foregoing, the New York General Business Law shall govern any claim arising under that law.

6. This Addendum will have effect only if the License Agreement and/or the relationship between you and BFC satisfy all of the jurisdictional requirements of New York General Business Law, without considering this Addendum. Except as expressly modified by this Addendum, the License Agreement remains unmodified and in full force and effect.

BRUEGGER'S FRANCHISE CORPORATION

LICENSEE [print company name]:

By: _____

By: _____

Print Name: _____

Title: _____

Title: _____

NEW YORK ADDENDUM TO THE DEVELOPMENT AGREEMENT

In recognition of the requirements of the New York General Business Law, Article 33, Sections 680 through 695, and of the regulations promulgated thereunder (N.Y. Comp. Code R. & Regs., tit. 13, §§ 200.1 through 201.16), the parties agree to modify the Development Agreement as follows:

1. Any provision in the Development Agreement that is inconsistent with the New York General Business Law, Article 33, Sections 680 – 695 may not be enforceable.

2. Releases. Section 4.2 and Section 8.5 are amended to add the following:

The foregoing release of claims does not release any claim you may have under New York General Business Law, Article 33, Sections 680-695.

3. Assignment by BFC. Section 8.1 is amended by adding the following:

BFC will not assign its rights under the Development Agreement except to an assignee who in BFC's good faith judgment is willing and able to assume BFC's obligations under the Development Agreement.

4. Governing Law. Section 20.1 is amended by adding the following:

Notwithstanding the foregoing, the New York General Business Law shall govern any claim arising under that law.

5. This Addendum will have effect only if the Development Agreement and/or the relationship between you and BFC satisfy all of the jurisdictional requirements of New York General Business Law, without considering this Addendum. Except as expressly modified by this Addendum, the Development Agreement remains unmodified and in full force and effect.

BRUEGGER'S FRANCHISE CORPORATION

DEVELOPER [print company name]:

By: _____

By: _____

Print Name: _____

Title: _____

Title: _____

INFORMATION REQUIRED BY THE STATE OF NORTH DAKOTA

The North Dakota Securities Commissioner has held the following to be unfair, unjust, or inequitable to North Dakota franchisees (Section 51-19-09, N.D.C.C.):

A. **Restrictive Covenants:** Franchise disclosure documents which disclose the existence of covenants restricting competition contrary to Section 9-08-06, N.D.C.C., without further disclosing that such covenants will be subject to this statute.

B. **Situs of Arbitration Proceedings:** Franchise agreements providing that the parties must agree to arbitrate disputes at a location that is remote from the site of the franchisee's business.

C. **Restriction on Forum:** Requiring North Dakota franchisees to consent to the jurisdiction of courts outside of North Dakota.

D. **Liquidated Damages and Termination Penalties:** Requiring North Dakota franchisees to consent to liquidated damages or termination penalties.

E. **Applicable Laws:** Franchise agreements which specify that any claims arising under the North Dakota franchise law will be governed by the laws of a state other than North Dakota.

F. **Waiver of Trial by Jury:** Requiring North Dakota franchisees to consent to the waiver of a trial by jury.

G. **Waiver of Exemplary and Punitive Damages:** Requiring North Dakota franchisees to consent to a waiver of exemplary and punitive damages.

H. **General Release:** Requiring North Dakota franchisees to execute a general release of claims as a condition of renewal or transfer of a franchise.

I. **Limitation of Claims:** Requiring that North Dakota franchisees to consent to a limitation of claims. The statute of limitations under North Dakota law applies.

J. **Enforcement of Agreement:** Requiring that North Dakota franchisees to pay all costs and expenses incurred by the franchisor in enforcing the agreement. The prevailing party in any enforcement action is entitled to recover all costs and expenses including attorney's fees.

NORTH DAKOTA ADDENDUM TO THE FRANCHISE AGREEMENT, LICENSE AGREEMENT, AND DEVELOPMENT AGREEMENT

In recognition of the requirements of the North Dakota Franchise Investment Law, N.D. Cent. Code, §§ 51 19 01 through 51 19 17, and the policies of the office of the State of North Dakota Securities Commission, the Franchise Agreement, License Agreement and Development Agreement (as applicable, the "Agreement") shall be amended as follows:

1. The North Dakota Securities Commissioner has held the following to be unfair, unjust, or inequitable to North Dakota franchisees (Section 51-19-09, N.D.C.C.):

A. **Restrictive Covenants:** Franchise disclosure documents which disclose the existence of covenants restricting competition contrary to Section 9-08-06, N.D.C.C., without further disclosing that such covenants will be subject to this statute.

B. **Situs of Arbitration Proceedings:** Franchise agreements providing that the parties must agree to arbitrate disputes at a location that is remote from the site of the franchisee's business.

C. **Restriction on Forum:** Requiring North Dakota franchisees to consent to the jurisdiction of courts outside of North Dakota.

D. **Liquidated Damages and Termination Penalties:** Requiring North Dakota franchisees to consent to liquidated damages or termination penalties.

E. **Applicable Laws:** Franchise agreements which specify that any claims arising under the North Dakota franchise law will be governed by the laws of a state other than North Dakota.

F. **Waiver of Trial by Jury:** Requiring North Dakota franchisees to consent to the waiver of a trial by jury.

G. **Waiver of Exemplary and Punitive Damages:** Requiring North Dakota franchisees to consent to a waiver of exemplary and punitive damages.

H. **General Release:** Requiring North Dakota franchisees to execute a general release of claims as a condition of renewal or transfer of a franchise.

I. **Limitation of Claims:** Requiring that North Dakota franchisees to consent to a limitation of claims. The statute of limitations under North Dakota law applies.

J. **Enforcement of Agreement:** Requiring that North Dakota franchisees to pay all costs and expenses incurred by the franchisor in enforcing the agreement. The prevailing party in any enforcement action is entitled to recover all costs and expenses including attorney's fees.

2. This Addendum will have effect only if the Agreement and/or the relationship between you and BFC satisfy all of the jurisdictional requirements of the North Dakota Franchise Investment Law, without considering this Addendum. Except as expressly modified by this Addendum, the Agreement remain unmodified and in full force and effect.

**BRUEGGER'S FRANCHISE
CORPORATION**

FRANCHISEE [print company name]:

By: _____

By: _____

Print Name: _____

Title: _____

Title: _____

**RHODE ISLAND ADDENDUM TO THE
FRANCHISE AGREEMENT**

In recognition of the Rhode Island Franchise Investment Act, §§ 19-28.1-1 through 19-28.1-34, the parties agree to modify the Franchise Agreement as follows:

1. Governing Law. Section 27.1 is amended by adding the following:

Notwithstanding the foregoing, Rhode Island law governs any claim arising under the Rhode Island Franchise Investment Act.

2. Jurisdiction and Venue. Section 27.2 is amended by adding the following:

Notwithstanding the foregoing, you have the right to file any litigation under the Rhode Island Franchise Investment Act in Rhode Island.

3. This Addendum will have effect only if the Franchise Agreement and/or the relationship between you and BFC satisfy all of the jurisdictional requirements of the Rhode Island Franchise Investment Act, without considering this Addendum. Except as expressly modified by this Addendum, the Franchise Agreement remains unmodified and in full force and effect.

**BRUEGGER'S FRANCHISE
CORPORATION**

FRANCHISEE [print company name]:

By: _____

By: _____

Print Name: _____

Title: _____

Title: _____

**RHODE ISLAND ADDENDUM TO THE
LICENSE AGREEMENT**

In recognition of the Rhode Island Franchise Investment Act, §§ 19-28.1-1 through 19-28.1-34, the parties agree to modify the License Agreement as follows:

1. Governing Law. Section 14.6 is amended by adding the following:

Notwithstanding the foregoing, Rhode Island law governs any claim arising under the Rhode Island Franchise Investment Act.

2. Jurisdiction and Venue. Section 14.7 is amended by adding the following:

Notwithstanding the foregoing, you have the right to file any litigation under the Rhode Island Franchise Investment Act in Rhode Island.

3. This Addendum will have effect only if the License Agreement and/or the relationship between you and BFC satisfy all of the jurisdictional requirements of the Rhode Island Franchise Investment Act, without considering this Addendum. Except as expressly modified by this Addendum, the License Agreement remains unmodified and in full force and effect.

**BRUEGGER'S FRANCHISE
CORPORATION**

LICENSEE [print company name]:

By: _____

By: _____

Print Name: _____

Title: _____

Title: _____

**RHODE ISLAND ADDENDUM TO THE
DEVELOPMENT AGREEMENT**

In recognition of the Rhode Island Franchise Investment Act, §§ 19-28.1-1 through 19-28.1-34, the parties agree to modify the Development Agreement as follows:

1. Governing Law. Section 20.1 is amended by adding the following:

Notwithstanding the foregoing, Rhode Island law governs any claim arising under the Rhode Island Franchise Investment Act.

2. Jurisdiction and Venue. Section 20.2 is amended by adding the following:

Notwithstanding the foregoing, you have the right to file any litigation under the Rhode Island Franchise Investment Act in Rhode Island.

3. This Addendum will have effect only if the Development Agreement and/or the relationship between you and BFC satisfy all of the jurisdictional requirements of the Rhode Island Franchise Investment Act, without considering this Addendum. Except as expressly modified by this Addendum, the Development Agreement remains unmodified and in full force and effect.

**BRUEGGER'S FRANCHISE
CORPORATION**

DEVELOPER [print company name]:

By: _____

By: _____

Print Name: _____

Title: _____

Title: _____

**INFORMATION REQUIRED
BY THE COMMONWEALTH OF VIRGINIA**

In recognition of the restrictions contained in Section 13.1-564 of the Virginia Retail Franchising Act, the Franchise Disclosure Document for use in the Commonwealth of Virginia is amended as follows:

Item 17. Additional Disclosure.

Pursuant to Section 13.1-564 of the Virginia Retail Franchising Act, it is unlawful for a franchisor to cancel a franchise without reasonable cause. If any grounds for default or termination stated in the Franchise Agreement does not constitute "reasonable cause," as that term may be defined in the Virginia Retail Franchising Act or the laws of Virginia, that provision may not be enforceable.

INFORMATION REQUIRED BY THE STATE OF WASHINGTON

In recognition of the requirements of the Washington Franchise Investment Protection Act, Wash. Rev. Code §§ 19.100.180, the Franchise Disclosure Document for Bruegger's Franchise Corporation in connection with the offer and sale of franchises for use in the State of Washington shall be amended to include the following:

1. Item 17, "Renewal, Termination, Transfer and Dispute Resolution," shall be amended by the addition of the following paragraphs at the conclusion of the Item:
 - a. In the event of a conflict of laws, the provisions of the Washington Franchise Investment Protection Act, Chapter 19.100 RCW will prevail.
 - b. RCW 19.100.180 may supersede the franchise agreement in your relationship with the franchisor including the areas of termination and renewal of your franchise. There may also be court decisions which may supersede the franchise agreement in your relationship with the franchisor including the areas of termination and renewal of your franchise.
 - c. In any arbitration or mediation involving a franchise purchased in Washington, the arbitration or mediation site will be either in the state of Washington, or in a place mutually agreed upon at the time of the arbitration or mediation, or as determined by the arbitrator or mediator at the time of arbitration or mediation. In addition, if litigation is not precluded by the franchise agreement, a franchisee may bring an action or proceeding arising out of or in connection with the sale of franchises, or a violation of the Washington Franchise Investment Protection Act, in Washington.
 - d. A release or waiver of rights executed by a franchisee may not include rights under the Washington Franchise Investment Protection Act or any rule or order thereunder except when executed pursuant to a negotiated settlement after the agreement is in effect and where the parties are represented by independent counsel. Provisions such as those which unreasonably restrict or limit the statute of limitations period for claims under the Act, or rights or remedies under the Act such as a right to a jury trial, may not be enforceable.
 - e. Transfer fees are collectable to the extent that they reflect the franchisor's reasonable estimated or actual costs in effecting a transfer.
 - f. Pursuant to RCW 49.62.020, a noncompetition covenant is void and unenforceable against an employee, including an employee of a franchisee, unless the employee's earnings from the party seeking enforcement, when annualized, exceed \$100,000 per year (an amount that will be adjusted annually for inflation). In addition, a noncompetition covenant is void and unenforceable against an independent contractor of a franchisee under RCW 49.62.030 unless the independent contractor's earnings from the party seeking enforcement, when annualized, exceed \$250,000 per year (an amount that will be adjusted annually for inflation). As a result, any provisions contained in the franchise agreement or elsewhere that conflict with these limitations are void and unenforceable in Washington.
 - g. RCW 49.62.060 prohibits a franchisor from restricting, restraining, or prohibiting a franchisee from (i) soliciting or hiring any employee of a franchisee of the same franchisor or (ii) soliciting or hiring any employee of the franchisor. As a result, any such provisions

contained in the franchise agreement or elsewhere are void and unenforceable in Washington.

2. Each provision of this addendum to the disclosure document shall be effective only to the extent, with respect to such provision, that the jurisdictional requirements of the Washington Franchise Investment Protection Act, Wash. Rev. Code §§ 19.100.180, are met independently without reference to this addendum to the disclosure document.

WASHINGTON ADDENDUM TO THE FRANCHISE AGREEMENT

In recognition of the requirements of the Washington Franchise Investment Protection Act, Wash. Rev. Code §§ 19.100.010 through 19.100.940, the parties to the attached Bruegger's Franchise Corporation Franchise Agreement agree as follows:

1. In the event of a conflict of laws, the provisions of the Washington Franchise Investment Protection Act, Chapter 19.100 RCW will prevail.
2. RCW 19.100.180 may supersede the franchise agreement in your relationship with the franchisor including the areas of termination and renewal of your franchise. There may also be court decisions which may supersede the franchise agreement in your relationship with the franchisor including the areas of termination and renewal of your franchise.
3. In any arbitration or mediation involving a franchise purchased in Washington, the arbitration or mediation site will be either in the state of Washington, or in a place mutually agreed upon at the time of the arbitration or mediation, or as determined by the arbitrator or mediator at the time of arbitration or mediation. In addition, if litigation is not precluded by the franchise agreement, a franchisee may bring an action or proceeding arising out of or in connection with the sale of franchises, or a violation of the Washington Franchise Investment Protection Act, in Washington.
4. A release or waiver of rights executed by a franchisee may not include rights under the Washington Franchise Investment Protection Act or any rule or order thereunder except when executed pursuant to a negotiated settlement after the agreement is in effect and where the parties are represented by independent counsel. Provisions such as those which unreasonably restrict or limit the statute of limitations period for claims under the Act, or rights or remedies under the Act such as a right to a jury trial, may not be enforceable.
5. Transfer fees are collectable to the extent that they reflect the franchisor's reasonable estimated or actual costs in effecting a transfer.
6. Pursuant to RCW 49.62.020, a noncompetition covenant is void and unenforceable against an employee, including an employee of a franchisee, unless the employee's earnings from the party seeking enforcement, when annualized, exceed \$100,000 per year (an amount that will be adjusted annually for inflation). In addition, a noncompetition covenant is void and unenforceable against an independent contractor of a franchisee under RCW 49.62.030 unless the independent contractor's earnings from the party seeking enforcement, when annualized, exceed \$250,000 per year (an amount that will be adjusted annually for inflation). As a result, any provisions contained in the franchise agreement or elsewhere that conflict with these limitations are void and unenforceable in Washington.
7. RCW 49.62.060 prohibits a franchisor from restricting, restraining, or prohibiting a franchisee from (i) soliciting or hiring any employee of a franchisee of the same franchisor or (ii) soliciting or hiring any employee of the franchisor. As a result, any such provisions contained in the franchise agreement or elsewhere are void and unenforceable in Washington.
8. The undersigned does hereby acknowledge receipt of this addendum.

9. This amendment will apply only if the Washington Franchise Investment Protection Act, Wash. Rev. Code Chapter 19.100, would apply independently without referring to this amendment.

IN WITNESS WHEREOF, the parties have signed and delivered this Washington Amendment to the Franchise Agreement on the same date as the Franchise Agreement was executed.

BRUEGGER'S FRANCHISE CORPORATION

FRANCHISEE [print company name]:

By: _____

By: _____

Print Name: _____

Title: _____

Title: _____

WASHINGTON ADDENDUM TO THE LICENSE AGREEMENT

In recognition of the requirements of the Washington Franchise Investment Protection Act, Wash. Rev. Code §§ 19.100.010 through 19.100.940, the parties to the attached Bruegger's Franchise Corporation License Agreement agree as follows:

1. In the event of a conflict of laws, the provisions of the Washington Franchise Investment Protection Act, Chapter 19.100 RCW will prevail.
2. RCW 19.100.180 may supersede the franchise agreement in your relationship with the franchisor including the areas of termination and renewal of your franchise. There may also be court decisions which may supersede the franchise agreement in your relationship with the franchisor including the areas of termination and renewal of your franchise.
3. In any arbitration or mediation involving a franchise purchased in Washington, the arbitration or mediation site will be either in the state of Washington, or in a place mutually agreed upon at the time of the arbitration or mediation, or as determined by the arbitrator or mediator at the time of arbitration or mediation. In addition, if litigation is not precluded by the franchise agreement, a franchisee may bring an action or proceeding arising out of or in connection with the sale of franchises, or a violation of the Washington Franchise Investment Protection Act, in Washington.
4. A release or waiver of rights executed by a franchisee may not include rights under the Washington Franchise Investment Protection Act or any rule or order thereunder except when executed pursuant to a negotiated settlement after the agreement is in effect and where the parties are represented by independent counsel. Provisions such as those which unreasonably restrict or limit the statute of limitations period for claims under the Act, or rights or remedies under the Act such as a right to a jury trial, may not be enforceable.
5. Transfer fees are collectable to the extent that they reflect the franchisor's reasonable estimated or actual costs in effecting a transfer.
6. Pursuant to RCW 49.62.020, a noncompetition covenant is void and unenforceable against an employee, including an employee of a franchisee, unless the employee's earnings from the party seeking enforcement, when annualized, exceed \$100,000 per year (an amount that will be adjusted annually for inflation). In addition, a noncompetition covenant is void and unenforceable against an independent contractor of a franchisee under RCW 49.62.030 unless the independent contractor's earnings from the party seeking enforcement, when annualized, exceed \$250,000 per year (an amount that will be adjusted annually for inflation). As a result, any provisions contained in the franchise agreement or elsewhere that conflict with these limitations are void and unenforceable in Washington.
7. RCW 49.62.060 prohibits a franchisor from restricting, restraining, or prohibiting a franchisee from (i) soliciting or hiring any employee of a franchisee of the same franchisor or (ii) soliciting or hiring any employee of the franchisor. As a result, any such provisions contained in the franchise agreement or elsewhere are void and unenforceable in Washington.
8. The undersigned does hereby acknowledge receipt of this addendum.

- 9. This amendment will apply only if the Washington Franchise Investment Protection Act, Wash. Rev. Code Chapter 19.100, would apply independently without referring to this amendment.

IN WITNESS WHEREOF, the parties have signed and delivered this Washington Amendment to the License Agreement on the same date as the License Agreement was executed.

BRUEGGER'S FRANCHISE CORPORATION

LICENSEE [print company name]:

By: _____

By: _____

Print Name: _____

Title: _____

Title: _____

WASHINGTON ADDENDUM TO THE DEVELOPMENT AGREEMENT

In recognition of the requirements of the Washington Franchise Investment Protection Act, Wash. Rev. Code §§ 19.100.010 through 19.100.940, the parties to the attached Bruegger's Franchise Corporation Development Agreement agree as follows:

1. In the event of a conflict of laws, the provisions of the Washington Franchise Investment Protection Act, Chapter 19.100 RCW will prevail.
2. RCW 19.100.180 may supersede the franchise agreement in your relationship with the franchisor including the areas of termination and renewal of your franchise. There may also be court decisions which may supersede the franchise agreement in your relationship with the franchisor including the areas of termination and renewal of your franchise.
3. In any arbitration or mediation involving a franchise purchased in Washington, the arbitration or mediation site will be either in the state of Washington, or in a place mutually agreed upon at the time of the arbitration or mediation, or as determined by the arbitrator or mediator at the time of arbitration or mediation. In addition, if litigation is not precluded by the franchise agreement, a franchisee may bring an action or proceeding arising out of or in connection with the sale of franchises, or a violation of the Washington Franchise Investment Protection Act, in Washington.
4. A release or waiver of rights executed by a franchisee may not include rights under the Washington Franchise Investment Protection Act or any rule or order thereunder except when executed pursuant to a negotiated settlement after the agreement is in effect and where the parties are represented by independent counsel. Provisions such as those which unreasonably restrict or limit the statute of limitations period for claims under the Act, or rights or remedies under the Act such as a right to a jury trial, may not be enforceable.
5. Transfer fees are collectable to the extent that they reflect the franchisor's reasonable estimated or actual costs in effecting a transfer.
6. Pursuant to RCW 49.62.020, a noncompetition covenant is void and unenforceable against an employee, including an employee of a franchisee, unless the employee's earnings from the party seeking enforcement, when annualized, exceed \$100,000 per year (an amount that will be adjusted annually for inflation). In addition, a noncompetition covenant is void and unenforceable against an independent contractor of a franchisee under RCW 49.62.030 unless the independent contractor's earnings from the party seeking enforcement, when annualized, exceed \$250,000 per year (an amount that will be adjusted annually for inflation). As a result, any provisions contained in the franchise agreement or elsewhere that conflict with these limitations are void and unenforceable in Washington.
7. RCW 49.62.060 prohibits a franchisor from restricting, restraining, or prohibiting a franchisee from (i) soliciting or hiring any employee of a franchisee of the same franchisor or (ii) soliciting or hiring any employee of the franchisor. As a result, any such provisions contained in the franchise agreement or elsewhere are void and unenforceable in Washington.
8. The undersigned does hereby acknowledge receipt of this addendum.

9. This amendment will apply only if the Washington Franchise Investment Protection Act, Wash. Rev. Code Chapter 19.100, would apply independently without referring to this amendment.

IN WITNESS WHEREOF, the parties have signed and delivered this Washington Amendment to the Development Agreement on the same date as the Development Agreement was executed.

**BRUEGGER'S FRANCHISE
CORPORATION**

DEVELOPER [print company name]:

By: _____

By: _____

Print Name: _____

Title: _____

Title: _____

EXHIBIT I
FINANCIAL STATEMENTS AND GUARANTEE

CONSOLIDATED FINANCIAL STATEMENTS

Caribou Coffee Company, Inc. and Subsidiaries
(A Majority-Owned Subsidiary of Caribou Coffee Holdings, LLC)
As of December 26, 2023 and December 27, 2022; and for the Fiscal Years
Ended December 26, 2023, December 27, 2022 and December 28, 2021
With Report of Independent Certified Public Accountants



C O F F E E & B A G E L B R A N D S



Caribou Coffee Company, Inc. and Subsidiaries

Consolidated Financial Statements

As of December 26, 2023 and December 27, 2022;
and for the Fiscal Years Ended December 26, 2023, December 27, 2022, and December 28, 2021

Contents

Report of Independent Certified Public Accountants	1
Consolidated Financial Statements	
Consolidated Balance Sheets	3
Consolidated Statements of Operations	4
Consolidated Statements of Comprehensive Income	5
Consolidated Statements of Changes in Shareholders' Equity	6
Consolidated Statements of Cash Flows	7
Notes to Consolidated Financial Statements	8

**GRANT THORNTON LLP**

1801 California St., Suite 3700
Denver, CO 80202

D +1 303 813 4000

F +1 303 839 5711

REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

Board of Directors and Shareholders
Caribou Coffee Company, Inc.

Opinion

We have audited the consolidated financial statements of Caribou Coffee Company, Inc. (a Delaware corporation) and subsidiaries (the "Company"), which comprise the consolidated balance sheets as of December 26, 2023 and December 27, 2022, and the related consolidated statements of operations and comprehensive income, changes in shareholders' equity, and cash flows for the three years ended December 26, 2023, December 27, 2022, and December 28, 2021, and the related notes to the financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Company as of December 26, 2023 and December 27, 2022, and the results of its operations and its cash flows for the three years ended December 26, 2023, December 27, 2022, and December 28, 2021 in accordance with accounting principles generally accepted in the United States of America.

Basis for opinion

We conducted our audits of the consolidated financial statements in accordance with auditing standards generally accepted in the United States of America (US GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Company and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of management for the financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for one year after the date the financial statements are available to be issued.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with US GAAS will always



detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with US GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Grant Thornton LLP

Denver, Colorado
February 26, 2024

CARIBOU COFFEE COMPANY, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(in thousands (except share information))

	December 26, 2023	December 27, 2022
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 75,357	\$ 94,524
Trade accounts receivable, net	27,649	26,077
Other accounts receivable	1,514	709
Inventories	28,267	25,001
Prepaid expenses and other assets	4,479	4,781
Total current assets	137,266	151,092
Operating lease assets	237,322	224,891
Property and equipment, net	145,182	134,321
Other assets:		
Goodwill	384,813	384,813
Trademarks, net	457,500	457,500
Other intangible assets, net	7,370	10,825
Deposit and other	2,307	9,546
Total other assets	851,990	862,684
Total assets	\$ 1,371,760	\$ 1,372,988
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 86,504	\$ 84,229
Accrued expenses	69,713	73,020
Current operating lease liabilities	57,646	55,752
Current portion of long-term debt	3,841	3,831
Total current liabilities	217,704	216,832
Long-term debt, net of unamortized discount	266,820	334,461
Deferred income taxes, net	100,840	100,821
Long-term operating lease liabilities	208,793	198,990
Other long-term liabilities	5,092	4,174
Total long-term liabilities	581,545	638,446
Commitments and contingencies		
Noncontrolling interests subject to put provisions	57,070	58,552
Shareholders' equity:		
Caribou Coffee Company, Inc. and Subsidiaries shareholders'		
Common stock, par value \$0.01; 28,000,000 shares authorized;		
21,315,011 and 21,125,385 shares issued and outstanding at December 26, 2023 and		
December 27, 2022, respectively		
	213	211
Additional paid-in capital	310,382	311,872
Retained earnings	201,902	144,162
Total shareholders' equity before non-controlling interest	512,497	456,245
Noncontrolling interest	2,944	2,913
Total shareholders' equity	515,441	459,158
Total liabilities and shareholders' equity	\$ 1,371,760	\$ 1,372,988

Refer to the accompanying notes as an integral part of these consolidated financial statements.

CARIBOU COFFEE COMPANY, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS
(in thousands)

	Fiscal Year Ended		
	December 26, 2023	December 27, 2022	December 28, 2021
Coffeehouse and bagel bakery sales	\$ 859,563	\$ 792,112	\$ 709,744
Franchise royalties and fees	26,126	23,426	20,000
Franchise advertising sales	4,347	4,017	3,524
Franchise and commercial product sales	161,441	150,136	124,196
Net sales	<u>1,051,477</u>	<u>969,691</u>	<u>857,464</u>
Cost of goods sold	216,401	203,878	173,808
Labor	248,045	240,207	221,362
Occupancy	85,519	83,686	80,742
Other operating expenses	132,419	113,309	101,794
Total coffeehouse and bagel bakery expense	<u>682,384</u>	<u>641,080</u>	<u>577,706</u>
Franchise operations and other expenses	3,406	2,307	2,357
Ad fund expense franchise	4,408	4,017	3,524
Franchise and commercial product cost of goods sold	126,434	116,077	94,319
Depreciation and amortization	40,071	40,926	41,502
General and administrative expenses	102,607	85,453	71,892
Pre-opening expenses	2,450	2,830	1,109
Total costs and expenses	<u>961,760</u>	<u>892,690</u>	<u>792,409</u>
Operating income	89,717	77,001	65,055
Interest expense, net	16,186	18,100	17,831
Other (income) expense	-	-	(1,029)
Pre-tax income	73,531	58,901	48,253
Income tax expense	13,991	8,686	10,741
Net income	<u>\$ 59,540</u>	<u>\$ 50,215</u>	<u>\$ 37,512</u>
Less net income attributable to noncontrolling interest	1,800	1,531	1,480
Net income attributable to Caribou Coffee Company, Inc. and Affiliates	<u>\$ 57,740</u>	<u>\$ 48,684</u>	<u>\$ 36,032</u>

Refer to the accompanying notes as an integral part of these consolidated financial statements.

CARIBOU COFFEE COMPANY, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(in thousands)

	Fiscal Year Ended		
	December 26, 2023	December 27, 2022	December 28, 2021
Net income	\$ 59,540	\$ 50,215	\$ 37,512
Other comprehensive income			
Unrealized gain on cash flow hedges, net of tax expense of \$0 and \$283, and tax benefit of \$190 for the fiscal years ended December 26, 2023, December 27, 2022, and December 28, 2021, respectively	-	817	399
Reclassification of loss on cash flow hedge, net of tax benefit of \$0, \$825, and \$1,937 for the fiscal years ended December 26, 2023, December 27, 2022, and December 28, 2021, respectively	-	2,375	5,579
Settlement of PNC derivative securities and novation of BNP and Rabo derivative securities	-	475	-
Comprehensive income attributable to Caribou Coffee Company, Inc. and Subsidiaries	<u>59,540</u>	<u>53,882</u>	<u>43,490</u>
Less net comprehensive income attributable to noncontrolling interest	<u>1,800</u>	<u>1,531</u>	<u>1,480</u>
Comprehensive income attributable to Caribou Coffee Company, Inc. and Subsidiaries	<u>\$ 57,740</u>	<u>\$ 52,351</u>	<u>\$ 42,010</u>

Refer to the accompanying notes as an integral part of these consolidated financial statements.

CARIBOU COFFEE COMPANY, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
(in thousands, except share information)

	Non-controlling interests subject to put provisions	Common Stock		Additional Paid In Capital	Noncontrolling Interest	Accumulated Other Comprehensive Loss	Retained Earnings	Total
		Shares	Amount					
Balance, December 29, 2020	\$ 28,493	20,886,412	\$ 209	\$ 328,767	\$ 2,380	\$ (9,391)	\$ 59,446	\$ 409,904
Net income	302	-	-	-	1,178	-	36,032	37,512
Adjustments required under tax sharing agreement	-	-	-	2,468	-	-	-	2,468
Stock based compensation expense	3,656	-	-	-	-	-	-	3,656
Accrued interest on shareholder note receivable	(100)	-	-	-	-	-	-	(100)
Unrealized gain on derivative securities, net of income tax	4	-	-	-	-	395	-	399
Reclassification of loss on cash flow hedge, net of tax benefit	45	-	-	-	-	5,534	-	5,579
Distribution of non-controlling interest	-	-	-	-	(272)	-	-	(272)
Changes in noncontrolling interest from:								
Distributions (repurchases), including repayments on shareholder notes receivable	(2,198)	-	-	(240)	-	-	-	(2,438)
Contributions (share issuances), net of shareholder notes receivable	2,638	-	-	-	-	-	-	2,638
Rollover and pushdown of Parent shares	(7,547)	238,973	2	7,545	-	-	-	-
Fair value remeasurements	1,851	-	-	(1,851)	-	-	-	-
Balance, December 28, 2021	\$ 27,144	21,125,385	\$ 211	\$ 336,689	\$ 3,286	\$ (3,462)	\$ 95,478	\$ 459,346
Net income	759	-	-	-	772	-	48,684	50,215
Adjustments required under tax sharing agreement	-	-	-	766	-	-	-	766
Stock based compensation expense	7,465	-	-	-	-	-	-	7,465
Accrued interest on shareholder note receivable	(43)	-	-	-	-	-	-	(43)
Unrealized gain on derivative securities, net of income tax	12	-	-	-	-	805	-	817
Reclassification of loss on cash flow hedge, net of tax benefit	35	-	-	-	-	2,340	-	2,375
Settlement of PNC derivative securities and novation of BNP and Rabo derivative securities	158	-	-	355	-	317	-	830
Distribution of non-controlling interest	-	-	-	-	(1,145)	-	-	(1,145)
Changes in noncontrolling interest from:								
Distributions (repurchases), including repayments on shareholder notes receivable	(3,623)	-	-	(324)	-	-	-	(3,947)
Contributions (share issuances), net of shareholder notes receivable	1,031	-	-	-	-	-	-	1,031
Fair value remeasurements	25,614	-	-	(25,614)	-	-	-	-
Balance, December 27, 2022	\$ 58,552	21,125,385	\$ 211	\$ 311,872	\$ 2,913	\$ -	\$ 144,162	\$ 517,710
Net income	840	-	-	-	960	-	57,740	59,540
Adjustments required under tax sharing agreement	-	-	-	830	-	-	-	830
Stock based compensation expense	9,790	-	-	-	-	-	-	9,790
Accrued interest on shareholder note receivable	(58)	-	-	-	-	-	-	(58)
PBI equity contribution	-	189,626	2	18,796	-	-	-	18,798
Dividend	(302)	-	-	(18,472)	-	-	-	(18,774)
Distribution of noncontrolling interest	-	-	-	-	(929)	-	-	(929)
Changes in noncontrolling interest from:								
Distributions (repurchases), including repayments on shareholder notes receivable	(15,673)	-	-	-	-	-	-	(15,673)
Contributions (share issuances), net of shareholder notes receivable	1,277	-	-	-	-	-	-	1,277
Fair value remeasurements	2,644	-	-	(2,644)	-	-	-	-
Balance, December 26, 2023	\$ 57,070	21,315,011	\$ 213	\$ 310,382	\$ 2,944	\$ -	\$ 201,902	\$ 572,511

Refer to the accompanying notes as an integral part of these consolidated financial statements.

CARIBOU COFFEE COMPANY, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands)

	Fiscal Year Ended		
	December 26, 2023	December 27, 2022	December 28, 2021
OPERATING ACTIVITIES:			
Net income (loss)	\$ 59,540	\$ 50,215	\$ 37,512
Adjustments to reconcile net income (loss) to net cash provided by operating activities:			
Depreciation and amortization	39,951	40,086	40,509
Amortization of deferred financing fees	685	1,552	1,797
Stock-based compensation	9,790	7,465	3,656
Deferred income taxes	262	8,736	6,371
Impairment of restaurant assets	120	840	993
Right of use asset impairment charges	40	2,029	824
Losses on disposal of assets	538	1,113	1,398
Provision for (benefit from) losses on accounts receivable	1	38	(1,224)
Other	2,405	2,197	1,932
Changes in operating assets and liabilities:			
Trade and other accounts receivable, net	1,692	1,829	(1,247)
Inventories	(3,266)	(3,282)	(2,124)
Prepaid expenses and other	302	(1,166)	(2,269)
Deposits and other	7,192	(125)	4,005
Accounts payable	362	10,599	15,287
Accrued expenses	(6,228)	(6,543)	6,328
Operating lease assets and lease liabilities	(7,307)	(7,743)	(15,893)
Other long-term liabilities	918	(2,740)	(6,073)
Net cash provided by operating activities	106,997	105,100	91,782
INVESTING ACTIVITIES:			
Payments for property and equipment	(42,757)	(41,196)	(28,802)
Proceeds from disposal of property and equipment	38	13	14
Net cash used in investing activities	(42,719)	(41,183)	(28,788)
FINANCING ACTIVITIES:			
Distribution of noncontrolling interest	(929)	(1,145)	(272)
Issuances of noncontrolling interests subject to put provisions	1,277	1,031	2,450
Repurchases of noncontrolling interests subject to put provisions	(15,673)	(4,447)	(1,159)
Proceeds on line of credit	-	313,000	-
Repayments on line of credit	(45,000)	(373,000)	(21,000)
Settlement of shareholder promissory notes	-	-	(12,703)
Settlement of cash flow hedge liability	-	(262)	-
Proceeds from term loan	-	86,875	-
Term loan repayments	(4,346)	(89,375)	(5,000)
Dividends	(18,774)	-	-
Proceeds from Payment Protection Program	-	-	596
Payment of debt financing fees	-	(2,308)	(1,205)
Net cash used in financing activities	(83,445)	(69,631)	(38,293)
Net (decrease) increase in cash, cash equivalents & restricted cash	(19,167)	(5,714)	24,701
Cash, cash equivalents and restricted cash, beginning of period	94,524	100,238	75,537
Cash, cash equivalents and restricted cash, end of period	\$ 75,357	\$ 94,524	\$ 100,238

Refer to the accompanying notes as an integral part of these consolidated financial statements.

Caribou Coffee Company, Inc. and Subsidiaries
Notes to Consolidated Financial Statements
As of December 26, 2023 and December 27, 2022; and for the
Fiscal Years Ended December 26, 2023, December 27, 2022 and December 28, 2021

1. Business and Summary of Significant Accounting Policies

Description of Business

Caribou Coffee Company, Inc. (the Company or CCCI) is the parent company of certain consolidated subsidiaries that comprise its two business units namely, the Coffee business unit and the Bagel Brands business unit. The Coffee business unit (or Caribou), including Caribou Coffee Operating Company (CCOC), Caribou Coffee Development Company, Inc. and Caribou MSP Airport, operate, franchise and license Caribou Coffee branded retail coffeehouses. These subsidiaries sell high-quality premium coffee and espresso-based beverages, foods, and coffee lifestyle items. Caribou also sells its high-quality premium coffee through grocery, foodservice, and office coffee service distribution channels. The Bagel Brands business unit (ENRGI), including Einstein Noah Restaurant Group, Inc. and its subsidiary, Bruegger's Enterprises, Inc. (BEI), operate franchise and license specialty bagel bakeries in the United States under the Einstein Bros. Bagels (Einstein Bros.), Noah's New York Bagels (Noah's), Manhattan Bagel Company (Manhattan Bagel), and Bruegger's Bagels brands. Bagel Brands also sells its high quality bagels through grocery, club and foodservice distribution channels.

The Company is a majority-owned subsidiary of Caribou Coffee Holdings, LLC (a Delaware limited liability company), which is an indirect wholly-owned subsidiary of Panera Brands, Inc. (PBI), a Delaware corporation.

As of December 26, 2023, Caribou operated 333 company-owned retail coffeehouses and franchised/licensed 478 locations across 20 states. Of the 478 franchised/licensed locations, 331 operate internationally, primarily in the Middle East. ENRGI operated 516 company-owned retail bagel bakeries and franchised/licensed 463 locations across 45 states.

Principles of Consolidation

The consolidated financial statements include the accounts of the Company and its majority owned subsidiaries, CCOC and ENRGI. CCOC consolidates Caribou MSP Airport, a partnership in which CCOC owns a 49% interest and operates six coffeehouses at the Minneapolis/St. Paul International Airport. CCOC provided a loan to its partner in Caribou MSP Airport for all of the partner's equity contribution to the venture. Consequently, CCOC bears all the risk of loss but does not control all decisions that may have a significant effect on the success of the venture. Therefore, CCOC consolidates the Caribou MSP Airport, as it is the primary beneficiary in this variable interest entity. All material intercompany balances and transactions have been eliminated in consolidation.

Caribou Coffee Company, Inc. and Subsidiaries
Notes to Consolidated Financial Statements (continued)
As of December 26, 2023 and December 27, 2022; and for the
Fiscal Years Ended December 26, 2023, December 27, 2022, and December 28, 2021

1. Business and Summary of Significant Accounting Policies (continued)

Noncontrolling Interest

Noncontrolling interests subject to put provisions in the Company's consolidated financial statements includes a 0.14% interest in CCCI, a 1.21% interest in CCOC, and a 1.32% interest in ENRGI as of December 26, 2023. The Company consolidates the financial results of CCOC and ENRGI. The noncontrolling owner's share of net assets and results of operations are deducted and reported as a noncontrolling interest on the consolidated balance sheets and as net income attributable to noncontrolling interest in the consolidated statements of operations.

Noncontrolling interest in the Company's consolidated financial statements represents the 51% interest in Caribou MSP Airport. Since the Company consolidates the financial statements of Caribou MSP Airport, the noncontrolling owner's share of Caribou MSP Airport's net assets and results of operations are deducted and reported as a noncontrolling interest on the consolidated balance sheets and as net income attributable to noncontrolling interest in the consolidated statements of operations.

Fiscal Year End

Prior to December 30, 2021, the Company's fiscal year ended on the Tuesday closest to December 31, with the three most recent fiscal years consisting of 52 weeks ending on December 26, 2023, December 27, 2022, and December 28, 2021. Beginning with the fiscal year ending December 26, 2023, the Company's fiscal year ends on the last Tuesday in December, consistent with Panera Bread, a reportable segment of Panera Brands, Inc.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP) requires management to make estimates and assumptions that affect the amounts reported in the accompanying consolidated financial statements. Actual results may differ from those estimates, and such differences may be material to the consolidated financial statements.

Cash and Cash Equivalents

Cash and cash equivalents include all highly liquid investments with a maturity of three months or less when purchased. All credit and debit card transactions that process in less than seven days are classified as cash and cash equivalents. The amounts due from banks for these credit and debit card transactions classified as cash total \$1.9 million and \$2.5 million as of December 26, 2023 and December 27, 2022, respectively.

Caribou Coffee Company, Inc. and Subsidiaries
Notes to Consolidated Financial Statements (continued)
As of December 26, 2023 and December 27, 2022; and for the
Fiscal Years Ended December 26, 2023, December 27, 2022, and December 28, 2021

1. Business and Summary of Significant Accounting Policies (continued)

Restricted Cash

The Company's restricted cash consists of franchisee paid funds which are earmarked as advertising fund contributions. Restricted cash of \$2.3 million and \$3.5 million as of December 26, 2023 and December 27, 2022, respectively, is included in cash and cash equivalents on the Company's consolidated balance sheets.

Concentrations of Risk

The Company maintains cash and cash equivalent balances with financial institutions that exceed federally insured limits. The Company has not experienced any losses related to these balances, and management believes its credit risk to be minimal.

Fair Value Measurements

The fair value measurement accounting standard provides a framework for measuring fair value and defines fair value as the price that would be received to sell an asset or paid to transfer a liability. Fair value is a market-based measurement that should be determined using assumptions that market participants would use in pricing an asset or liability. The standard establishes a valuation hierarchy for inputs used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the most observable inputs be used when available. Observable inputs are inputs market participants would use in valuing the asset or liability developed based on independent market data sources. Unobservable inputs are inputs that reflect the Company's assumptions about the factors market participants would use in valuing the asset or liability developed based upon the best information available.

The valuation hierarchy is composed of three categories. The categorization within the valuation hierarchy is based on the lowest level of input that is significant to the fair value measurement. The categories within the valuation hierarchy are described as follows:

Level 1: Observable inputs that reflect unadjusted quoted prices for identical assets or liabilities traded in active markets.

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3: Inputs that are generally unobservable. These inputs may be used with internally developed methodologies that result in management's best estimate of fair value.

Caribou Coffee Company, Inc. and Subsidiaries
Notes to Consolidated Financial Statements (continued)
As of December 26, 2023 and December 27, 2022; and for the
Fiscal Years Ended December 26, 2023, December 27, 2022, and December 28, 2021

1. Business and Summary of Significant Accounting Policies (continued)

Fair Value of Financial Instruments

The Company's financial instruments typically consist of cash and cash equivalents, restricted cash, accounts receivable, accounts payable, note receivable, interest rate swap derivatives and debt. The fair values of accounts receivable and accounts payable approximate their carrying values, due to their short-term nature. The fair value of the Company's long-term debt approximates carrying value because the applicable interest rates are variable and reflect current market rates. Refer to Note 5 for more information on the fair value of interest rate swap derivatives.

Trade Accounts Receivable, Net and Other Accounts Receivable

Trade accounts receivable, net consists primarily of amounts due to the Company from related parties such as Peet's and KDP, other commercial customers, its franchisees and licensees for purchases of products from the Company, royalties due to the Company from franchisee and licensee sales, information technology services provided to franchisees, and catering on-account sales.

As of December 26, 2023, other accounts receivable consisted primarily of \$1.0 million of sublease income receivable from subtenants and a \$0.4 million foreign tax receivable. As of December 27, 2022, other accounts receivable consisted primarily of \$0.4 million of sublease income receivable from subtenants and a \$0.3 million foreign tax receivable.

Allowance for Doubtful Accounts

The Company determines an allowance for doubtful accounts by considering a number of factors, including the length of time the account is past due, previous losses, payment history and condition of the economy and industry as a whole. A summary of the allowance for doubtful accounts is as follows (in thousands):

Fiscal Year Ended	Beginning Balance	Additions	Deductions	Ending Balance
December 26, 2023	\$ 324	\$ 268	\$ (268)	\$ 324
December 27, 2022	\$ 286	\$ 317	\$ (279)	\$ 324

Caribou Coffee Company, Inc. and Subsidiaries
Notes to Consolidated Financial Statements (continued)
As of December 26, 2023 and December 27, 2022; and for the
Fiscal Years Ended December 26, 2023, December 27, 2022, and December 28, 2021

1. Business and Summary of Significant Accounting Policies (continued)

Inventories

Raw materials consist primarily of green coffee beans and bagel ingredients. Finished goods include roasted coffee, tea, bagels, packaged foods, and accessory products and supplies. Caribou inventories are stated at the lower of weighted average cost or net realizable value while ENRGI inventories are stated at the lower of first-in, first-out cost or net realizable value.

Property and Equipment

Property and equipment are stated on the basis of cost less accumulated depreciation. Depreciation of property and equipment is computed using the straight-line method over the assets' estimated useful lives of one to twenty years. Leasehold improvements are amortized using the straight-line method over the shorter of their estimated useful lives or the related initial non-cancelable lease term, excluding renewal option terms, which is generally five to ten years, unless it is reasonably assured that the renewal option term is going to be exercised.

Capitalization of Internal Construction Costs

The Company capitalizes direct costs associated with the construction of new coffeehouses and bagel bakeries that would not have been incurred had the site-specific lease not been obtained. The Company capitalized \$0.6 million, \$0.7 million, and \$0.4 million of such costs during the fiscal years ended December 26, 2023, December 27, 2022, and December 28, 2021, respectively. These costs are amortized over the initial lease term of the underlying leases.

Asset Retirement Obligations

The Company has certain asset retirement obligations, primarily associated with leasehold improvements, whereby at the end of a lease, the Company is contractually obligated to remove such leasehold improvements in order to comply with the lease agreement. At the inception of a lease with such conditions, the Company records an asset retirement obligation liability and a corresponding capital asset in an amount equal to the estimated fair value of the obligation. The liability is estimated based on a number of assumptions requiring management's judgment, including store closing costs and discount rates, and is accreted to its projected future value over time. The capitalized asset is depreciated using the estimated useful life for depreciation of leasehold improvement assets. Upon satisfaction of the asset retirement obligation conditions, any difference between the recorded asset retirement obligation liability and the actual retirement costs incurred is recognized as an operating gain or loss in the Company's financial statements in the period incurred. There were no net operating gains recorded for the fiscal years ended December 26, 2023 and December 27, 2022, and December 28, 2021, respectively.

Caribou Coffee Company, Inc. and Subsidiaries
Notes to Consolidated Financial Statements (continued)
As of December 26, 2023 and December 27, 2022; and for the
Fiscal Years Ended December 26, 2023, December 27, 2022, and December 28, 2021

1. Business and Summary of Significant Accounting Policies (continued)

Asset Retirement Obligations (continued)

Total asset retirement obligation expense was less than \$0.1 million for each of the fiscal years ended December 26, 2023, December 27, 2022, and December 28, 2021, and is included in costs of sales and related occupancy costs and depreciation and amortization. As of December 26, 2023 and December 27, 2022, the Company's net asset retirement obligation asset included in property, plant and equipment, net of accumulated depreciation and amortization was less than \$0.1 million for each fiscal year, while the Company's net asset retirement obligation liability was equal to \$0.3 million for each of the fiscal years ended December 26, 2023 and December 27, 2022.

Operating Leases and Rent Expense

The Company leases all coffeehouse and bagel bakery locations as well as its corporate office spaces under operating leases. The Company also has equipment leases that qualify as operating leases. The Company determines if an arrangement is a lease at inception. The Company has lease agreements with lease and non-lease components, which are generally accounted for separately.

Right of use assets represent the Company's right to use an underlying asset for the lease term and lease obligations represent the Company's obligation to make lease payments arising from the lease. The Company includes short-term leases, or leases with a term of twelve months or less, in its right of use asset and lease liability calculations. Operating leases are included in operating lease assets, current operating lease liabilities, and long-term operating lease liabilities on the Company's consolidated balance sheets. Operating right of use lease assets and obligations are recognized at the commencement date, which is the date we take possession of the property, based on the present value of lease payments over the lease term. As most of the Company's leases do not provide an implicit rate, the Company uses its incremental borrowing rate based on the estimated rate of interest for collateralized borrowing over a similar term of the lease payments at the commencement date in determining the present value of lease payments. The right of use asset also includes any lease payments made less upfront lease incentives received from the lessor.

The Company's lease terms generally include rent escalation clauses and options to extend or terminate the lease upon exercise of the lease option. Lease expense for lease payments is recognized on a straight-line basis over the lease term. Additionally, tenant allowances used to fund leasehold improvements are recognized when earned and reduce our right of use asset related to the lease. These are amortized through the operating lease asset as reductions of expense over the lease term. Refer to Note 9 for more information on leases.

Caribou Coffee Company, Inc. and Subsidiaries
Notes to Consolidated Financial Statements (continued)
As of December 26, 2023 and December 27, 2022; and for the
Fiscal Years Ended December 26, 2023, December 27, 2022, and December 28, 2021

1. Business and Summary of Significant Accounting Policies (continued)

Deferred Financing Fees

The Company capitalizes the costs incurred to issue debt. These costs are included as a component of current portion of long-term debt and long-term debt, net of unamortized discount on the Company's consolidated balance sheets as of December 26, 2023 and December 27, 2022, respectively. The costs are being amortized over the life of the debt agreement on a straight-line basis, which approximates the effective interest method.

Goodwill

The Company had gross goodwill of \$384.8 million as of December 26, 2023 and December 27, 2022. Goodwill represents the excess of the acquisition costs over estimated fair value of assets acquired, less liabilities assumed. No additional goodwill was recognized for the fiscal years ended December 26, 2023 and December 27, 2022.

The Company tests goodwill for impairment annually or upon the occurrence of events that may indicate possible impairment. When assessing the recoverability of goodwill, the Company may first perform an assessment of qualitative factors. We may elect to skip the qualitative assessment and proceed directly to the quantitative analysis, for any reporting unit, in any period. If we do not perform a qualitative assessment, or if we determine it is not more-likely-than-not that the fair value of the reporting unit exceeds its carrying amount, the Company assesses goodwill for impairment through a quantitative analysis, utilizing a discounted cash flow approach, which incorporates assumptions regarding future growth rates, terminal values, and discount rates. This process compares the estimated fair value of each reporting unit to the reporting unit's carrying value, including goodwill. The Company recognizes a goodwill impairment charge for the amount by which the reporting unit's carrying amount exceeds its fair value. If the fair value of a reporting unit exceeds its carrying value, goodwill of the reporting unit is considered not to be impaired. If circumstances change significantly that would indicate a possible impairment, the Company would also test a reporting unit's goodwill for impairment at an interim date between its annual tests.

For the fiscal years ended December 26, 2023 and December 27, 2022, the Company elected to perform a qualitative assessment for its annual review of goodwill to determine whether or not indicators of impairment exist. As a result of the qualitative assessment, no indicators of impairment were identified that would require further testing for impairment. There were no goodwill impairment charges for the fiscal years ended December 26, 2023, December 27, 2022, and December 28, 2021.

Caribou Coffee Company, Inc. and Subsidiaries
Notes to Consolidated Financial Statements (continued)
As of December 26, 2023 and December 27, 2022; and for the
Fiscal Years Ended December 26, 2023, December 27, 2022, and December 28, 2021

1. Business and Summary of Significant Accounting Policies (continued)

Intangible Assets and Liabilities

Intangible assets primarily represent the tradenames for the Company's brands, contractual customer relationships including franchise, K-cup coffee supply and concession agreements, and reacquired franchise rights. All tradenames except for one, Manhattan Bagel, have been assigned an indefinite life and are reviewed for impairment annually. All other intangible assets and liabilities are amortized on a straight-line basis over their estimated useful lives.

For the fiscal years ended December 26, 2023 and December 27, 2022, the Company elected to perform a qualitative assessment for its annual review of intangibles to determine whether or not indicators of impairment exist. As a result of the qualitative assessment, no indicators of impairment were identified that would require further testing for impairment. The Company did not have any impairment of indefinite-lived intangible assets during the fiscal years ended December 26, 2023, December 27, 2022, and December 28, 2021.

Self-Insurance Reserves

The Company provides for workers' compensation, general liability and employee healthcare benefits claims using a combination of self-insurance and third party liability insurance. The Company is responsible for a portion of the claims costs for workers' compensation, general liability and employee healthcare benefits and accrues a liability for the estimate of the ultimate cost of the claim incurred and unpaid as of the balance sheet date. The workers' compensation and general liability is based upon an estimate from a third party actuary, while the employee healthcare benefits liability is based upon the Company's analysis of both current and historical data. These liabilities are included in accrued expenses. The Company also maintains stop-loss coverage with third party insurers which limits the exposure from workers' compensation liability, general liability and employee healthcare benefits claims.

Impairment of Long-Lived Assets and Disposal of Long-Lived Assets

The Company reviews long-lived assets, including right of use assets and certain definite-lived intangibles, for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future undiscounted net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets. In accordance with Accounting Standards Update (ASU) No. 2016-02, *Leases (Topic 842)*, when a right of use asset related to an operating lease is impaired, the Company amortizes the remaining right of use asset on a straight-line basis over the remaining lease term, similar to the accounting a lessee would apply to finance type leases.

Caribou Coffee Company, Inc. and Subsidiaries
Notes to Consolidated Financial Statements (continued)
As of December 26, 2023 and December 27, 2022; and for the
Fiscal Years Ended December 26, 2023, December 27, 2022, and December 28, 2021

1. Business and Summary of Significant Accounting Policies (continued)

Impairment of Long-Lived Assets and Disposal of Long-Lived Assets (continued)

The Company recorded impairment charges of \$0.2 million during the fiscal year ended December 26, 2023, comprised of \$0.1 million and \$0.1 million of leasehold improvement impairments and right of use asset impairments, respectively, which were recorded in depreciation and amortization expense and occupancy expense, respectively, in the Company's consolidated statements of operations.

The Company recorded impairment charges of \$2.9 million during the fiscal year ended December 27, 2022, comprised of \$0.9 million and \$2.0 million of leasehold improvement impairments and right of use asset impairments, respectively, which were recorded in depreciation and amortization expense and occupancy expense, respectively, in the Company's consolidated statements of operations.

The Company recorded store impairment charges of \$1.8 million during the fiscal year ended December 28, 2021, comprised of \$1.0 million and \$0.8 million of leasehold improvement impairments and right of use asset impairments, respectively. The impairment charges were recorded in depreciation and amortization expense in the Company's consolidated statements of operations.

Assets to be disposed of are reported at the lower of the carrying amount or fair value less costs to sell.

Stock Compensation

The Company maintains a long-term incentive equity plan, which provides for the granting of non-qualified stock options and restricted stock to officers, certain key employees and certain non-employees and generally vest four and a half years from the date of grant. The plan includes provisions for the grantee, after the satisfaction of a six month holding period, to sell the vested shares to the Company in exchange for the current fair value of the shares. The Company has the option to call outstanding vested shares in exchange for the current fair value of the shares. Beginning in fiscal year 2020, CCOC and ENRGI also maintain long-term incentive equity plans with terms identical to the Company's long term incentive plan.

Restricted stock units are valued based on the grant date fair value of the shares. The fair value of the shares is estimated using a market approach, which estimates the value of the stock based upon comparison to comparable public companies in a similar line of business. From the comparable public companies, a representative market value multiple is determined and then applied to the Company's financial metrics. The estimated grant date fair value of stock options was calculated using Black-Scholes option-pricing model. The estimated grant date fair value of each stock-based award is recognized in the consolidated statements of operations on a straight-line basis over the requisite service period (generally the vesting period).

Caribou Coffee Company, Inc. and Subsidiaries
Notes to Consolidated Financial Statements (continued)
As of December 26, 2023 and December 27, 2022; and for the
Fiscal Years Ended December 26, 2023, December 27, 2022, and December 28, 2021

1. Business and Summary of Significant Accounting Policies (continued)

Coffeehouse and Bagel Bakery Location Preopening and Closing Expenses

Costs incurred in connection with start-up and promotion of new coffeehouse and bagel bakery openings are expensed as incurred and are included in operating expenses in the consolidated statements of operations. The Company incurred \$2.5 million, \$2.8 million, and \$1.1 million of coffeehouse and bagel bakery pre-opening expenses during the fiscal years ended December 26, 2023, December 27, 2022, and December 28, 2021, respectively. When a coffeehouse or bagel bakery is closed, the remaining carrying amount of property and equipment, net of expected recovery value, is charged to operations. For coffeehouses and bagel bakeries under operating lease agreements, the estimated liability under the lease is also accrued. In accordance with ASU No. 2016-02, *Leases (Topic 842)*, lease termination liabilities are included in the balance of the Company's right of use assets. Refer to Note 19 for more closed store information.

Revenue Recognition

Retail Revenue

The Company recognizes retail coffeehouse/bagel bakery sales for products and services when payment is tendered at the point of sale, as the performance obligation has been satisfied. Company-operated retail coffeehouse/bagel bakery revenues are reported excluding sales, use or other transaction taxes collected from customers, which are remitted to various tax jurisdictions. Accordingly, sales taxes have no effect on the Company's reported net sales in the accompanying consolidated statements of operations.

Product and Royalty Revenue

Sales of coffee, food, and related products to commercial, franchise or online customers is generally recognized upon shipment, depending on contract terms, as control typically transfers and performance obligations are typically met upon shipment. Pursuant to Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers (Topic 606)*, the Company has elected to account for shipping and handling as fulfillment costs. Shipping charges billed to commercial, franchise, or online customers are recognized as revenue, and the expense of such shipping and handling costs is included in cost of sales, as incurred. ENRGI includes the shipping and handling fee in the total product price. The Company recorded shipping revenue of \$2.5 million, \$1.8 million, and \$1.5 million during the fiscal years ended December 26, 2023, December 27, 2022, and December 28, 2021, respectively.

Caribou Coffee Company, Inc. and Subsidiaries
Notes to Consolidated Financial Statements (continued)
As of December 26, 2023 and December 27, 2022; and for the
Fiscal Years Ended December 26, 2023, December 27, 2022, and December 28, 2021

1. Business and Summary of Significant Accounting Policies (continued)

Revenue Recognition (continued)

Product and Royalty Revenue (continued)

The Company sells Caribou Coffee branded coffee to Peet's Coffee and Tea, LLC (Peet's or JDE Peet's) and Keurig Dr. Pepper (KDP), affiliates of Panera Brands, Inc., and recognizes revenue when the performance obligation is met, defined in the contract as the passage of title and risk of loss to the customer, generally upon shipment of product. Additionally, the Company receives royalties from Peet's and KDP for all Caribou Coffee branded product sold to Peet's and KDP's consumer package goods (CPG) customers. Royalty revenue is recognized as the performance obligations are met and is included in franchise and commercial product sales in the accompanying consolidated statements of operations.

Franchise Revenue

The Company's franchise agreements typically require upfront franchise fees such as initial fees paid upon opening of a store and fees paid to renew the term of the franchise right. Fees are recognized over the term of the related franchise license for the respective coffeehouse or bagel bakery on a straight-line basis, which is consistent with the Company's performance obligations under the agreements and the franchisee's right to use and benefit from the intellectual property.

Advertising Cooperatives

The Company participates in various advertising cooperatives with its franchisees. These advertising cooperatives are established to collect and administer funds contributed for use in advertising and promotional programs designed to increase sales and enhance the reputation of the Company and its franchise owners. Contributions to the advertising cooperatives are required for franchise coffeehouses or bagel bakeries. Franchisees remit to the Company a percentage of coffeehouse or bagel bakery sales, and the cooperatives are required to spend all funds collected on advertising and promotional programs. Revenues for these services are typically billed and paid monthly. The Company has determined the advertising services provided to franchisees are highly interrelated with the franchise right and therefore not a distinct performance obligation.

Total advertising cooperative revenue was \$4.3 million, \$4.0 million, and \$3.5 million for the fiscal years ended December 26, 2023, December 27, 2022, and December 28, 2021, respectively. Expenses incurred to provide these services were \$4.4 million, \$4.0 million, and \$3.5 million for the fiscal years ended December 26, 2023, December 27, 2022, and December 28, 2021, respectively.

Caribou Coffee Company, Inc. and Subsidiaries
Notes to Consolidated Financial Statements (continued)
As of December 26, 2023 and December 27, 2022; and for the
Fiscal Years Ended December 26, 2023, December 27, 2022, and December 28, 2021

1. Business and Summary of Significant Accounting Policies (continued)

Revenue Recognition (continued)

Stored Value Cards

The Company sells stored value cards of various denominations. Cash receipts related to stored value card sales are deferred when initially received and revenue is recognized when the card is redeemed and the related products are delivered to the customer. Such deferred revenue amounts are classified as accrued expenses in the Company's consolidated balance sheets.

The Company will honor all stored value cards presented for payment; however, the Company has determined that the likelihood of redemption is remote for certain card balances due to long periods of inactivity and historical redemption patterns. To the extent management determines there is no requirement for remitting balances to government agencies under unclaimed property laws, card balances may be recognized in the consolidated statements of operations. The Company uses the proportional model and recognizes the estimated value of abandoned cards as a percentage of every stored value card redeemed and includes the amount in coffeehouse and bagel bakery sales. Gift card breakage income of \$3.1 million, \$3.3 million, and \$4.2 million was recognized in coffeehouse and bagel bakery sales in the consolidated statements of operations for the fiscal years ended December 26, 2023, December 27, 2022, and December 28, 2021, respectively.

All revenue is recognized net of any discounts, returns, allowances, and sales incentives, including coupon redemptions and rebates.

Advertising

Advertising costs are expensed as incurred except for production costs related to major radio, television or media campaigns which are expensed in the period when the advertisement is initially aired/distributed. Advertising expenses aggregated approximately \$35.1 million, \$29.5 million, and \$22.9 million for the fiscal years ended December 26, 2023, December 27, 2022, and December 28, 2021, respectively. As of December 26, 2023 and December 27, 2022, the Company had \$0.6 million and \$0.4 million of prepaid advertising expenses, respectively, which are included as a component of prepaid expenses and other assets on the Company's consolidated balance sheets.

Supply Chain Financing

As part of the Company's ongoing efforts to improve cash flow and related liquidity, the Company negotiates with suppliers to optimize terms and conditions, which include the extension of payment terms. The Company also has agreements with third-party administrators to allow participating suppliers to sell payment obligations from the Company to financial institutions, if voluntarily elected by the supplier. Suppliers can sell one or more of the Company's payment obligations at their sole discretion and the rights and obligations of the Company to its suppliers are not impacted. The Company has no economic interest in a supplier's decision to enter into these agreements.

Caribou Coffee Company, Inc. and Subsidiaries
Notes to Consolidated Financial Statements (continued)
As of December 26, 2023 and December 27, 2022; and for the
Fiscal Years Ended December 26, 2023, December 27, 2022, and December 28, 2021

1. Business and Summary of Significant Accounting Policies (continued)

Supply Chain Financing (continued)

The Company's obligations to its suppliers, including amounts due and scheduled payment terms, are not impacted. All outstanding payments owed under the programs are recorded within accounts payable in the consolidated balance sheets. All payment activities related to the supplier finance programs are presented within the increase (decrease) in accounts payable line in the consolidated statements of cash flows.

Included in the Company's accounts payable in the consolidated balance sheets as of December 26, 2023 and December 27, 2022 were \$44.9 million and \$43.2 million, respectively, of outstanding payment obligations due to suppliers under the supplier finance programs.

Income Taxes

The Company accounts for income taxes under the liability method. Under this method, deferred income tax assets and liabilities are determined based on differences between the financial reporting and tax basis of assets and liabilities and are measured using the enacted tax rates and laws that will be in effect when the differences are expected to reverse. A deferred tax asset or liability is recognized whenever there are future tax effects from existing temporary differences, operating losses and tax credit carryforwards. If the Company determines that a deferred tax asset could be realized in a greater or lesser amount than recorded, the asset's recorded amount is adjusted, and the consolidated statements of operations are either credited or charged, respectively, in the period during which the determination is made.

Though the validity of any tax position is a matter of tax law, the body of statutory, regulatory, and interpretive guidance on the application of the law is complex and often ambiguous. Because of this, whether a tax position will ultimately be sustained may be uncertain. The Company's recognition of an uncertain tax position is dependent on whether or not that position is more likely than not of being sustained upon audit by the relevant taxing authority. If an uncertain tax position is more likely than not to be sustained, the position must be recognized at the largest amount that is more likely than not to be sustained. No portion of an uncertain tax position will be recognized if the position has less than a 50% likelihood of being sustained. Refer to Note 15 for more information.

Recent Accounting Pronouncements

In March 2020 and January 2021, the Financial Accounting Standards Board (FASB) issued guidance which provides optional expedients and exceptions for applying U.S. GAAP to contracts, hedging relationships, and other transactions that reference London Interbank Offered Rate (LIBOR) and other interbank offered rates expected to be discontinued because of reference rate reform. The Company adopted the amendment on April 1, 2022. The adoption of this guidance did not have a material impact on the Company's consolidated financial statements.

Caribou Coffee Company, Inc. and Subsidiaries
Notes to Consolidated Financial Statements (continued)
As of December 26, 2023 and December 27, 2022; and for the
Fiscal Years Ended December 26, 2023, December 27, 2022, and December 28, 2021

In September 2022, the FASB issued guidance to improve the disclosures of supplier finance programs. Specifically, the guidance requires disclosure of key terms of the supplier finance programs and a rollforward of the related obligations. The amendments in this guidance do not affect the recognition, measurement, or financial statement presentation of obligations covered by supplier finance programs. The guidance is effective for fiscal years, and interim periods within those years, beginning after December 15, 2022. The Company adopted this guidance on January 1, 2023, and added necessary disclosures upon adoption as disclosed above, except for the amendment on rollforward information, which is effective for fiscal years beginning after December 15, 2023.

2. Revenue

Disaggregation of Revenue

Financial information relating to our operations by line of business is as follows:

(in thousands)	Fiscal Year Ended		
	December 26, 2023	December 27, 2022	December 28, 2021
Coffeehouse and bagel bakery sales	\$ 859,563	\$ 792,112	\$ 709,744
Franchise royalties and fees	26,126	23,426	20,000
Franchise advertising sales	4,347	4,017	3,524
Product sales:			
Franchise	45,763	38,870	28,812
Commercial	115,678	111,266	95,384
Total franchise and commercial product sales	161,441	150,136	124,196
Net sales	\$ 1,051,477	\$ 969,691	\$ 857,464

Sublease income, reported within retail revenue, was \$0.3 million, \$0.5 million, and \$0.6 million for the fiscal years ended December 26, 2023, December 27, 2022, and December 28, 2021, respectively. Total future minimum sublease rental income is \$1.0 million as of December 26, 2023.

Caribou Coffee Company, Inc. and Subsidiaries
Notes to Consolidated Financial Statements (continued)
As of December 26, 2023 and December 27, 2022; and for the
Fiscal Years Ended December 26, 2023, December 27, 2022, and December 28, 2021

2. Revenue (continued)

Contract Liabilities

The Company has contract liabilities which comprise unamortized upfront fees received from franchisees. A summary of significant changes to the unamortized upfront franchise fee liability balance, included within accrued expenses on the consolidated balance sheets, is presented below.

(in thousands)	Not yet amortizing*	Amortizing	Total
Balance at December 28, 2021	\$ 1,065	\$ 2,652	\$ 3,717
Additions:			
Upfront fees associated with amortizing contracts that were effective in prior periods due to the adoption of ASC 606	(458)	458	-
Upfront fees associated with amortizing contracts that became effective during the fiscal year ended December 27, 2022	715	651	1,366
Less:			
Revenue recognized that was included in unamortized upfront fees received from licensees/franchisees	-	(669)	(669)
Voided contracts prior to store opening	(174)	-	(174)
Balance at December 27, 2022	\$ 1,148	\$ 3,092	\$ 4,240
Additions:			
Upfront fees associated with amortizing contracts that were effective in prior periods due to the adoption of ASC 606	(337)	337	-
Upfront fees associated with amortizing contracts that became effective during the fiscal year ended December 26, 2023	1,363	825	2,188
Less:			
Revenue recognized that was included in unamortized upfront fees received from licensees/franchisees	-	(755)	(755)
Voided contracts prior to store opening	(10)	-	(10)
Balance at December 26, 2023	\$ 2,164	\$ 3,499	\$ 5,663

*"Not yet amortizing" includes deferred upfront fees for stores that have not yet opened and therefore have not yet begun the amortization process.

Caribou Coffee Company, Inc. and Subsidiaries
Notes to Consolidated Financial Statements (continued)
As of December 26, 2023 and December 27, 2022; and for the
Fiscal Years Ended December 26, 2023, December 27, 2022, and December 28, 2021

2. Revenue (continued)

Contract Liabilities (continued)

The Company expects to recognize amortizing upfront franchise fees as revenue over the remaining term of the associated franchise agreement as follows (in thousands):

Fiscal year	Amount
2024	\$ 603
2025	518
2026	411
2027	339
2028	279
2029 and thereafter	1,349
	<u>\$ 3,499</u>

The Company also has contract liabilities for its stored value cards. Revenue from stored value cards is recognized upon card redemption. The Company's stored value cards do not expire. Based on historical redemption rates, a small and relatively stable percentage of stored cards will never be redeemed, referred to as "breakage." Estimated breakage revenue is recognized over time in proportion to actual stored value card redemptions. A summary of significant changes to the stored value card liability balance, included within accrued expenses on the consolidated balance sheets, is presented below (in thousands):

Balance at December 28, 2021	\$ 13,773
Stored value cards issued during the period	119,284
Stored value cards redeemed during the period	(118,014)
Breakage	(3,280)
Balance at December 27, 2022	<u>\$ 11,763</u>
Stored value cards issued during the period	129,722
Stored value cards redeemed during the period	(126,849)
Breakage	(3,082)
Balance at December 26, 2023	<u>\$ 11,554</u>

Caribou Coffee Company, Inc. and Subsidiaries
Notes to Consolidated Financial Statements (continued)
As of December 26, 2023 and December 27, 2022; and for the
Fiscal Years Ended December 26, 2023, December 27, 2022, and December 28, 2021

3. Goodwill

For financial accounting and reporting purposes, the Company reports results for its two business units as follows: (1) the Coffee business unit, including CCOC, Caribou Coffee Development Company, Inc. and Caribou MSP Airport, and (2) the Bagel Brands business unit, including ENRGI and its consolidated subsidiary, BEI. Within the two business units, the Company has allocated its goodwill into its seven reporting units and analyzes for impairment accordingly. These reporting units are defined as Coffee Retail, Coffee Commercial, Coffee Domestic Franchise & Licensing, Coffee International Franchise & Licensing, Bagels Retail, Bagels Commercial, and Bagels Domestic Franchise & Licensing. The following is a reconciliation of the beginning and ending balances of the Company's goodwill by reportable segment (in thousands):

	Fiscal Year Ended		
	December 26, 2023	December 27, 2022	December 28, 2021
Coffee Retail	\$ 83,415	\$ 83,415	\$ 83,415
Coffee Commercial	42,929	42,929	42,929
Coffee Domestic Franchise & Licensing	23,568	23,568	23,568
Coffee International Franchise & Licensing	12,770	12,770	12,770
Bagels Retail	129,381	129,381	129,381
Bagels Commercial	9,017	9,017	9,017
Bagels Domestic Franchise & Licensing	83,733	83,733	83,733
	<u>\$ 384,813</u>	<u>\$ 384,813</u>	<u>\$ 384,813</u>

For the fiscal years ended December 26, 2023, December 27, 2022, and December 28, 2021, the Company elected to perform a qualitative assessment for its annual review of goodwill to determine whether indicators of impairment exist. As a result of the qualitative assessment, no indicators of impairment were identified. There were no goodwill impairment charges for the fiscal years ended December 26, 2023, December 27, 2022, and December 28, 2021.

Caribou Coffee Company, Inc. and Subsidiaries
Notes to Consolidated Financial Statements (continued)
As of December 26, 2023 and December 27, 2022; and for the
Fiscal Years Ended December 26, 2023, December 27, 2022, and December 28, 2021

4. Intangible Assets and Liabilities

Intangible assets and liabilities consist of the following (in thousands):

	As of December 26, 2023		
	Gross Carrying Amount	Accumulated Amortization	Net Amount
Intangible assets not subject to amortization:			
Tradenames	\$ 457,500	\$ -	\$ 457,500
Intangible assets subject to amortization:			
Customer relationships	9,295	(9,185)	110
Tradename (Manhattan Bagel)	3,700	(3,700)	-
Reacquired franchise rights	957	(913)	44
Franchise agreements	35,470	(33,414)	2,056
K-cup coffee supply agreement	4,800	(4,590)	210
Concession agreement	10,900	(5,950)	4,950
Total intangible assets subject to amortization	<u>65,122</u>	<u>(57,752)</u>	<u>7,370</u>
Total intangible assets	<u>\$ 522,622</u>	<u>\$ (57,752)</u>	<u>\$ 464,870</u>
	As of December 27, 2022		
	Gross Carrying Amount	Accumulated Amortization	Net Amount
Intangible assets not subject to amortization:			
Tradenames	\$ 457,500	\$ -	\$ 457,500
Intangible assets subject to amortization:			
Customer relationships	9,295	(9,055)	240
Tradename (Manhattan Bagel)	3,700	(3,700)	-
Reacquired franchise rights	957	(836)	121
Franchise agreements	35,470	(30,991)	4,479
K-cup coffee supply agreement	4,800	(4,310)	490
Concession agreement	10,900	(5,405)	5,495
Total intangible assets subject to amortization	<u>65,122</u>	<u>(54,297)</u>	<u>10,825</u>
Total intangible assets	<u>\$ 522,622</u>	<u>\$ (54,297)</u>	<u>\$ 468,325</u>

The Company recognized net intangible asset amortization expense of \$3.5 million, \$4.4 million, and \$4.8 million during each of the fiscal years ended December 26, 2023, December 27, 2022, and December 28, 2021, respectively, included in depreciation and amortization expense in the consolidated statements of operations.

Caribou Coffee Company, Inc. and Subsidiaries
Notes to Consolidated Financial Statements (continued)
As of December 26, 2023 and December 27, 2022; and for the
Fiscal Years Ended December 26, 2023, December 27, 2022, and December 28, 2021

4. Intangible Assets and Liabilities (continued)

The Company assigned the following useful lives to its intangible assets:

	Useful life	Location of Amortization Expense
Tradenames	Indefinite	—
Tradename (Manhattan Bagel)	6.5 years	Depreciation and amortization
Customer relationships	8-10 years	Depreciation and amortization
Franchise agreements	6.5-10 years	Depreciation and amortization
K-cup coffee supply agreement	10 years	Depreciation and amortization
Reacquired franchise rights	5-8.8 years	Depreciation and amortization
Concession agreement	20 years	Depreciation and amortization

The Company estimates that amortization expense related to intangible assets will be as follows for the next five fiscal years (in thousands):

	Fiscal 2024	Fiscal 2025	Fiscal 2026	Fiscal 2027	Fiscal 2028	Thereafter	Total
Customer relationships	\$ 110	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 110
Reacquired franchise rights	36	8	-	-	-	-	44
Franchise agreements	1,982	27	27	20	-	-	2,056
K-cup coffee supply agreement	210	-	-	-	-	-	210
Concession agreement	545	545	545	545	545	2,225	4,950
Total	<u>\$ 2,883</u>	<u>\$ 580</u>	<u>\$ 572</u>	<u>\$ 565</u>	<u>\$ 545</u>	<u>\$ 2,225</u>	<u>\$ 7,370</u>

5. Derivative Financial Instruments

The Company evaluates various strategies in managing its exposure to market-based risks, such as entering into derivative transactions to manage its exposure to fluctuating interest rates. For those cash flow hedges that have been designated and qualify as an effective accounting hedge, the effective portion of the derivative's gain or loss is initially reported as a component of other comprehensive loss, and subsequently reclassified into net earnings when the hedged exposure affects net income (loss). For those cash flow hedges that are not designated or do not qualify as an effective accounting hedge, the entire derivative gain or loss is recorded in interest expense, net on the consolidated statements of operations as incurred. The Company's derivatives are recorded at fair value in accrued expenses at December 28, 2021.

On July 2, 2018, the Company entered into an interest rate swap with BBVA Compass Bank pursuant to an ISDA Master Agreement. During 2021, PNC Financial Services Group acquired the U.S. subsidiary of BBVA, and as a result, the Company's interest rate swap was then held at PNC (the Bank). The Company entered into the interest rate swap agreement to mitigate its risk

Caribou Coffee Company, Inc. and Subsidiaries
Notes to Consolidated Financial Statements (continued)
As of December 26, 2023 and December 27, 2022; and for the
Fiscal Years Ended December 26, 2023, December 27, 2022, and December 28, 2021

5. Derivative Financial Instruments (continued)

on \$350 million of the Company's total outstanding debt under its amended and restated credit facility dated as of October 5, 2017. The interest rate swap was designated as a cash flow hedge. It had an effective date of July 2, 2018, a trade date of July 3, 2018, and a termination date of October 5, 2022. The Company was required to make certain variable rate interest payments to the Bank based on a one-month LIBOR rate calculated on an initial notional amount of \$350 million, with annual amortizing reductions of the notional from \$350 million to \$250 million by its termination date. The Company paid or received payment for the difference between the swap rate of 2.7825% and the variable rate, effectively fixing the annual interest rate payable on the outstanding notional amount of the Company's total outstanding debt at 2.7825%, plus an applicable margin rate ranging from 1.25% to 2.00%. To the extent the hedge was effective, changes in fair value were recorded in other comprehensive income. To the extent the hedge was ineffective, changes in fair value were recorded as a charge/credit to income.

Changes in fair value of the interest rate swaps were recorded as a component of accumulated other comprehensive income (AOCI) in the consolidated balance sheets. The Company reclassified the effective gain or loss from AOCI to interest expense, net in the consolidated statements of operations at the time of the forecasted transaction. The following table presents pre-tax gains and losses on the interest rate swaps recognized in other comprehensive income (OCI) and reclassified from AOCI to earnings for the periods indicated (in thousands):

	Fiscal Year Ended		
	December 26, 2023	December 27, 2022	December 28, 2021
Net gains recognized in OCI before reclassifications	\$ -	\$ 1,100	\$ 589
Net losses reclassified from AOCI to earnings	\$ -	\$ 3,200	\$ 7,516

The Company did not recognize a gain or loss due to hedge ineffectiveness during the fiscal years ended December 26, 2023, December 27, 2022, and December 28, 2021.

During June 2022, in connection with the Company's debt refinancing, the Company paid \$0.3 million to terminate a portion of its interest rate swap and novated its remaining \$0.4 million interest rate swap balance to Panera Brands, Inc. No gain or loss was recorded as a result of the swap novation. The final payment on the terminated swap equaled the fair value of the interest rate swap at the time of its termination, and a gain of \$0.1 million was recognized as a result of the transaction. The Company does not hold or use derivative instruments for trading purposes. The Company does not have any derivatives that are not designated as hedging instruments and has not designated any non-derivatives as hedging instruments.

Caribou Coffee Company, Inc. and Subsidiaries
Notes to Consolidated Financial Statements (continued)
As of December 26, 2023 and December 27, 2022; and for the
Fiscal Years Ended December 26, 2023, December 27, 2022, and December 28, 2021

6. Fair Value Measurements

Recurring Fair Value Measurements

The following table presents the assets and liabilities measured at fair value on a recurring basis as of December 26, 2023 (in thousands):

	Total			
	December 26, 2023	Level 1	Level 2	Level 3
Noncontrolling interests subject to put provision	\$ 63,121	\$ -	\$ -	\$ 63,121
Total mezzanine equity	\$ 63,121	\$ -	\$ -	\$ 63,121

Caribou Coffee Company, Inc. and Subsidiaries
Notes to Consolidated Financial Statements (continued)
As of December 26, 2023 and December 27, 2022; and for the
Fiscal Years Ended December 26, 2023, December 27, 2022, and December 28, 2021

6. Fair Value Measurements (continued)

Recurring Fair Value Measurements (continued)

The following table presents the financial liabilities measured at fair value on a recurring basis as of December 27, 2022 (in thousands):

	Total			
	December 27, 2022	Level 1	Level 2	Level 3
Noncontrolling interests subject to put provision	\$ 64,689	\$ -	\$ -	\$ 64,689
Total mezzanine equity	\$ 64,689	\$ -	\$ -	\$ 64,689

The fair value of noncontrolling interests subject to put provision is estimated using a market approach, which estimates the value of the stock based upon comparison to comparable public companies in a similar line of business. From the comparable public companies, a representative market value multiple is determined and then applied to the Company's financial metrics.

Nonrecurring Fair Value Measurements

Certain nonfinancial assets, primarily property, plant, and equipment, right of use assets, goodwill and intangible assets, are not required to be measured at fair value on a recurring basis and are reported at carrying value. However, these assets are required to be assessed for impairment whenever events or circumstances indicate that their carrying value may not be fully recoverable, and at least annually for goodwill and indefinite-lived intangible assets. In the event an impairment is required, the asset is adjusted to fair value, using market-based assumptions.

The fair value of non-financial assets measured at fair value on a non-recurring basis, which is classified as Level 3 in the fair value hierarchy, is determined based on appraisals or sales prices of comparable assets and estimates of future cash flows.

As of December 26, 2023, long-lived assets held and used with a carrying amount of \$0.9 million associated with distinct underperforming Company-owned coffeehouses and bagel bakeries were determined to have a fair value of \$0.7 million, resulting in an impairment loss of \$0.2 million.

As of December 27, 2022, long-lived assets held and used with a carrying amount of \$9.0 million associated with distinct underperforming Company-owned coffeehouses and bagel bakeries were determined to have a fair value of \$6.1 million, resulting in an impairment loss of \$2.9 million.

As of December 28, 2021, long-lived assets held and used with a carrying amount of \$16.2 million associated with distinct underperforming Company-owned coffeehouses and bagel bakeries and Company-owned coffeehouses and bagel bakeries were determined to have a fair value of \$14.4 million, resulting in an impairment loss of \$1.8 million.

Caribou Coffee Company, Inc. and Subsidiaries
Notes to Consolidated Financial Statements (continued)
As of December 26, 2023 and December 27, 2022; and for the
Fiscal Years Ended December 26, 2023, December 27, 2022, and December 28, 2021

6. Fair Value Measurements (continued)

Nonrecurring Fair Value Measurements (continued)

Impairment charges on coffeehouse and bagel bakery assets and right of use assets are classified as Level 3 within the fair value hierarchy. Impairments of property and equipment, net are recorded within depreciation and amortization expense in the consolidated statements of operations. Impairments of operating lease assets are recorded within occupancy expense in the consolidated statements of operations for the fiscal years ended December 26, 2023 and December 27, 2022 and within depreciation and amortization expenses for the fiscal year ended December 28, 2021.

7. Inventories

Inventories consist of the following (in thousands):

	December 26, 2023	December 27, 2022
Coffee	\$ 10,903	\$ 7,163
Raw materials	652	692
Finished goods	16,712	17,146
Total	<u>\$ 28,267</u>	<u>\$ 25,001</u>

As of December 26, 2023, the Company had the following outstanding raw inventory commodity purchase commitments with fully fixed prices, market only fixed prices and premium only fixed prices, with remaining terms in excess of one year (in thousands):

Fiscal year	Amount
2024	\$ 38,275
2025	4,988
Thereafter	1,115
	<u>\$ 44,378</u>

Caribou Coffee Company, Inc. and Subsidiaries
Notes to Consolidated Financial Statements (continued)
As of December 26, 2023 and December 27, 2022; and for the
Fiscal Years Ended December 26, 2023, December 27, 2022, and December 28, 2021

8. Property and Equipment

Property and equipment consist of the following (in thousands):

	December 26, 2023	December 27, 2022
Leasehold improvements	\$ 200,639	\$ 184,348
Machinery and equipment	161,751	151,756
Computer software	17,775	16,127
Furniture and fixtures	54,911	52,952
Smallwares	3,035	3,004
Construction in progress	10,115	8,218
	448,226	416,405
Less accumulated depreciation and amortization	(303,044)	(282,084)
Total	\$ 145,182	\$ 134,321

The Company recorded depreciation expense related to these assets of \$36.5 million, \$35.7 million, and \$35.7 million for the fiscal years ended December 26, 2023, December 27, 2022, and December 28, 2021, respectively, reported in depreciation and amortization in our consolidated statements of operations. Depreciation expense for the fiscal years ended December 26, 2023, December 27, 2022, and December 28, 2021 includes equipment and leasehold improvement impairments of \$0.1 million, \$0.9 million, and \$1.0 million, respectively. Repair and maintenance expenses are reported in the following lines in our consolidated statements of operations as follows (in thousands):

Repair and Maintenance Expenses Included in the Statement of Operations Line	Fiscal Year Ended		
	December 26, 2023	December 27, 2022	December 28, 2021
Other operating expenses	\$ 21,945	\$ 16,985	\$ 15,404
General and administrative expenses	1,480	783	1,021
Total	\$ 23,425	\$ 17,768	\$ 16,425

The Company capitalized \$0.7 million, \$0.6 million, and \$0.6 million of costs incurred in cloud computing service arrangements that are service contracts during the fiscal years ended December 26, 2023, December 27, 2022, and December 28, 2021, respectively. These amounts are included in property and equipment, net on the consolidated balance sheets.

Caribou Coffee Company, Inc. and Subsidiaries
Notes to Consolidated Financial Statements (continued)
As of December 26, 2023 and December 27, 2022; and for the
Fiscal Years Ended December 26, 2023, December 27, 2022, and December 28, 2021

9. Leases

Lease expenses are reported in cost of sales and related occupancy costs in the consolidated statements of operations. Certain leases provide for contingent (variable or percentage) rent, which is determined as a percentage of gross sales in excess of specified levels. The components of lease expense were as follows (in thousands):

	Fiscal year ended		
	December 26, 2023	December 27, 2022	December 28, 2021
Operating lease expense	\$ 63,629	\$ 62,170	\$ 60,278
Variable lease expense	21,833	19,482	19,643
Non-lease components	19,949	19,023	17,502
Total occupancy expense	<u>\$ 105,411</u>	<u>\$ 100,675</u>	<u>\$ 97,423</u>

Supplemental cash flow information related to leases follows (in thousands):

	Fiscal year ended		
	December 26, 2023	December 27, 2022	December 28, 2021
Cash paid for amounts included in the measurement of lease liabilities:			
Operating cash flows related to operating leases	\$ 70,888	\$ 69,984	\$ 80,281
Right of use assets obtained in exchange for new operating lease liabilities	\$ 22,208	\$ 20,601	\$ 10,201

The Company monitors for events or changes in circumstances that may require a reassessment of one of its leases and determines if a remeasurement is required. The balance of COVID-19-related rent concessions the Company received for coffeehouses and bagel bakeries, recorded in current operating lease liabilities and long-term operating lease liabilities on the consolidated balance sheets and generally correlating with the temporary period our stores were closed, was \$0.2 million and \$0.2 million for the years ended December 26, 2023 and December 27, 2022, respectively. Consistent with updated guidance from the FASB in April 2020, the Company elected to treat COVID-19-related rent concessions as if they were part of the enforceable rights and obligations of the existing contract. Reductions in lease liabilities were recorded with corresponding reductions in the right of use assets.

Caribou Coffee Company, Inc. and Subsidiaries
Notes to Consolidated Financial Statements (continued)
As of December 26, 2023 and December 27, 2022; and for the
Fiscal Years Ended December 26, 2023, December 27, 2022, and December 28, 2021

9. Leases (continued)

As of December 26, 2023, the weighted-average remaining lease term and discount rate were as follows:

	Weighted-Average Remaining Lease Term (Years)	Weighted-Average Discount Rate ⁽¹⁾
Operating leases	5.4	6.6%

⁽¹⁾ The Company cannot determine the interest rate implicit in its leases. Therefore, the discount rate used in determining the present value of lease payments represents the Company's incremental borrowing rate, which is determined based on the risk-free rate, adjusted for the risk premium attributed to the Company's credit rating for a secured or collateralized debt instrument.

Future minimum lease payments under non-cancelable operating leases as of December 26, 2023 were as follows:

Fiscal Year	Operating Leases
2024	73,836
2025	65,509
2026	56,329
2027	43,290
2028	30,478
Thereafter	57,294
Total future minimum lease payments	\$ 326,736
Less: imputed interest	(60,297)
Present value of minimum lease payments	\$ 266,439

Caribou Coffee Company, Inc. and Subsidiaries
Notes to Consolidated Financial Statements (continued)
As of December 26, 2023 and December 27, 2022; and for the
Fiscal Years Ended December 26, 2023, December 27, 2022, and December 28, 2021

10. Accrued Expenses

Accrued expenses consisted of the following (in thousands):

	<u>December 26, 2023</u>	<u>December 27, 2022</u>
Compensation and related employment taxes	\$ 18,752	\$ 19,956
Gift card liability	11,554	11,763
Loyalty program	10,149	11,077
Taxes, other than income tax	5,253	4,743
Insurance	6,508	6,077
Advertising	2,170	3,313
Occupancy costs	2,639	2,561
Utilities	1,653	1,607
Capital expenditures	5,898	2,515
Interest payable	-	11
Deferred revenue	1,017	983
Due (from) to related parties	(562)	575
Other	4,682	7,839
Total	<u>\$ 69,713</u>	<u>\$ 73,020</u>

The Company self-insures a portion of the exposure for costs related to employee healthcare, workers' compensation, and general liability. The Company utilizes third party actuarial experts' estimates of expected losses based on statistical analyses of the Company's actual historical data and historical industry data to determine required self-insurance reserves. The assumptions are closely reviewed, monitored, and adjusted when warranted. Estimated accruals for these liabilities could be affected if actual experience related to the number of claims and cost per claim differ from these assumptions and historical trends. As of December 26, 2023 and December 27, 2022, self-insurance reserves were \$6.5 million and \$6.1 million, respectively, and were included in accrued expenses in the consolidated balance sheets. Total amounts expensed for self-insurance were \$19.1 million, \$17.4 million, and \$14.3 million for fiscal 2023, fiscal 2022, and fiscal 2021, respectively. Expenses are recorded based on actuarial estimates for reported and incurred but not reported claims considering several factors, including historical claims experience, severity factors, litigation costs, inflation, and other actuarial assumptions.

Caribou Coffee Company, Inc. and Subsidiaries
Notes to Consolidated Financial Statements (continued)
As of December 26, 2023 and December 27, 2022; and for the
Fiscal Years Ended December 26, 2023, December 27, 2022, and December 28, 2021

11. Paycheck Protection Loan

During 2020, the Company did not seek nor receive a Paycheck Protection Program (PPP) Loan; however, in April 2020, the 51% partner in Caribou MSP Airport applied for and received a Paycheck Protection Loan under the Coronavirus Aid, Relief, and Economic Security Act (CARES Act) in the principal amount of \$0.4 million. In July 2021, Caribou MSP Airport applied for and received a second Paycheck Protection Loan under the CARES Act (CARES Act Loans, together, with the original loan) in the principal amount of \$0.6 million. The Company elected to account for the CARES Act Loans proceeds as a long-term liability, included in the Company's other long-term liabilities on the consolidated balance sheet, pursuant to the terms of the CARES Act Loan Program and pursuant to all regulations and guidance promulgated or provided by the Small Business Administration (the SBA) and other federal agencies that are now, or may become, applicable to the loan. The loans bear interest at the rate of 1% per annum and has a 2-year term.

During the third quarter of 2021, Caribou MSP Airport submitted an application for forgiveness of the first PPP Loan and upon approval by the SBA and the lender, Caribou MSP Airport received forgiveness for 100% of the \$0.4 million loan. During the fourth quarter of 2021, Caribou MSP Airport submitted an application for forgiveness of the second PPP Loan and upon approval by the SBA and the lender, Caribou MSP Airport received forgiveness for 100% of the \$0.6 million loan. Both amounts are recorded in other income in the consolidated statements of operations for the fiscal year ended December 28, 2021.

12. Debt

On October 5, 2017, the Company entered into an amended and restated credit agreement (as amended by that certain First Amendment to Amended and Restated Credit Agreement, dated as of July 20, 2018, that certain Second Amendment, Consent and Waiver to Amended and Restated Credit Agreement, dated as of December 6, 2018, that certain Third Amendment to Amended and Restated Credit Agreement, dated as of May 24, 2019, that certain Fourth Amendment to Amended and Restated Credit Agreement, dated as of June 30, 2020 and that certain Fifth Amendment to Amended and Restated Credit Agreement, dated as of April 28, 2021, collectively, the "Bank Agreement"). The Bank Agreement provided for term loans in an aggregate principal amount of \$100.0 million and \$375.0 million of revolving commitments. The initial proceeds from the Bank Agreement were used to refinance existing indebtedness and pay costs associated with an acquisition.

As of December 28, 2021, the Company had total borrowings of \$402.4 million under the Bank Agreement, composed of term loan borrowings of \$89.4 million and borrowings under the revolving credit facility of \$313.0 million, and outstanding letters of credit of \$9.8 million resulting in \$52.2 million of available capacity under the Bank Agreement. The Company refinanced the Bank Agreement pursuant to the PBI Credit Facility (as defined below) on June 15, 2022. All amounts were paid in full.

Caribou Coffee Company, Inc. and Subsidiaries
Notes to Consolidated Financial Statements (continued)
As of December 26, 2023 and December 27, 2022; and for the
Fiscal Years Ended December 26, 2023, December 27, 2022, and December 28, 2021

12. Debt (continued)

Panera Brands, Inc. Credit Facility

On June 15, 2022, Panera Brands, Inc. entered into a new credit agreement (the PBI Credit Facility). The PBI Credit Facility provided for term loans in two tranches with an aggregate principal amount of \$1 billion each and a revolving credit facility in an aggregate principal amount of \$1 billion. The initial proceeds from the PBI Credit Facility were used in part to refinance the Bank Agreement described above and to fund working capital needs for Panera Brands, Inc. The revolving credit facility is available for general corporate purposes for Panera Brands, Inc. and its subsidiaries, including the Company.

Borrowings under the PBI Credit Facility accrue interest at a rate, per annum, equal to, in the case of “base rate” borrowings, the greater of (x) a prime rate, (y) the NYFRB Rate (as defined in the PBI Credit Facility) plus 0.50% and (z) the Adjusted Term SOFR Rate (as defined in the PBI Credit Facility) for a one month interest period plus a leverage-based margin of 0.25% to 1.00%. In the case of term benchmark borrowings, such borrowings under the PBI Credit Facility accrue interest at a rate, per annum, equal to the Adjusted Term SOFR Rate plus a leverage-based margin of 1.25% to 2.00%. Applicable interest rates are subject to a 0.00% SOFR floor. Letter of credit and unused revolver fees accrue based on a leverage-based fee.

The revolving credit facility and one tranche of term loans under the PBI Credit Facility matures five years after closing, and the second tranche of term loans under the PBI Credit Facility matures three years after closing. The maturity date of any credit facility under the PBI Credit Facility may be extended by an additional year with the consent of the applicable lenders. Pursuant to this extension option, each of the revolving credit facility and the five-year term loan tranche may be extended on two occasions and the three-year term loan tranche may be extended on one occasion. The obligations under the PBI Credit Facility are collateralized by substantially all of the assets of Panera Brands, Inc. and certain subsidiaries of Panera Brands that guarantee the PBI Credit Facility.

The PBI Credit Facility contains customary negative covenants which, among other things, generally limited (with certain exceptions): mergers, amalgamations, or consolidations; the incurrence of additional indebtedness (including guarantees); the incurrence of additional liens; the sale, assignment, lease or conveyance or transfer of assets; certain investments and restricted payments (including to the Company); transactions with affiliates; engaging in materially different lines of business; swap agreements; and other activities customarily restricted in similar financing agreements. The PBI Credit Facility contains customary affirmative covenants, representations and warranties and events of default. The PBI Credit Facility also contains a financial covenant in which Panera Brands, Inc. shall not permit the Total Net Leverage Ratio (as defined in the PBI Credit Facility) to exceed 5.50x. Panera Brands, Inc. is in compliance with all financial covenants under the PBI Credit Facility as of December 26, 2023.

Caribou Coffee Company, Inc. and Subsidiaries
Notes to Consolidated Financial Statements (continued)
As of December 26, 2023 and December 27, 2022; and for the
Fiscal Years Ended December 26, 2023, December 27, 2022, and December 28, 2021

12. Debt (continued)

On June 25, 2022, Panera Brands, Inc. and the Company entered into an Intercompany Loan Agreement, which allocates a portion of the PBI Credit Facility to the Company: term loans in two tranches with an aggregate principal amount of \$86.9 million each and a revolving credit facility in an aggregate principal amount of \$374.8 million. The terms and covenants of the Intercompany Loan Agreement essentially mirror that of the PBI Credit Facility.

The PBI Credit Facility required a “Qualifying IPO” (as defined in the PBI Credit Facility) to occur on or prior to June 15, 2023. Within 10 business days after the occurrence of a “Qualifying IPO”, Panera Brands, Inc. is also required to repay \$160.0 million of outstanding borrowings under the PBI Credit Facility. A “Qualifying IPO” includes certain public issuances of common equity interests, SPAC transactions, and cash contributions to, and issuances of, qualified equity interests that, in each case, generate gross proceeds of not less than \$660.0 million. On June 1, 2023, Panera Brands, Inc. sold 3,424,835 shares of common stock to Panera Brands Holdings L.P., the direct parent of Panera Brands, Inc., in exchange for \$660.0 million. The sale of the common stock to Panera Brands Holdings L.P. in exchange for \$660.0 million satisfied the definition of a “Qualifying IPO”, as defined in the Company Credit Facility. In connection with the occurrence of the “Qualifying IPO,” Panera Brands, Inc. repaid \$500.0 million of certain indebtedness of Panera Brands, Inc. and its subsidiaries and repaid \$160.0 million of outstanding borrowings under the Panera Brands, Inc. revolving credit facility.

As of December 26, 2023, the Company had total borrowings of \$271.7 million under the PBI Credit Facility, composed of term loan borrowings of \$82.5 million and borrowings under the revolving credit facility of \$189.2 million, and outstanding letters of credit of \$9.7 million resulting in \$179.5 million of available capacity under the PBI Credit Facility. As of December 26, 2023, the caption current portion of long-term debt in the consolidated balance sheets includes borrowings of \$4.3 million under the PBI Credit Facility, composed of principal payments due within twelve months of December 26, 2023, and \$0.5 million of deferred financing fees.

The following table summarizes annual maturities of debt during the next five fiscal years and thereafter as of December 26, 2023 (in thousands):

Fiscal 2024	Fiscal 2025	Fiscal 2026	Fiscal 2027	Fiscal 2028	Thereafter	Total
\$ 4,344	\$41,266	\$ 2,172	\$223,949	\$ -	\$ -	\$271,731

Caribou Coffee Company, Inc. and Subsidiaries
Notes to Consolidated Financial Statements (continued)
As of December 26, 2023 and December 27, 2022; and for the
Fiscal Years Ended December 26, 2023, December 27, 2022, and December 28, 2021

12. Debt (continued)

In connection with the acquisition of the PBI Credit Facility, the Company paid debt acquisition costs of \$2.3 million during the fiscal year ended December 27, 2022. These costs have been capitalized as deferred financing fees. Deferred financing fees on the consolidated balance sheets as of December 26, 2023 and December 27, 2022 totaled approximately \$1.7 million and \$2.4 million, respectively. Amortization expense of deferred financing fees, including write-offs of debt acquisition costs associated with the Bank Agreement in 2022, totaled \$0.7 million, \$1.6 million, and \$1.8 million for the fiscal years ended December 26, 2023, December 27, 2022, and December 28, 2021, respectively.

13. Noncontrolling Interests Subject to Put Provisions and Stock-Based Compensation

Caribou Coffee Company, Inc. Long-Term Incentive Plan and Executive Ownership Plan

During 2013, the Company established the Caribou Coffee Company, Inc. Long-Term Incentive Plan (C-LTIP), which provides for the granting of non-qualified stock options and restricted stock to officers and key employees. The Company is authorized to issue a maximum of 1,300,000 shares of its \$.01 par value common stock pursuant to the C-LTIP. The plan includes provisions for the grantee, after the satisfaction of a six month hold period, to sell the vested shares to the Company in exchange for the current fair value of the shares. The Company has the option to call outstanding vested shares in exchange for the current fair value of the shares.

For the fiscal year ended December 28, 2021 and prior fiscal years, the Company issued restricted stock awards and non-qualified stock options that vest four and half years from the date of grant. The Company continued to issue these awards under the same vesting schedule to its executive employees during the fiscal years ended December 26, 2023 and December 27, 2022. For certain other employees, during the fiscal years ended December 26, 2023 and December 27, 2022, the Company issued restricted stock awards that vest 60% 30 months from the date of grant, vest an additional 20% 42 months from the date of grant, and vest the final 20% 54 months from the date of grant. All restricted stock awards include a six-month holding period before the employee can sell the shares. Non-qualified stock options can be exercised any time after vesting and up to ten years from the date of grant. As of December 26, 2023, 1.3 million shares of the Company's common stock were available for issuance under the C-LTIP.

On June 13, 2013, the Company established the Caribou Executive Ownership Plan (C-EOP). The C-EOP allows eligible executive employees and non-employee directors to purchase shares of the Company's common stock during specified investment periods at an amount that equals or exceeds an investment minimum, which is defined as five percent of the participant's annual base salary divided by the fair market value of a share on the investment date. In no event shall the aggregate value of shares acquired by any participant pursuant to the C-EOP exceed the aggregate investment limit, which is defined as the product of ten and the participant's annual base salary.

Caribou Coffee Company, Inc. and Subsidiaries
Notes to Consolidated Financial Statements (continued)
As of December 26, 2023 and December 27, 2022; and for the
Fiscal Years Ended December 26, 2023, December 27, 2022, and December 28, 2021

13. Noncontrolling Interests Subject to Put Provisions and Stock-Based Compensation

Caribou Coffee Company, Inc. Long-Term Incentive Plan and Executive Ownership Plan (continued)

The C-EOP allows for the granting of matching awards of the number of shares purchased by the participants and vests on the 54-month anniversary of the investment date. The matching awards granted, as well as any shares issued at a discount, under the C-EOP are accounted for as stock-based compensation expense. There were no purchases of the Company's stock under the C-EOP during the fiscal years ended December 26, 2023 and December 27, 2022.

Shareholders who purchased shares under the C-EOP plan may sell the shares to the Company during specified investment periods for the then current fair value. Shareholders are subject to market risk on the value of their shares. As of December 26, 2023, 2.0 million shares of the Company's common stock were available for issuance under the C-EOP.

During the fiscal year ended December 26, 2023, less than 0.1 million shares were repurchased by the Company for \$2.4 million, net of shareholder loans. During the fiscal year ended December 27, 2022, 0.1 million shares were repurchased by the Company for \$2.8 million, net of shareholder loans.

Restricted stock units are valued based on the grant-date fair value of the shares. The fair value of the shares is estimated using a market approach, which estimates the value of the stock based upon comparison to comparable public companies in a similar line of business. From the comparable public companies, a representative market value multiple is determined and then applied to the Company's financial metrics. The estimated grant date fair value of each stock-based award is recognized in the consolidated statements of operations on a straight-line basis over the requisite service period (generally the vesting period). Total stock-based compensation expense for all CCCI C-LTIP and matching awards under the C-EOP plans for the fiscal years ended December 26, 2023 and December 27, 2022 was \$0.7 million and \$1.3 million, respectively, and is included in general and administrative expenses on the consolidated statements of operations.

Caribou Coffee Company, Inc. and Subsidiaries
Notes to Consolidated Financial Statements (continued)
As of December 26, 2023 and December 27, 2022; and for the
Fiscal Years Ended December 26, 2023, December 27, 2022, and December 28, 2021

13. Noncontrolling Interests Subject to Put Provisions and Stock-Based Compensation (continued)

Caribou Coffee Company, Inc. Long-Term Incentive Plan and Executive Ownership Plan (continued)

Stock option activity during the fiscal years ended December 26, 2023, December 27, 2022 is as follows (in thousands, except per share and life data):

Options Outstanding	Number of Shares	Weighted Average Exercise Price	Weighted Average Contract Life
Outstanding, December 28, 2021	5	\$ 60.62	5.5 years
Granted	-	-	
Exercised	(2)	58.76	
Cancelled	-	-	
Outstanding, December 27, 2022	<u>3</u>	\$ 62.31	4.3 years
Granted	-	-	
Exercised	(2)	65.23	
Cancelled	-	-	
Outstanding, December 26, 2023	<u><u>1</u></u>	\$ 57.93	3.9 years
Vested and expected to vest	1	\$ 57.93	3.9 years
Exercisable, December 26, 2023	1	\$ 57.93	3.9 years

Stock options were issued with an exercise price equal to the market price of our common stock on the date of grant. As of December 26, 2023, all stock options in the Caribou Coffee Company, Inc. equity plans were vested. There was no unrecognized compensation cost related to non-vested stock options granted to employees.

Caribou Coffee Company, Inc. and Subsidiaries
Notes to Consolidated Financial Statements (continued)
As of December 26, 2023 and December 27, 2022; and for the
Fiscal Years Ended December 26, 2023, December 27, 2022, and December 28, 2021

13. Noncontrolling Interests Subject to Put Provisions and Stock-Based Compensation (continued)

Caribou Coffee Company, Inc. Long-Term Incentive Plan and Executive Ownership Plan (continued)

Restricted stock activity during the fiscal years ended December 26, 2023 and December 27, 2022 is as follows (in thousands, except per share data):

Non-Vested Shares Outstanding	Shares	Average Fair Value
Balance December 28, 2021	127	\$ 53.99
Granted	4	65.67
Vested	(26)	53.10
Forfeited	-	-
Grants transferred to Einstein Noah Restaurant Group, Inc.	<u>(63)</u>	56.31
Balance December 27, 2022	<u>42</u>	\$ 52.18
Granted	3	99.13
Vested	(19)	52.47
Forfeited	<u>-</u>	-
Balance December 26, 2023	<u>26</u>	\$ 56.82

As of December 26, 2023, there was \$0.6 million of unrecognized compensation cost related to non-vested restricted shares granted to employees, which is expected to be recognized over a weighted average period of 2.4 years.

Caribou Coffee Company, Inc. and Subsidiaries
Notes to Consolidated Financial Statements (continued)
As of December 26, 2023 and December 27, 2022; and for the
Fiscal Years Ended December 26, 2023, December 27, 2022, and December 28, 2021

13. Noncontrolling Interests Subject to Put Provisions and Stock-Based Compensation (continued)

Caribou Coffee Operating Company Long-Term Incentive Plan and Executive Ownership Plan

In March 2020, CCOC established the CCOC Long-Term Incentive Plan (CCOC-LTIP), which provides for the granting of non-qualified stock options (NSOs) and restricted stock units (RSUs) to officers and key employees with terms identical to the C-LTIP. In March 2020, CCOC established the CCOC Executive Ownership Plan (CCOC-EOP) that allows eligible executive employees and non-employee directors to purchase shares of CCOC common stock with terms identical to the C-EOP. During the fiscal year ended December 26, 2023, executive employees purchased less than 0.1 million shares of CCOC under the CCOC-EOP for \$0.4 million, net of shareholder loans. During the fiscal year ended December 27, 2022, executive employees purchased 0.1 million shares of CCOC under the CCOC-EOP for \$0.1 million, net of shareholder loans. During the fiscal years ended December 26, 2023 and December 27, 2022, the Company granted matching shares of less than 0.1 million and 0.1 million shares of CCOC, respectively.

Shareholders who purchased shares under the CCOC-EOP may sell the shares to CCOC during specified investment periods for the then current fair value. Shareholders are subject to market risk on the value of their shares.

During the fiscal year ended December 26, 2023, less than 0.1 million shares were repurchased by CCOC for \$0.5 million, net of shareholder loans. During the fiscal year ended December 27, 2022, 0.1 million shares were repurchased by CCOC for \$0.5 million, net of shareholder loans.

The estimated grant date fair value of each stock-based award is recognized in the consolidated statements of operations on a straight-line basis over the requisite service period (generally the vesting period). The fair value of the shares is estimated using a market approach, which estimates the value of the stock based upon comparison to comparable public companies in a similar line of business. From the comparable public companies, a representative market value multiple is determined and then applied to the Company's financial metrics. Total stock-based compensation expense for awards issued under the CCOC-LTIP and CCOC-EOP for the fiscal years ended December 26, 2023 and December 27, 2022 was \$3.8 million and \$2.2 million, respectively, and is included in general and administrative expenses on the consolidated statements of operations.

Caribou Coffee Company, Inc. and Subsidiaries
Notes to Consolidated Financial Statements (continued)
As of December 26, 2023 and December 27, 2022; and for the
Fiscal Years Ended December 26, 2023, December 27, 2022, and December 28, 2021

13. Noncontrolling Interests Subject to Put Provisions and Stock-Based Compensation (continued)

Caribou Coffee Operating Company Long-Term Incentive Plan and Executive Ownership Plan

Stock option activity during the fiscal years ended December 26, 2023 and December 27, 2022 is as follows (in thousands, except per share and life data):

Options Outstanding	Number of Shares	Weighted Average Exercise Price	Weighted Average Contract Life
Outstanding, December 28, 2021	44	\$ 28.71	5.6 years
Granted	32	30.02	
Exercised	-	-	
Expired	-	-	
Forfeited	(1)	28.01	
Outstanding, December 27, 2022	<u>75</u>	\$ 29.29	6.8 years
Granted	-	-	
Exercised	(2)	27.91	
Expired	-	-	
Forfeited	(2)	31.45	
Outstanding, December 26, 2023	<u>71</u>	\$ 29.27	7.0 years
Vested and expected to vest	70	\$ 29.26	7.0 years
Exercisable, December 26, 2023	39	\$ 28.64	6.1 years

Stock options were issued with an exercise price equal to the market price of our common stock on the date of grant. No stock options were granted during the fiscal year ended December 26, 2023.

During the fiscal year ended December 27, 2022, the weighted average fair value of stock options granted was \$10.85. The Company estimated the fair value of each stock option award on the date of grant using a Black-Scholes option pricing model, modified for dividends and using the following assumptions:

Expected stock price volatility	37.40%
Expected life	6.55 years
Risk free interest rate	1.87%
Dividend yield	1.00%

As of December 26, 2023, there was \$0.1 million of unrecognized compensation cost related to CCOC non-vested stock options granted to employees, which is expected to be recognized over a weighted average period of 1.2 years.

Caribou Coffee Company, Inc. and Subsidiaries
Notes to Consolidated Financial Statements (continued)
As of December 26, 2023 and December 27, 2022; and for the
Fiscal Years Ended December 26, 2023, December 27, 2022, and December 28, 2021

13. Noncontrolling Interests Subject to Put Provisions and Stock-Based Compensation (continued)

Caribou Coffee Operating Company Long-Term Incentive Plan and Executive Ownership Plan (continued)

Restricted stock activity during the fiscal years ended December 26, 2023 and December 27, 2022 is as follows (in thousands, except per share data):

Non-Vested Shares Outstanding	Shares	Weighted Average Fair Value
Balance December 28, 2021	404	\$ 24.50
Granted	88	30.43
Vested	(80)	25.17
Forfeited	(8)	24.51
Balance December 27, 2022	<u>404</u>	\$ 25.66
Granted	172	28.56
Vested	(36)	25.17
Forfeited	(18)	29.29
Balance December 26, 2023	<u>522</u>	\$ 26.52

As of December 26, 2023, there was \$6.8 million of unrecognized compensation cost related to non-vested restricted shares granted to employees, which is expected to be recognized over a weighted average period of 2.8 years.

Caribou Coffee Company, Inc. and Subsidiaries
Notes to Consolidated Financial Statements (continued)
As of December 26, 2023 and December 27, 2022; and for the
Fiscal Years Ended December 26, 2023, December 27, 2022, and December 28, 2021

13. Noncontrolling Interests Subject to Put Provisions and Stock-Based Compensation (continued)

Einstein Noah Restaurant Group, Inc. Long-Term Incentive Plan and Executive Ownership Plan

In March 2020, ENRGI established the ENRGI Long-Term Incentive Plan (ENRGI-LTIP), which provides for the granting of non-qualified stock options (NSOs) and restricted stock units (RSUs) to officers and key employees with terms identical to the C-LTIP. In March 2020, ENRGI established the ENRGI Executive Ownership Plan (ENRGI-EOP) that allows eligible executive employees and non-employee directors to purchase shares of ENRGI common stock with terms identical to the C-EOP. During the fiscal year ended December 26, 2023, executive employees purchased less than 0.1 million shares of ENRGI for \$0.9 million, net of shareholder loans. During the fiscal year ended December 27, 2022, executive employees purchased 0.1 million shares of ENRGI for \$1.0 million, net of shareholder loans. During the fiscal years ended December 26, 2023 and December 27, 2022, the Company made matching grants of less than 0.1 million shares and 0.1 million shares, respectively.

Shareholders who purchased shares under the ENRGI-EOP may sell the shares to ENRGI during specified investment periods for the then current fair value. Shareholders are subject to market risk on the value of their shares.

During the fiscal year ended December 26, 2023, 0.2 million shares were repurchased by ENRGI for \$12.8 million, net of shareholder loans. During the fiscal year ended December 27, 2022, less than 0.1 million shares were repurchased by ENRGI for \$0.6 million, net of shareholder loans.

The estimated grant date fair value of each stock-based award is recognized in the consolidated statements of operations on a straight-line basis over the requisite service period (generally the vesting period). The fair value of the shares is estimated using a market approach, which estimates the value of the stock based upon comparison to comparable public companies in a similar line of business. From the comparable public companies, a representative market value multiple is determined and then applied to the Company's financial metrics. Stock-based compensation expense for the ENRGI-LTIP and ENRGI-EOP for the fiscal years ended December 26, 2023 and December 27, 2022 was \$5.3 million and \$3.9 million, respectively, and is included in general and administrative expenses on the consolidated statements of operations.

Caribou Coffee Company, Inc. and Subsidiaries
Notes to Consolidated Financial Statements (continued)
As of December 26, 2023 and December 27, 2022; and for the
Fiscal Years Ended December 26, 2023, December 27, 2022, and December 28, 2021

13. Noncontrolling Interests Subject to Put Provisions and Stock-Based Compensation (continued)

Einstein Noah Restaurant Group, Inc. Long-Term Incentive Plan and Executive Ownership Plan

Stock option activity during the fiscal years ended December 26, 2023 and December 27, 2022 is as follows (in thousands, except per share and life data):

Options Outstanding	Number of Shares	Weighted Average Exercise Price	Weighted Average Contract Life
Outstanding, December 28, 2021	46	\$ 28.43	5.2 years
Granted	71	33.02	
Exercised	(7)	30.61	
Expired	-	-	
Forfeited	(1)	27.18	
Outstanding, December 27, 2022	<u>109</u>	\$ 31.28	7.7 years
Granted	-	-	
Exercised	(9)	29.17	
Expired	-	-	
Forfeited	-	-	
Outstanding, December 26, 2023	<u>100</u>	\$ 31.45	7.5 years
Vested and expected to vest	100	\$ 31.45	7.5 years
Exercisable, December 26, 2023	100	\$ 31.45	7.5 years

Stock options were issued with an exercise price equal to the market price of our common stock on the date of grant. No stock options were granted during the fiscal year ended December 26, 2023.

During the fiscal year ended December 27, 2022, the weighted average fair value of stock options granted was \$11.42. The Company estimated the fair value of each stock option award on the date of grant using a Black-Scholes option pricing model, modified for dividends and using the following assumptions:

Expected stock price volatility	37.78%
Expected life	5.80 years
Risk free interest rate	1.83%
Dividend yield	1.00%

As of December 26, 2023, all stock options in the Einstein Noah Restaurant Group, Inc. equity plans were vested. There was no unrecognized compensation cost related to non-vested stock options granted to employees.

Caribou Coffee Company, Inc. and Subsidiaries
Notes to Consolidated Financial Statements (continued)
As of December 26, 2023 and December 27, 2022; and for the
Fiscal Years Ended December 26, 2023, December 27, 2022, and December 28, 2021

13. Noncontrolling Interests Subject to Put Provisions and Stock-Based Compensation (continued)

Einstein Noah Restaurant Group, Inc. Long-Term Incentive Plan and Executive Ownership Plan (continued)

Restricted stock activity during the fiscal years ended December 26, 2023 and December 27, 2022 is as follows (in thousands, except per share data):

Non-Vested Shares Outstanding	Shares	Average Fair Value
Balance December 28, 2021	451	\$ 24.49
Granted	215	34.66
Grants transferred from Caribou Coffee Company, Inc.	118	34.66
Vested	(14)	24.42
Forfeited	(28)	25.73
Balance December 27, 2022	<u>742</u>	\$ 29.00
Granted	100	55.08
Vested	(149)	32.58
Forfeited	(150)	27.22
Balance December 26, 2023	<u>543</u>	\$ 33.34

As of December 26, 2023, there was \$9.3 million of unrecognized compensation cost related to non-vested restricted shares granted to employees, which is expected to be recognized over a weighted average period of 2.8 years.

Caribou Coffee Company, Inc. and Subsidiaries
Notes to Consolidated Financial Statements (continued)
As of December 26, 2023 and December 27, 2022; and for the
Fiscal Years Ended December 26, 2023, December 27, 2022, and December 28, 2021

14. Accumulated Other Comprehensive Income

The following table summarizes changes in accumulated other comprehensive income, net of tax, for the fiscal year ended December 27, 2022 (in thousands):

	Cash flow hedging instruments	Accumulated other comprehensive income	Non-controlling interests subject to put provisions
Balances at December 28, 2021	\$ (3,667)	\$ (3,462)	\$ (205)
Unrealized gains on cash flow hedging instruments, net of tax	817	805	12
Reclassification adjustment for net losses realized in earnings on cash flow hedging instruments, net of tax	2,375	2,340	35
Settlement and novation of cash flow hedging instruments	475	317	158
Balances at December 27, 2022	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

During the fiscal year ended December 27, 2022, the Company settled one interest rate swap contract and novated the remaining two to Panera Brands, Inc. The Company did not hold any cash flow hedging instruments as of December 26, 2023 or December 27, 2022. Refer to Note 5 for more information on the settlement and novation.

Caribou Coffee Company, Inc. and Subsidiaries
Notes to Consolidated Financial Statements (continued)
As of December 26, 2023 and December 27, 2022; and for the
Fiscal Years Ended December 26, 2023, December 27, 2022, and December 28, 2021

15. Income Taxes

The income tax expense (benefit) for the fiscal years ended December 26, 2023, December 27, 2022, and December 28, 2021 consists of the following (in thousands):

	Fiscal Year Ended		
	December 26, 2023	December 27, 2022	December 28, 2021
Current			
Federal	\$ 9,870	\$ (2,969)	\$ -
State	2,645	1,930	515
International	347	256	290
Total current	<u>12,862</u>	<u>(783)</u>	<u>805</u>
Deferred			
Federal	(349)	7,955	7,153
State	1,478	1,514	2,783
Total deferred	<u>1,129</u>	<u>9,469</u>	<u>9,936</u>
Total tax expense	<u>\$ 13,991</u>	<u>\$ 8,686</u>	<u>\$ 10,741</u>

A reconciliation of the differences between income taxes computed at the U.S. Federal statutory tax rate and the Company's income tax expense for the fiscal years ended December 26, 2023, December 27, 2022, and December 28, 2021 is as follows (in thousands):

	Fiscal Year Ended		
	December 26, 2023	December 27, 2022	December 28, 2021
Federal tax rate	\$ 15,240	\$ 12,207	\$ 9,886
Foreign taxes	347	256	290
State taxes	3,669	3,106	2,461
Stock option windfall	(1,325)	(32)	29
Tax credits	(3,164)	(3,083)	(2,138)
Changes in unrecognized tax benefits	(239)	(3,280)	-
Return to Provision adjustments	-	(190)	115
Other	(537)	(298)	98
	<u>\$ 13,991</u>	<u>\$ 8,686</u>	<u>\$ 10,741</u>

Caribou Coffee Company, Inc. and Subsidiaries
Notes to Consolidated Financial Statements (continued)
As of December 26, 2023 and December 27, 2022; and for the
Fiscal Years Ended December 26, 2023, December 27, 2022, and December 28, 2021

15. Income Taxes (continued)

Deferred income taxes reflect the tax effect of temporary differences between the carrying amounts of the assets and liabilities for financial reporting purposes and amounts used for income taxes. The tax effects of temporary differences that give rise to significant portions of the Company's deferred income tax assets (liabilities) are as follows (in thousands):

	December 26, 2023	December 27, 2022
Net operating losses and credit carryforwards	\$ 10,518	\$ 10,570
Operating lease liabilities	72,423	68,885
Accrued expenses	6,539	7,652
State deferred taxes	4,394	4,281
Deferred revenue	2,029	1,255
Stock based compensation	3,822	3,115
Other	305	570
Gross deferred tax assets	<u>100,030</u>	<u>96,328</u>
Property & equipment	(10,562)	(9,367)
Operating lease assets	(65,187)	(61,768)
Other intangibles	(125,104)	(125,984)
Gross deferred tax liabilities	<u>(200,853)</u>	<u>(197,119)</u>
Valuation allowance	(17)	(30)
Net deferred tax liabilities	<u>\$ (100,840)</u>	<u>\$ (100,821)</u>

A valuation allowance of less than \$0.1 million and less than \$0.1 million was placed on certain state net operating loss deferred tax assets as of December 26, 2023 and December 27, 2022, respectively, as management believes it is not more likely than not those deferred tax assets will be realized.

Caribou Coffee Company, Inc. and Subsidiaries
Notes to Consolidated Financial Statements (continued)
As of December 26, 2023 and December 27, 2022; and for the
Fiscal Years Ended December 26, 2023, December 27, 2022, and December 28, 2021

15. Income Taxes (continued)

Unrecognized tax benefits are included in accrued expenses and other accrued liabilities and deferred tax liability, net on the consolidated balance sheets. A reconciliation of the beginning and ending amount of unrecognized tax benefits for the fiscal years ended December 26, 2023 and December 27, 2022 was as follows (in thousands):

	Fiscal Year Ended	
	December 26, 2023	December 27, 2022
Beginning gross unrecognized tax benefit	\$ 702	\$ 4,269
Gross increases for prior periods	-	-
Gross decreases for prior periods	(302)	(3,567)
Ending gross unrecognized tax benefit	\$ 400	\$ 702

The Company recognizes interest and penalties related to uncertain tax positions in income tax expense. There was no penalty or interest to be recognized in income tax expense for any period presented. The Company believes that it is reasonably possible that a decrease of up to \$0.4 million in unrecognized tax benefits may be recognized by the end of 2024 as a result of a lapse of the statute of limitations.

As of December 26, 2023, the Company had state net operating loss carryforwards of approximately \$57.5 million. If not utilized, state carryforwards will begin to expire in 2024.

As of December 26, 2023, the Company had various tax credit carryforwards of approximately \$6.6 million and less than \$0.1 million for federal and state tax purposes, respectively. If not utilized, the credits can be carried forward between 10 and 20 years.

For federal purposes, tax years prior to 2019 are closed for assessment purposes.

The Company files a federal consolidated income tax return and various state unitary or combined income tax returns with Panera Brands, Inc. and Subsidiaries. As such, the Company has entered into a Tax Matters Agreement with PBI which governs the allocation, settlement, and administrative matters of the consolidated group of companies. As of December 26, 2023, the Company has recorded a net related party payable of less than \$0.1 million within deposits and other on the consolidated balance sheets for the value of tax benefits or cash payments used by other companies as part of the fiscal years 2016 to 2022 and estimated 2023 consolidated tax filings. The income tax provision reflected in the consolidated financial statements has been prepared on a stand-alone basis. As of December 26, 2023, the Company has recorded a \$5.2 million difference between the amount received under the tax matters agreement and the expected settlement amount prepared on the Company's stand-alone basis as an additional investment by PBI within the consolidated statement of changes in shareholders' equity.

Caribou Coffee Company, Inc. and Subsidiaries
Notes to Consolidated Financial Statements (continued)
As of December 26, 2023 and December 27, 2022; and for the
Fiscal Years Ended December 26, 2023, December 27, 2022, and December 28, 2021

16. Employee Benefit Plan

Caribou sponsors a 401(k) defined contribution plan for substantially all employees, excluding key employees and officers, and generally matches 25% of the first 5% contributed by its employees after three months of employment. Caribou matching contributions are fully vested after four years of service. Amounts expensed for Caribou matching contributions to the plan aggregated to \$0.3 million and \$0.3 million for the fiscal years ended December 26, 2023 and December 27, 2022, respectively.

ENRGI sponsors a 401(k) defined contribution plan for substantially all employees, excluding key employees and officers, if they meet certain eligibility requirements. ENRGI may generally make a matching contribution which would vest after three years of service. Amounts expensed for ENRGI matching contributions to the plan aggregated to \$0.3 million for the fiscal year ended December 26, 2023. ENRGI did not accrue or pay a discretionary match for the fiscal years ended December 27, 2022 and December 28, 2021.

The Company established the Caribou Nonqualified Deferred Compensation Plan (DC Plan) for key employees, generally officers, who were eligible to participate in the DC Plan effective January 1, 2019. The DC Plan allows an eligible employee to defer up to 80% of their base salary and bonus. The deferred amounts are invested with The Charles Schwab Trust Company under investment criteria directed by the participant.

Due to the substantial reduction in the Company's cash flows during 2020 as a result of the COVID-19 pandemic and its continued impact during 2021, the Company temporarily suspended Company matching contributions to its defined contribution plans and DC Plan. Caribou reinstated its matching contributions in January 2022; ENRGI reinstated its matching contributions in January 2023.

17. Master Franchise Agreements

Middle East Franchise Agreement

In November 2004, the Company entered into a master franchise agreement with a franchisee. In 2017, the Middle East Franchise Agreement was amended to expand the rights of the franchisee to develop 600 Caribou Coffee branded coffeehouses and to extend the expiration date. In October 2023, a memorandum of understanding was signed. The memorandum of understanding replaced the original Middle East Franchise Agreement, and among other amendments, gave a single franchisee the rights to develop new coffeehouses in Kuwait and gave a second single franchisee the rights to develop new coffeehouses in the remainder of the development area other than Kuwait. The Middle East Franchise Agreement, as amended and in combination with the memorandum of understanding (Middle East Franchise Agreement), expires in October 2027.

Caribou Coffee Company, Inc. and Subsidiaries
Notes to Consolidated Financial Statements (continued)
As of December 26, 2023 and December 27, 2022; and for the
Fiscal Years Ended December 26, 2023, December 27, 2022, and December 28, 2021

17. Master Franchise Agreements (continued)

Middle East Franchise Agreement (continued)

The Company's Middle East Franchise Agreement requires upfront franchise fees such as initial fees paid upon opening of a store and fees paid to renew the term of the franchise right. Fees are recognized over the term of the related franchise license for the respective coffeehouse or bagel bakery. Revenues for these upfront franchise fees are recognized on a straight-line basis over the life of the franchise agreement for the respective coffeehouse or bagel bakery, which is consistent with the franchisee's right to use and benefit from the intellectual property.

Monthly royalty payments ranging from 3% to 5% of gross sales are also due to the Company under this Middle East Franchise Agreement. Royalty revenue of \$4.3 million, \$3.7 million, and \$3.9 million was received during the fiscal years ended December 26, 2023, December 27, 2022, and December 28, 2021, respectively, and is included in franchise royalties and fees on the consolidated statements of operations.

As of December 26, 2023, there were 331 coffeehouses operating under this agreement.

Domestic Master Franchise Agreements

As of December 26, 2023, there were seven coffeehouses operating under the Company's domestic master franchise agreements. The timetables for opening these coffeehouses are established in the Company's Area Development Agreements, or ADAs, with franchisees, which generally provide for the majority of these planned coffeehouses to open within five to twenty years. The ADAs require a franchisee to develop a specified number of bakery-cafes on or before specified dates. If a franchisee fails to develop bakery-cafes on schedule, we have the right to terminate the ADA and develop Company-owned locations or develop locations through new franchisees in that market. We may exercise one or more alternative remedies to address defaults by area developers, including not only development defaults, but also defaults in complying with our operating and brand standards and other covenants under the ADAs and franchise agreements. We may waive compliance with certain requirements under our ADAs and franchise agreements if we determine such action is warranted under the particular circumstances.

The Company's domestic franchise agreements require upfront franchise fees such as initial fees paid upon opening of a store and fees paid to renew the term of the franchise right. Fees are recognized over the term of the related franchise license for the respective coffeehouse or bagel bakery. Revenues for these upfront franchise fees are recognized on a straight-line basis over the life of the franchise agreement for the respective coffeehouse or bagel bakery, which is consistent with the franchisee's right to use and benefit from the intellectual property.

Monthly royalty payments ranging from 4% to 6% of gross sales are also due to the Company under these agreements. Approximately \$0.1 million of royalty revenue was recorded during the fiscal year ended December 26, 2023.

Caribou Coffee Company, Inc. and Subsidiaries
Notes to Consolidated Financial Statements (continued)
As of December 26, 2023 and December 27, 2022; and for the
Fiscal Years Ended December 26, 2023, December 27, 2022, and December 28, 2021

17. Master Franchise Agreements (continued)

Domestic Master Franchise Agreements (continued)

Our franchise-operated coffeehouses and bagel bakeries follow the same protocol for in-store operating standards, product quality, menu, site selection, and bakery-cafe construction as Company-owned coffeehouses and bagel bakeries. Generally, franchisees are required to purchase all of their products from us or sources approved by us. We do not generally finance franchisee construction or ADA payments. We also provide to our franchise-operated coffeehouses and bagel bakeries, for a fee, limited information technology services and access to information technology infrastructure supporting operational initiatives. As of December 26, 2023, we did not hold an equity interest in any of our franchise-operated bakery-cafes.

18. Related-Party Transactions

Sales of Coffee to Peet's

The Company sells Caribou Coffee branded coffee to Peet's and receives a royalty for all sales by Peet's to its CPG customers of Caribou Coffee branded product as described in Note 1. The Company recorded \$32.6 million, \$30.6 million, and \$27.0 million of Peet's coffee bean sales and royalties in franchise and commercial product sales in the consolidated statements of operations for the fiscal years ended December 26, 2023, December 27, 2022, and December 28, 2021, respectively. As of December 26, 2023 and December 27, 2022, the Company had a receivable due from Peet's of \$3.1 million and \$3.6 million recorded in trade accounts receivable, net in the consolidated balance sheets, respectively.

Coffee Sales to Keurig Green Mountain

The Company sold \$17.3 million, \$16.4 million, and \$12.8 million of green coffee to KDP during the fiscal years ended December 26, 2023, December 27, 2022, and December 28, 2021, respectively. The Company received royalties of \$8.2 million, \$8.6 million, and \$8.7 million from KDP on sales by KDP of Caribou Coffee branded product during the fiscal years ended December 26, 2023, December 27, 2022, and December 28, 2021, respectively. As of December 26, 2023 and December 27, 2022, the Company had a receivable due from KDP related to the coffee sales and royalty of \$1.7 million and \$1.2 million recorded in trade accounts receivable, net in the consolidated balance sheets, respectively.

Tax Matters Agreement

The Company files a consolidated tax return with Panera Brands, Inc. and Subsidiaries. The Company, Peet's Coffee & Tea, LLC (Peet's), Krispy Kreme Holdings, Inc. (KKH), Panera Bread Co. (Panera), and KK HoldCo Inc. (formerly JAB Beech, Inc.) have agreed to a tax matters agreement as described in Note 15. The Company recorded long-term amounts due to Peet's, KKH, Panera and KK HoldCo Inc. under the tax matters agreement of less than \$0.1 million as of December 26, 2023 and long-term amounts due from Peet's, KKH, Panera and KK HoldCo Inc. under the tax matters agreement of \$7.1 million as of December 27, 2022, respectively. There were no short-term amounts due from related parties under the tax matters agreement at December 26, 2023 or December 27, 2022.

Caribou Coffee Company, Inc. and Subsidiaries
Notes to Consolidated Financial Statements (continued)
As of December 26, 2023 and December 27, 2022; and for the
Fiscal Years Ended December 26, 2023, December 27, 2022, and December 28, 2021

18. Related-Party Transactions (continued)

Shareholder Notes Receivable

Caribou Coffee Company, Inc. Shareholder Notes

Caribou Coffee Company, Inc. did not provide any loans to employees during the fiscal years ended December 26, 2023, December 27, 2022, and December 28, 2021. There were no Caribou Coffee Company, Inc. shareholder loans outstanding at December 26, 2023 or December 27, 2022. As of December 28, 2021, \$1.8 million of Caribou Coffee Company, Inc. shareholder loans were outstanding and included in noncontrolling interests subject to put provisions. These shareholder loans were settled during the fiscal year ended December 27, 2022.

Caribou Coffee Operating Company, Inc. Shareholder Notes

During the fiscal year ended December 26, 2023, CCOC provided loans to certain management employees to purchase 18,303 CCOC shares at an average cost of \$32.67 per share. During the fiscal year ended December 27, 2022, CCOC provided loans to certain management employees to purchase 3,211 CCOC shares at an average cost of \$30.43 per share. During the fiscal year ended December 28, 2021, CCOC provided loans to certain management employees to purchase 53,654 CCOC shares at an average cost of \$24.21 per share.

The loans mature in three to ten years from the date of issuance and bear no stated interest. No CCOC shareholder loans were paid in full during the fiscal year ended December 26, 2023. During the fiscal year ended December 27, 2022, \$1.3 million of CCOC shareholder loans were paid in full. As of December 26, 2023 and December 27, 2022, \$2.0 million and \$1.5 million of CCOC shareholder loans were outstanding and included in noncontrolling interests subject to put provisions, respectively.

Caribou Coffee Company, Inc. and Subsidiaries
Notes to Consolidated Financial Statements (continued)
As of December 26, 2023 and December 27, 2022; and for the
Fiscal Years Ended December 26, 2023, December 27, 2022, and December 28, 2021

18. Related-Party Transactions (continued)

Shareholder Note Receivable (continued)

Einstein Noah Restaurant Group, Inc. Shareholder Notes

During the fiscal year ended December 26, 2023, ENRGI provided loans to certain management employees to purchase 16,675 ENRGI shares at an average cost of \$66.53 per share. During the fiscal year ended December 27, 2022, ENRGI provided loans to certain management employees to purchase 36,895 ENRGI shares at an average cost of \$34.66 per share. During the fiscal year ended December 28, 2021, ENRGI provided loans to certain management employees to purchase 94,227 ENRGI shares at an average cost of \$25.60 per share.

The loans mature in three to ten years from the date of issuance and bear no stated interest. As of December 26, 2023 and December 27, 2022, \$4.1 million and \$4.6 million of ENRGI shareholder loans were outstanding and included in noncontrolling interests subject to put provisions, respectively.

The Company, CCOC, and ENRGI discounted new shareholder loans to present value and recorded a discount of \$0.3 million, less than \$0.1 million, and less than \$0.1 million as stock based compensation expense included in general and administrative expense on the consolidated statement of operations during each of the fiscal years ended December 26, 2023, December 27, 2022, and December 28, 2021, respectively. The Company, CCOC, and ENRGI recognized interest income of \$0.1 million, less than \$0.1 million, and \$0.1 million related to shareholder loans on the consolidated statement of operations during each of the fiscal years ended December 26, 2023, December 27, 2022, and December 28, 2021, respectively.

Dividend

In September 2023, the Company's Board of Directors declared dividends of \$18.8 million payable to all shareholders. These dividends were paid in October 2023. No dividends were declared or paid during the fiscal year ended December 27, 2022.

Caribou Coffee Company, Inc. and Subsidiaries
Notes to Consolidated Financial Statements (continued)
As of December 26, 2023 and December 27, 2022; and for the
Fiscal Years Ended December 26, 2023, December 27, 2022, and December 28, 2021

19. Bakery and Coffeehouse Closings, Transfers and Asset Disposals

Upon closing of a coffeehouse or bagel bakery, the Company accrues for estimated expenses associated with the closings.

Closing and disposal charges for the fiscal years ended December 26, 2023, December 27, 2022, and December 28, 2021 consist of the following (in thousands, except coffeehouse and bakery numbers):

	Fiscal Year Ended		
	December 26, 2023	December 27, 2022	December 28, 2021
Coffeehouse and bagel bakery closures	35	17	33
Amount charged for closed and transferring coffeehouses and bagel bakery:			
Other closing costs	\$ 1,245	\$ 680	\$ 1,170
Net loss on sale of closed coffeehouse and bagel bakery property and equipment	499	1,100	1,392
Coffeehouse and bagel bakery closing expense and disposal of assets	\$ 1,744	\$ 1,780	\$ 2,562

Coffeehouse and bagel bakery closing expenses are included in other operating expenses in the consolidated statements of operations.

In accordance with ASU 2016-02, lease termination liabilities of \$0.3 million and \$0.3 million at December 26, 2023 and December 27, 2022, respectively, are included in the balance of the Company's right of use assets.

Caribou Coffee Company, Inc. and Subsidiaries
Notes to Consolidated Financial Statements (continued)
As of December 26, 2023 and December 27, 2022; and for the
Fiscal Years Ended December 26, 2023, December 27, 2022, and December 28, 2021

20. Commitments and Contingencies

From time to time, the Company becomes involved in certain legal proceedings in the ordinary course of business, including the significant legal proceedings described below. The Company believes that it has valid defenses to these legal proceedings and is defending the matters vigorously. Nevertheless, the outcome of any litigation is inherently uncertain.

Jones Claim

On December 27, 2022, former Noah's employee Janete Jones filed a Class Action complaint in California State Court alleging various violations of the California Labor Code, primarily concerning meal and rest breaks. The class period runs from December 27, 2018 to the present. Jones also filed a separate case under the California Private Attorneys General Act (PAGA) asserting the same claims but seeking civil penalties instead of damages. The parties are scheduled to attend a global mediation of both cases in February 2024.

Canal Mezzanine Partners II LLC

In December 2020, Canal Mezzanine Partners II LLC commenced an action in New York state court against Bruegger's Enterprises, Inc. (BEI), BEI's subsidiary New York Style Bagels LLC (NYSB), and the Company alleging various claims for breach of a purchase option agreement concerning a number of Bruegger's New York bakeries. The parties engaged in motion practice and fact discovery for several years. On May 31, 2023, the parties executed a settlement agreement and full mutual releases, which among other things terminated the purchase option agreement and provided that BEI and NYSB would retain ownership of the Bruegger's bakeries at issue. The Company paid the settlement amount on June 7, 2023.

570 Associates, LLC

On October 8, 2021, 570 Associates III, LLC commenced an action against Einstein and Noah Corp. and Einstein Noah Restaurant Group, Inc. in the Supreme Court for the State of New York, Erie County, alleging, among other things, money damages for the Einstein entities' alleged failure to construct a commercial building on the leased space that it rented from 570 Associates, LLC and open for business as a fully stocked restaurant no later than October 31, 2015 as required by the parties' lease.

The parties engaged in substantive motion practice over the next year and agreed to settle the dispute to satisfy any obligation to construct the commercial building. The Company accrued this settlement as of December 27, 2022 and paid it during the first quarter of the fiscal year ended December 26, 2023.

Caribou Coffee Company, Inc. and Subsidiaries
Notes to Consolidated Financial Statements (continued)
As of December 26, 2023 and December 27, 2022; and for the
Fiscal Years Ended December 26, 2023, December 27, 2022, and December 28, 2021

Data Security Incident

The Company experienced a data security incident that occurred in late 2018. From approximately August 28, 2018 through December 3, 2018, hackers installed malware on point of sale devices in certain locations that had the potential, during time periods varying by location, to access payment card information of customers when those customers made a purchase. As part of the data security incident, the Company may be subject to monetary assessments pursuant to its contractual relationships with its acquiring bank and incorporated card brand rules from Visa, MasterCard, American Express, and Discover. The Company has insurance coverage for potential liabilities of this nature; however, the coverage may not be sufficient to cover all claims and liabilities.

The Company, MasterCard, and American Express agreed on a \$1.6 million assessment, in conjunction with the data security incident, which has been paid as of December 28, 2021.

In December 2020, Visa tendered a preliminary assessment of \$6.5 million related to the data security incident. The Company included that liability in accrued expenses and other accrued liabilities on the consolidated balance sheet as of December 29, 2020.

In May 2021, VISA completed its review of the Company's financial information related to the data security incident and determined a global compromised account recovery liability assessment could potentially cause catastrophic impact to future operations of the Company. As a result, VISA forgave \$6.5 million of the remaining assessment under its catastrophic liability waiver program. The Company reversed the \$6.5 million liability in accrued expenses and other liabilities on the consolidated balance sheet during May 2021.

On June 21, 2019, Village Bank filed a suit in the United States District Court for the District of Minnesota claiming damages from the 2018 data security breach. The Plaintiff sought damages on behalf of a nationwide class of banks whose customers used their credit/debit cards at a Company store during the data security incident exposure window in 2018. The Company reached a \$5.8 million settlement in principle at a January 2020 mediation and signed the settlement agreement on May 14, 2020. This settlement was funded with two payments: \$4.2 million was paid by the Company's insurance carrier during 2020, and the remaining \$1.6 million was paid by the Company in January 2021.

Caribou Coffee Company, Inc. and Subsidiaries
Notes to Consolidated Financial Statements (continued)
As of December 26, 2023 and December 27, 2022; and for the
Fiscal Years Ended December 26, 2023, December 27, 2022, and December 28, 2021

20. Commitments and Contingencies (continued)

Council for Education and Research on Toxics Claim

On August 7, 2010, the Council for Education and Research on Toxics (CERT), filed an enforcement action under California Health and Safety Code section 25249.6 (Proposition 65) against a number of companies, including the Company, for not providing “clear and reasonable warnings” before allegedly exposing individuals in California to acrylamide in “ready to drink” coffee. On May 9, 2011, CERT sued more than 40 companies (joint defense group or JDG) that sell beans, grounds, and other “coffee” products in California, for not providing “clear and reasonable warnings” before allegedly exposing individuals in California to acrylamide in such coffee products. The cases have now been consolidated and are pending in Los Angeles County Superior Court. By way of procedural motion, the issues have been bifurcated. “Phase I” of the proceedings litigated the defendants’ three affirmative defenses: infringement of First Amendment rights; federal preemption of the state statute; the state statute has a “no significant risk” provision that applies to coffee. The Court ruled, on September 1, 2015, that defendants had not met their burden of proof regarding these defenses and, therefore, the cases proceeded to “Phase II” which was a trial on plaintiffs’ claims. The Court ruled, on March 29, 2018, that defendants had not met their burden to establish that the acrylamide levels in coffee are not subject to the application of Proposition 65 and set the damages phase of the trial, “Phase III”, for October 15, 2018.

On Friday, June 15, 2018, the Office of Environmental Health Hazard Assessment (OEHHA), the agency tasked with implementation of Proposition 65, announced a proposed amendment to its regulations exempting all chemicals formed as a result of roasting coffee beans or brewing coffee from the statute’s warning requirement. The “Phase III” trial was set for October 15, 2018; however, on October 12, 2018, the California Court of Appeal granted the defendants request for a stay of the trial. The court granted the JDG’s motion for summary judgment on August 25, 2020 and entered judgment on October 1, 2020; the JDG prevailed on its motion for summary judgment ending this stage of the litigation. CERT filed its Notice of Appeal on November 20, 2020 in the California Court of Appeals. The California Court of Appeals issued its decision in the CERT matter on October 26, 2022 in favor of the JDG on the merits as well as denying an award of CERT’s attorneys’ fees. CERT then filed its Petition for Review in the California Supreme Court on December 2, 2022, which was denied on February 15, 2023. The California Supreme Court will now issue a remittitur to the Court of Appeal, which in turn will issue a remittitur to the trial court to affirm the judgment in the joint defense group’s favor plus costs (excluding expert witness fees).

Caribou Coffee Company, Inc. and Subsidiaries
Notes to Consolidated Financial Statements (continued)
As of December 26, 2023 and December 27, 2022; and for the
Fiscal Years Ended December 26, 2023, December 27, 2022, and December 28, 2021

21. Supplemental Cash Flow Information

The following table sets forth supplemental cash flow information for the periods indicated:

(in thousands)	Fiscal Year Ended		
	December 26, 2023	December 27, 2022	December 28, 2021
Interest	\$ 16,708	\$ 16,662	\$ 16,421
Income taxes	6,199	3,412	1,077
Non-cash investing and financing activities			
Change in accrued property and equipment purchases	\$ 5,296	\$ 797	\$ 807

On July 26, 2023, the Company issued 189,626 shares in exchange for an \$18.8 million contribution from PBI. Funds from this transaction were used to repay \$18.8 million of the outstanding balance on the Company's revolving line of credit pursuant to the Company's Intercompany Loan Agreement with PBI. The contribution from PBI and the repayment on the Company's revolving line of credit were noncash transactions, as no cash was exchanged between the Company and PBI.

22. Subsequent Events

In accordance with ASC Topic 855, "Subsequent Events," which establishes general standards of accounting for and disclosure of events that occur after the balance sheet date but before financial statements are issued, the Company has evaluated all events or transactions through February 26, 2024, the date that the consolidated financial statements were available to be issued. Based upon this review, the Company did not identify any subsequent events that would have required adjustment or disclosure in the consolidated financial statements, except as noted below.

On January 18, 2024, CCOC (the "Seller"), JDEP Blue Moon, Inc. (the "Buyer"), a subsidiary of JDE Peet's N.V. ("JDEP"), a company under common control with the Company, the Company, and JDEP entered into an Asset Purchase Agreement pursuant to which the Seller will license its brand in the consumer packaged goods and foodservice channels and sell its roasting operations in Minnesota and its office coffee and foodservice contracts to the Buyer for a purchase price of \$260.0 million, subject to certain closing adjustments. The closing of the Asset Purchase Agreement is subject to customary closing conditions, and the Company expects the transaction to close in the first quarter of 2024.

GUARANTEE OF PERFORMANCE

For value received, Caribou Coffee Company, Inc. a Minnesota corporation (the "Guarantor"), located at 3900 Lakebreeze Avenue N., Minneapolis, Minnesota 55429, absolutely and unconditionally guarantees to assume the duties and obligations of Bruegger's Franchise Corporation, located at 1720 S. Bellaire Street, Suite Skybox, Denver, Colorado 80222 (the "Franchisor"), under its franchise registration in each state where the franchise is registered, and under its Franchise Agreement identified in its Franchise Disclosure Document issued April 24, 2024, as it may be amended, and as that Franchise Agreement may be entered into with franchisees and amended, modified or extended from time to time. This guarantee continues until all such obligations of the Franchisor under its franchise registrations and the Franchise Agreement are satisfied or until the liability of Franchisor to its franchisees under the Franchise Agreement has been completely discharged, which ever occurs first. The Guarantor is not discharged from liability if a claim by a franchisee against the Franchisor remains outstanding. Notice of acceptance is waived. The Guarantor does not waive receipt of notice of default on the part of the Franchisor. This guarantee is binding on the Guarantor and its successors and assigns.

The Guarantor executes this guarantee at Denver, Colorado, on the 24 day of April, 2024.

Guarantor: **Caribou Coffee Company, Inc.**

By: 

Print Name: Michael Davis

Print Title: Chief Legal Officer & Director

State Effective Dates

The following states require that the Franchise Disclosure Document be registered or filed with the state, or be exempt from registration: California, Hawaii, Illinois, Indiana, Maryland, Michigan, Minnesota, New York, North Dakota, Rhode Island, South Dakota, Virginia, Washington and Wisconsin.

This document is effective and may be used in the following states, where the document is filed, registered, or exempt from registration, as of the Effective Date stated below:

STATE	EFFECTIVE DATE
California	Pending
Illinois	Pending
Indiana	Pending
Maryland	Pending
Michigan	Pending
Minnesota	Pending
New York	Pending
North Dakota	Pending
Rhode Island	Pending
South Dakota	Pending
Virginia	Pending
Washington	Pending
Wisconsin	Pending

Other states may require registration, filing, or exemption of a franchise under other laws, such as those that regulate the offer and sale of business opportunities or seller-assisted marketing plans.

Receipt

This Franchise Disclosure Document summarizes certain provisions of the Franchise Agreement and other information in plain language. Read this document and all agreements carefully.

If Bruegger’s Franchise Corporation (“BFC”) offers you a franchise, BFC must provide this document to you 14 calendar days before you sign a binding agreement with, or make a payment to, the franchisor or an affiliate in connection with the proposed franchise sale. New York requires that we give you this document at the earlier of the first personal meeting or 10 business days before the execution of the franchise or other agreement or the payment of any consideration that relates to the franchise relationship. Iowa requires that we give you this disclosure document at the earlier of the first personal meeting or 14 days before the execution of the franchise or other agreement or the payment of any consideration that relates to the franchise relationship. Michigan requires that we give you this document at least 10 business days before the execution of any binding franchise or other agreement or the payment of any consideration, whichever occurs first.

If BFC does not deliver this document on time or if it contains a false or misleading statement or a material omission, a violation of federal and state law may have occurred and should be reported to the Federal Trade Commission, Washington, D.C. 20580 and to the appropriate state agency listed in Exhibit G.

The franchisor is Bruegger’s Franchise Corporation, located at 1720 S. Bellaire Street, Suite Skybox, Denver, Colorado 80222, (303) 568-8000.

The issuance date of this Franchise Disclosure is April 24, 2024.

The franchise seller is Matthew Copenhaver, Kade MacKey, Tina D’Ottavio, Leah Laughlin and Tina Welch at 1720 S. Bellaire Street, Suite Skybox, Denver, Colorado 80222 (tel 303.568.8000). If any other individuals are involved in offering the franchise, write in the name(s) of the individual(s): _____

BFC authorizes the agents listed in Exhibit G to receive service of process.

I have received a disclosure document dated April 24, 2024 that included the following Exhibits:

A. Franchise Agreement	F. Current Franchisees/Licensees and Former Franchisees
B. Development Agreement	G. List of State Administrators; Agents for Service of Process
C. License Agreement for Non-Traditional Locations	H. Additional State-Required Information and State-Required Contract Addenda
D. Table of Contents of Operations & Training Manuals	I. Financial Statements
E. Sample of Release to be signed when you develop, renew, or transfer a Bakery	

Date Received

Signature of Prospective Franchisee

Name (please print)

Please keep this page together with your copy of the FDD

Receipt

This Franchise Disclosure Document summarizes certain provisions of the Franchise Agreement and other information in plain language. Read this document and all agreements carefully.

If Bruegger's Franchise Corporation ("BFC") offers you a franchise, BFC must provide this document to you 14 calendar days before you sign a binding agreement with, or make a payment to, the franchisor or an affiliate in connection with the proposed franchise sale. New York requires that we give you this document at the earlier of the first personal meeting or 10 business days before the execution of the franchise or other agreement or the payment of any consideration that relates to the franchise relationship. Iowa requires that we give you this disclosure document at the earlier of the first personal meeting or 14 days before the execution of the franchise or other agreement or the payment of any consideration that relates to the franchise relationship. Michigan requires that we give you this document at least 10 business days before the execution of any binding franchise or other agreement or the payment of any consideration, whichever occurs first.

If BFC does not deliver this document on time or if it contains a false or misleading statement or a material omission, a violation of federal and state law may have occurred and should be reported to the Federal Trade Commission, Washington, D.C. 20580 and to the appropriate state agency listed in Exhibit G.

The franchisor is Bruegger's Franchise Corporation, located at 1720 S. Bellaire Street, Suite Skybox, Denver, Colorado 80222, (303) 568-8000.

The issuance date of this Franchise Disclosure is April 24, 2024.

The franchise seller is Matthew Copenhaver, Kade MacKey, Tina D'Ottavio, Leah Laughlin and Tina Welch at 1720 S. Bellaire Street, Suite Skybox, Denver, Colorado 80222 (tel 303.568.8000). If any other individuals are involved in offering the franchise, write in the name(s) of the individual(s): _____

BFC authorizes the agents listed in Exhibit G to receive service of process.

I have received a disclosure document dated April 15, 2024 that included the following Exhibits:

A. Franchise Agreement	F. Current Franchisees/Licensees and Former Franchisees
B. Development Agreement	G. List of State Administrators; Agents for Service of Process
C. License Agreement for Non-Traditional Locations	H. Additional State-Required Information and State-Required Contract Addenda
D. Table of Contents of Operations & Training Manuals	I. Financial Statements
E. Sample of Release to be signed when you develop, renew, or transfer a Bakery	

Date Received

Signature of Prospective Franchisee

Name (please print)

Please sign, date, and send this copy to BFC