

## FRANCHISE DISCLOSURE DOCUMENT



**BEST CAFE - FRANCHISES, LLC**  
A Delaware Limited Liability Company  
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The franchise is for a Corner Bakery Cafe® fast-casual restaurant offering a limited menu of breakfast, lunch and dinner products and featuring artisan breads, salads, sandwiches, soups and baked goods (a “Corner Bakery Cafe” or “Cafe”).

The total initial investment necessary to begin operation of a Corner Bakery Cafe ranges from \$1,090,000 to \$2,168,000. This includes \$45,000 that must be paid to the franchisor or its affiliates. ~~This amount does not include the cost of buying or renting the business location.~~ The total initial investment necessary to sign an Area Development Agreement to reserve the right that you sign to develop between two and three Corner Bakery Cafes ranges from ~~\$401,130,000~~ to ~~\$762,244,500~~. This includes ~~\$4085,000~~ to ~~\$60105,000~~ that must be paid to the franchisor or its affiliates. You must agree to develop at least two Corner Bakery Cafes under an Area 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 our affiliates in connection with the proposed franchise sale or sooner if required by applicable state law. **Note, however, that no governmental agency has verified the information contained in this 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 Robert Hartmann, Vice President Development, Best Cafe - Franchises, LLC at 13355 Noel Road, Suite 1645, Dallas, Texas 75240 (phone: (972) 619-4100).

The terms of your contract will govern your franchise relationship. Don't rely on the Disclosure Document alone to understand your contract. Read all of your 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 (“FTC”). You can contact the FTC by calling 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](http://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.

Issuance Date: May 22, 2024

## Special Risks to Consider About *This* Franchise

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

1. Out-of-State Dispute Resolution. The franchise agreement requires you to resolve disputes with us by mediation and/or litigation only in Texas. Out-of-state mediation and/or litigation may force you to accept a less favorable settlement for disputes. It may also cost more to litigate with us in Texas than in your own state.
2. Turnover Rate. During the last three years, approximately 33% of franchised outlets and 41% of company-owned outlets were reacquired from franchisees, terminated or ceased operations for other reasons. The franchise could be a higher risk investment than a franchise in a system with a lower turnover rate.
3. Supplier Control. You must purchase all or nearly all of the inventory or supplies that are necessary to operate your business from the franchisor, its affiliates, or suppliers that the franchisor designates, at prices the franchisor or they set. These prices may be higher than prices you could obtain elsewhere for the same or similar goods. This may reduce the anticipated profit of your franchised business.
4. Short Operating History. The franchisor is at any early stage of development and has a limited operating history. This franchise is likely to be a riskier investment than a franchise in a system where the franchisor has a longer operating history.
5. Financial Condition. The franchisor's financial condition, as reflected in its financial statements (see Item 21) calls into question the franchisor's ability to provide services and support to you.

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.

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### EXHIBITS

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### RECEIPTS

**ITEM 1**  
**THE FRANCHISOR AND ANY PARENTS, PREDECESSORS, AND AFFILIATES**

This disclosure document describes the Corner Bakery Cafe franchise offering. The franchisor, Best Cafe – Franchises, LLC, is referred to in this Disclosure Document as “franchisor,” “we,” “us,” “our,” or “BCF.” We only enter into Franchise and Development Agreements with corporations, limited liability companies, or partnerships, however, your owners will be required to guarantee and assume your obligations under the agreements, so references to “you” or “your” will also include your owners.

**The Franchisor**

We are a limited liability company, formed in Delaware on May 9, 2023. Our principal business address is 13355 Noel Road, Suite 1645, Dallas, Texas 75240. Our sole business is to offer, sell and service the franchises described in this Disclosure Document, and we do not offer franchises in any other line of business. We do not conduct business under any names except our legal name and Corner Bakery Cafe. We have never operated any businesses either of the type being franchised or in any other line, but we may do so in the future. Our affiliate, Best Cafe Enterprises, LLC, owns and operates Corner Bakery Cafes, which we refer to in this disclosure document as “Company-Owned Cafes”. We began offering franchises for Corner Bakery Cafes on May 22, 2024 and as of that date there were 37 franchised Corner Bakery Cafes in operation. Our agent for service of process is Corporate Creations Network Inc. having its principal business address at 3411 Silverside Road, Tatnall Building Suite 104, New Castle, Wilmington, Delaware 19810. Please see Exhibit B to this Disclosure Document for a list of the names and addresses of our agents for service of process in certain states.

**Our Parents, Predecessors, and Affiliates**

We are a wholly owned subsidiary of Best Cafe, LLC (“Best Cafe”), which is a wholly owned subsidiary of the Sunil D. Dharod Revocable Trust (“Trust”). Best Cafe and Trust each share our principal business address.

Our affiliate, Best Cafe – IP, LLC (“BCIP”), owns the System and the Marks (defined below) and has granted us the right to sublicense to our franchisees the right to use the System and Marks in accordance with the Franchise Agreements (defined below). BCIP shares our principal business address. BCIP does not operate any Corner Bakery Cafes and has never offered franchises in any line of business.

Our affiliate, On Smile LLC, offers franchises for Cici’s restaurants. Cici’s restaurants specialize in pizza and other foods and operate either as dine-in buffet style restaurants or carry-out restaurants. On Smile LLC has offered franchises for Cici’s restaurants since May 28, 2021. On Smile LLC’s parent, CiCi Enterprises, LP, offered franchises for Cici’s restaurants from September 2003 until April 2021. Under a Service Agreement with CiCi Enterprises, LP, On Smile LLC performs CiCi Enterprises, LP’s obligations under franchise agreements signed prior to April 2021. As of December 31, 2023, there were 261 franchised Cici’s restaurants in operation. On Smile LLC and CiCi Enterprises, LP share our principal business address.

Our predecessor, CBC Restaurant Corp. (“CBC”), assigned the Corner Bakery Cafe Franchise Agreements to us [when our affiliate, SSCP Restaurant Investors, LLC, acquired the brand in 2023](#). CBC’s principal place of business was 12700 Park Central Drive, Suite 1300, Dallas, Texas 75251. CBC operated Corner Bakery Cafes from February 2006 to June 2023 and offered franchises for Corner Bakery Cafes from June 2006 to June 2023. As of June 2023, CBC operated 82 Corner Bakery Cafes and there were 42 franchised Corner Bakery Cafes in operation.

Except as described above, we have no parents, predecessors, or affiliates required to be disclosed in this Item 1.

## The Franchise

We offer franchises to develop, own and operate franchised Corner Bakery Cafes (“Franchised Cafes”). ~~”) under our Franchise Agreement (our current form of which is attached as Exhibit C).~~ Corner Bakery Cafes are fast-casual restaurants serving breakfast, lunch and dinner to guests in neighborhoods throughout the United States. Founded on a philosophy of creating a place for people to relax and gather with family and friends, Corner Bakery Cafes offer a casual atmosphere featuring innovative, seasonal menu options ranging from hot breakfasts and signature paninis to handcrafted salads, sandwiches, pastas and mouthwatering sweets. Offering dine-in, to-go, and catering service for any occasion, Corner Bakery Cafes deliver a premier bakery cafe experience in the heart of neighborhoods everywhere, easily recognized by our distinctive black-and-white awnings. Known for our robust, best-in-class catering platform, Corner Bakery Cafes present fresh food perfectly packaged for delivery or pick up. Guests enjoy the convenience of online ordering for both to go and catering orders.

~~Corner Bakery Cafes operate according to a unique and distinctive system (“System”), whose distinguishing characteristics include our uniform and distinctive exterior and interior design and layout, including specially designed décor and furnishings; proprietary recipes and menu items; procedures and techniques for food and beverage preparation and service; automated management information and control systems for inventory controls, cash controls and sales analysis; technical assistance and training through course instruction and manuals; and advertising and promotional program. We describe our mandatory and recommended standards, specifications and operating procedures in our confidential Corner Bakery Café® Operations Manual (“Manual”), which we will loan to you during the term of your franchise. We identify the System. We identify Corner Bakery Cafes~~ by means of the “Corner Bakery Café®” name and mark and certain other names, marks, logos, insignias, slogans, emblems, symbols, designs and indicia of origin (collectively, “Marks”) that we have designated, or may in the future designate, for use with the ~~System. We have the right to change the Manual, the Marks, and the elements of the System from time to time, in our sole discretion.~~ Corner Bakery Café operating system (“System”).

~~Your receipt of this Disclosure Document does not mean that you will be approved as a franchisee or that you may develop or open a Franchised Cafe. Before you may develop a Franchised Cafe, we must approve your franchise application, you must sign our Franchise Agreement (our current form of which is attached as Exhibit C) (a “Franchise Agreement”), and pay the Initial Franchise Fee (as described in Item 5). You may not acquire any possessory interest in a site for a Franchised Cafe (“Franchised Location”) until you have signed a Franchise Agreement, we have accepted the site in writing, and we have approved of the form of the lease or sublease. Before you may open a Franchised Cafe, you must develop the Franchised Cafe at the Franchised Location in accordance with our approved plans and specifications, and you and those persons designated by us must attend and successfully complete our initial training program (the “Initial Training Program”).~~

If you are interested developing multiple Franchised Cafes and meet certain qualifications, we may offer you the opportunity to sign an Area Development Agreement (“Development Agreement”) (our current form of which is attached as Exhibit D), in which we will grant you the right to develop multiple Franchised Cafes in consideration for the Development Fee (as described in Item 5). The Development Agreement will include a Development Schedule for the Franchised Cafes, which will identify deadlines for acquiring a possessory interest in each site that we ~~accept~~approve and deadlines for opening each Franchised Cafe. You must agree to develop at least two Corner Bakery Cafes under a Development Agreement. If you sign the Development Agreement, you will also sign your first Franchise Agreement and pay the ~~Initial Franchise Fee~~initial franchise fee for your first Franchised Cafe at the same time. For your second and additional Franchised Cafes, upon ~~acceptance~~approval of your proposed site, you will sign our then-current form of Franchise Agreement and pay the ~~Initial Franchise Fee~~initial franchise fee for the Franchised Cafe. That form of Franchise Agreement may differ from the form of Franchise Agreement included in this Disclosure Document as Exhibit C.

## Market and Competition

The market for restaurant bakery services is well-established. Restaurants similar to Corner Bakery

Cafes primarily attract the age group from 18 to 60 years old. You will compete with a variety of restaurants, bakeries, and caterers. The restaurant and bakery business is highly competitive based on price, service, restaurant location and food quality and is subject to fluctuations in consumer tastes, economic conditions, population and traffic patterns. In each market, we compete with locally owned restaurants and bakeries, as well as national and regional restaurant and bakery chains. Some of our competitors have longer operating histories than ours and more name recognition than us within certain markets. ~~The ability of each Corner Bakery Cafe to compete depends on its location, ingress and egress, signage, parking, service, market demographics, employee attitudes, overhead, local costs of advertising, local costs of wages, proximity to competitors, changing local market and economic conditions, and many other factors both within and outside your control. Your success will also depend on your capabilities in terms of energy, business skill, desire, temperament, people skills, and finances, among other things.~~

### **Industry-Specific Laws and Regulations**

~~We are not aware of any laws or regulations applicable to a Corner Bakery Cafe that would not apply to restaurant businesses generally.~~ You must comply with all applicable local, state and federal laws and regulations, including [laws that apply to restaurant businesses such as](#) menu labeling, minimum wages for restaurant workers, payment card industry security standards, health, sanitation, food handling, food preparation, waste disposal, smoking restrictions, discrimination, employment, sexual harassment and advertising laws. Some laws require point of sale disclosures, including statements concerning nutritional and dietary characteristics of the food served at your Franchised Cafe. ~~You should consult with your attorney concerning these and other laws and ordinances that may affect the operations of the Franchised Cafe.~~ You must also obtain all operational licenses and real estate permits and licenses.

## **ITEM 2 BUSINESS EXPERIENCE**

### **President and Chief Executive Officer: Chris Dharod**

Mr. Dharod has been our President and Chief Executive Officer since June 2023. He also has served as President and Chief Executive Officer of our affiliate, SSCP Management, Inc. ("SSCP") since March 2018. From November 2015 to February 2018, he was Chief Operating Officer of SSCP and from January 2013 to October 2015, he was Vice President of SSCP. All positions have been held in Dallas, Texas.

### **Vice President and Chief Financial Officer: Dan Patel**

Mr. Patel has been our Vice President and Chief Financial Officer since June 2023. Since May 2021, Mr. Patel has served as Chief Financial Officer of On Smile, LLC. Since April 2014, Mr. Patel has served as the Chief Financial Officer of SSCP. All positions have been held in Dallas, Texas.

### **Chief People Officer: Cheryl Green**

Ms. Green has been our Chief People Officer since June 2023. She has served as Chief People Officer of our affiliates, SSCP, On Smile, LLC and Top Slice, LLC since April 2023. From April 2000 to March 2023, Ms. Green served as Vice President of Human Resources of SSCP. All positions have been held in Dallas, Texas.

### **Chief Operating Officer: Erin Hasselgren**

Mr. Hasselgren has served as our Chief Operating Officer and for our affiliate, Best Cafe Enterprises, LLC since June 2023 in Dallas, Texas. From March 2021 to May 2023, he served as Chief Operating Officer of TOMS King Services, LLC in Palatine, Illinois. From November 2018 to March 2021, Mr. Hasselgren served as Director of Operations for Portillo's Hot Dogs, LLC, in Oakbrook, Illinois.

**Development Fee**

When you sign the Development Agreement, you will pay a development fee in the amount of \$20,000 for each Franchised Cafe that you agree to develop (the “Development Fee”). The Development Fee is fully earned by us when paid by you, and it is not refundable in consideration of administrative and other expenses incurred by us and for the development opportunities lost or deferred as a result of the rights granted to you in the Development Agreement. In addition, the Development Fee is not credited against any other fees that you will pay to us. [You must agree to develop at least two Corner Bakery Cafes under a Development Agreement.](#)

**Design Development Fee**

Once we have ~~accepted~~[approved](#) your site and you have completed due diligence as required in the [Corner Bakery Cafe® Operations Manual](#); ~~(“Manual”).~~ we will engage the services of an architect or planner to prepare a design plan (the “Design Development Plan”) for your Franchised Cafe. The Design Development Plan will include a schematic space plan layout, and exterior elevations showing desired branding. You must reimburse us for the cost of preparing the Design Development Plan according to the cost schedule set forth in the Manual, which currently includes a \$5,000 base price plus add-ons based on the complexity of the project. [This reimbursement is not refundable.](#)

\* \* \* \* \*

Generally, these fees are uniformly imposed on our franchisees, however, in certain unique circumstances, we may reduce or waive a fee for a particular franchisee.

**ITEM 6  
OTHER FEES**

Type of Fee <sup>(1)</sup>	Amount	Due Date <sup>(2)</sup>	Remarks
Royalty Fee	5% of Gross Sales <sup>(3)</sup>	10 <sup>th</sup> day of each month	We currently sweep your EDTA (as defined in Note 2 below) for the Royalty Fee advertising contributions, Technology Fee, and Online Ordering Fee at the end of each “Reporting Period,” which is currently a calendar month. See Note 2.
National Marketing Fund Contribution	Currently 0.75% of Gross Sales	Monthly, with the payment of the Royalty Fee	Your “Monthly Advertising Obligation” will not exceed 4.5% of Gross Sales, which will be allocated among, the National Marketing Fund contribution, a Regional Marketing Fund contribution (if applicable), a Brand Development Fee (if charged) and local advertising and promotion (“Field Marketing”) expenditures approved by us. We may change your Monthly Advertising Obligation or the allocation of it upon written notice to you. Currently, your Monthly Advertising Obligation is 1.75% of Gross Sales, including 0.75% that must be contributed to the National Marketing Fund and 1% that must be spent on Field Marketing. Currently, we do not have any Regional Marketing Funds or collect any Brand Development Fee.
Brand Development Fee	<del>Amount determined by us if and when a Brand Development Fee is charged</del> <a href="#">Currently not assessed</a>	Monthly, if implemented	
Regional Marketing Fund Contribution	<del>Amount determined by us if and when each Regional Marketing Fund is established</del> <a href="#">Currently not assessed</a>	Monthly, if established	

Type of Fee <sup>(1)</sup>	Amount	Due Date <sup>(2)</sup>	Remarks
Technology Fee	\$400	Monthly, with payment of the Royalty Fee	You must pay a monthly Technology Fee for providing information technology support and access to our technology platforms, intranets, extranets, websites and future services that we make available to you as provided in the Manual. See Item 11.
Audit and Inspection Costs	<del>Amount</del> <u>Actual amount</u> understated by you, plus interest	Upon demand	If an inspection or audit discloses an understatement in any report of 2% or more of Gross Sales for the audit period, you also must reimburse us for all <u>actual</u> costs and expenses connected with the inspection or audit.
Collection Costs and Expenses	Our costs and expenses	Upon demand	These costs and expenses include, but are not limited to, costs and commissions due a collection agency, reasonable attorneys' fees, costs incurred in creating or replicating reports demonstrating Gross Sales of the Franchised Cafe, court costs, expert witness fees, discovery costs and reasonable attorneys' fees and costs on appeal, together with interest charges on all of the above.
Costs and Attorneys' Fees	Our costs and expenses	As incurred	If we prevail in litigation regarding enforcement of the terms of the Development or Franchise Agreement or if we utilize legal counsel as a result of your failure to comply with these agreements, you must pay our costs and expenses, including accountants', attorneys', attorneys' assistants' and expert witness fees, the cost of investigation and proof of facts, court costs, other litigation expenses, and travel and living expenses.
Crisis Management	Our costs and expenses	Upon demand	You must reimburse us for any costs and expenses that we incur in responding to any crisis including food borne illness, fire or other casualty, robbery, violence or other situations related to the Franchised Cafe.
Indemnification	The <u>actual</u> losses and expenses incurred by us and our affiliates	As incurred	You must defend, indemnify and hold us and our affiliates harmless in all actions arising out of or resulting from the development or operation of your Franchised Cafe, excluding our gross negligence or willful misconduct.
Interest and Late Charge	Interest: 18% per annum or the maximum rate permitted by law, whichever is less; Late Charge: \$500 for each delinquent payment	When any payment or report is not actually received by us on or before the due date	Interest is due on the amount owed from the date due until paid. We may also require you to provide a letter of credit from a national bank, on terms set forth in the Manual, equal to 150% of all fees (including Royalty Fees, marketing contributions and fees, interest and other payments due to us) anticipated to be due annually under all agreements that you have with us and our affiliates.

Type of Fee <sup>(1)</sup>	Amount	Due Date <sup>(2)</sup>	Remarks
Technology Support Services	Currently, \$150/hour	Upon receipt of invoice	Payable if you request our assistance with specialized IT projects including modifications to your menu.
New Product and Supplier Testing	Our <del>reasonable</del> costs of reviewing the application and inspecting the proposed supplier's facilities, equipment and food products and all product testing costs paid by us to third parties; <u>typically \$3,000 to \$5,000</u>	In advance of any review of the application	See Item 8 for a description of the supplier approval process.
Non-Cash Payment Systems	All costs incurred by us associated with non-cash payment systems as they relate to the Franchised Cafe	As incurred	You must accept debit cards, credit cards, stored value gift cards or other non-cash payment systems that we specify.
Online Ordering Fee (Catering and Counter)	Currently, \$147	Monthly, with Royalty Fee payment	We use these fees to pay for the expenses charged by our online ordering vendor. These fees may change.
Quality Control Programs	If implemented, your proportionate share, <del>as determined by us in our sole discretion,</del> of the <u>actual</u> costs of the program	As incurred	If implemented, you must participate in any quality control programs that we, in our sole discretion, establish, including a "mystery diner" program or any other consumer experience evaluation programs.
Post-Opening Assistance	Our fees and charges we may establish. Currently, our weekly fees range from \$5,000 to \$10,000.	As incurred	At your request, we may provide special assistance at the Franchised Cafe for which you will be required to pay these charges.
Reimbursement of Insurance Costs	Our out-of-pocket costs of obtaining coverage on your behalf	Upon demand	If you fail to obtain or maintain the required minimum insurance, we may obtain the insurance and charge its cost along with our out-of-pocket expenses and a reasonable service fee to you.
Reimbursement of Required Maintenance Expenses	Cost of those expenses and cost of coordinating those repairs	Upon demand	If, at any time, the general state of repair, appearance or cleanliness of your Franchised Cafe, or its furnishings, fixtures, equipment or signage does not meet our standards, and you fail to correct that deficiency as we require, we have the right, but not the obligation, to enter the Franchised Cafe and perform that maintenance at your expense.

Type of Fee <sup>(1)</sup>	Amount	Due Date <sup>(2)</sup>	Remarks
Relocation	All <del>reasonable</del> charges actually incurred by us in consideration of your relocation request	Upon demand	You may not relocate the Franchised Cafe without our prior written consent, which we may withhold in our sole discretion.
Renewal Fee	50% of our then-current standard initial franchise fee	At the time you sign the renewal franchise agreement	You must pay the Renewal Fee for each of your two renewal terms.
<a href="#">Supply Chain Management</a>	<a href="#">If implemented, your proportionate share of the actual costs of the program</a>	<a href="#">Upon demand</a>	<a href="#">We currently require you to participate in a supply chain management program that includes strategic sourcing, pricing, insights/forecasting, contract administration, reporting/analysis, and inventory management. The program is currently funded with a drop size incentive on each case purchased from the broadline distributor as disclosed in Item 8.</a>
Taxes	Actual tax amounts imposed on us	Immediately upon demand	You must reimburse us for any sales tax, gross receipt tax or similar tax (other than income tax) imposed on us for any payments to us required under the Franchise Agreement, unless the tax is credited against income tax otherwise payable by us.
Temporary Management Personnel Fees	Salaries (including the cost of fringe benefits, which equal 20% of salaries), meals, lodging, other living expenses and transportation of our personnel	As incurred	If you, at any time, cease to employ three managers who have completed our Initial Training Program, we have the right to send our personnel to the Franchised Cafe to manage the Franchised Cafe until you hire replacement managers and they have completed the Initial Training Program. After 60 days, you must pay double the salaries for our management personnel.
Temporary Operation Fees	5% of Gross Sales plus the salaries (including the cost of fringe benefits, which equal 20% of salaries), meals, lodging, other living expenses and transportation of our personnel	As incurred	Payable if we temporarily assume management of your Franchised Cafe because your Operating Partner is incapacitated, deceptive practices have been alleged, you have defaulted under the Franchise Agreement, or we are in the process of exercising our purchase right after the termination or expiration of the Franchise Agreement.
Training - Additional	<del>Tuition charge as established by us periodically</del> <a href="#">Currently not assessed</a>	Upon demand	We have the right to require certain of your employees as designated by us to attend training programs in addition to the Initial Training Program provided by us. <del>In addition to the tuition charge, you also will be required to pay all travel, living and other expenses incurred by your employees while attending training, and you must pay the</del> <a href="#">actual costs of the training programs.</a>

and other amounts due and payable by you under the Franchise Agreement and any other agreements with us or our affiliates. We have the right to sweep your account at any time; however, we will not sweep your account more than once a Reporting Period if you are not in default of the Franchise Agreement or any other agreements with us. Currently, we review your sales numbers following the end of each Reporting Period, which is a calendar month, and we calculate the Royalty Fee and any marketing contributions and fees due under the Franchise Agreement and any other agreements with us or our affiliates and sweep those amounts directly from the EDTA on the 10<sup>th</sup> day of each month. You must pay all costs and expenses of establishing and maintaining the EDTA, including transaction fees and wire transfer fees.

- (3) “Gross Sales” include all revenue from the sale of all services and products and all other income of every kind and nature (including stored value gift cards and gift certificates when redeemed but not when purchased, on-premise sales, off-premise sales, catering sales and any other type of sale, and delivery fees) related to the Franchised Cafe, whether for cash or credit and regardless of collection in the case of credit. Gross Sales also includes all insurance proceeds you receive to replace revenue that you lose from the interruption of your Franchised Cafe due to a casualty or other event covered by business interruption or similar insurance coverage. The term Gross Sales does not include: (a) any bona fide documented federal, state or municipal sales taxes collected by you from customers and paid by you to the appropriate taxing authority; (b) the sale of food or merchandise for which refunds have been made in good faith to customers; (c) the sale of furnishings, fixtures, equipment and supplies used in the operation of the Franchised Cafe; (d) customer promotional discounts approved by us; and (e) employee meal discounts and tips.

**ITEM 7  
ESTIMATED INITIAL INVESTMENT**

**YOUR ESTIMATED INITIAL INVESTMENT**

<b>FRANCHISE AGREEMENT</b>					
<b>Type of Expenditure</b>	<b>Amount (Low Range)</b>	<b>Amount (High Range)</b>	<b>Method of Payment<sup>(1)</sup></b>	<b>When Due</b>	<b>To Whom Payment Is To Be Made</b>
Pre-Construction Costs <sup>(2)</sup>	\$25,000	\$144,000	As arranged	As arranged	Suppliers, BCF
Construction Costs <sup>(3)</sup>	\$450,000	\$830,000	As arranged	As arranged	Contractors/ Suppliers
Front of House Furniture, Fixtures & Equipment <sup>(4)</sup>	\$40,000	\$89,000	As incurred	As incurred	Contractors/ <a href="#">Approved</a> Suppliers
Back of House Furniture, Fixtures & Equipment <sup>(5)</sup>	\$208,000	\$300,000	As incurred	As incurred	Contractors/ <a href="#">Approved</a> Suppliers
Smallwares <sup>(6)</sup>	\$23,000	\$40,000	As arranged	As arranged	<a href="#">Approved</a> Suppliers
Technology System <sup>(7)</sup>	\$45,000	\$65,000	As arranged	As incurred	Suppliers
Catering Equipment <sup>(8)</sup>	\$35,000	\$45,000	As incurred	As incurred	Suppliers
<b>ESTIMATED BUILDING COSTS</b>	<b>\$826,000</b>	<b>\$1,513,000</b>			

9. Real Property. We expect that you will lease the location for the Franchised Cafe, which will vary in size from 2,200 to 4,000 square feet, excluding a patio. Cafes are typically located in densely populated suburban and urban areas. Lease rates can vary from \$20 to \$70 per square foot depending upon the property size, type of transaction and location. You may be required to pay the first and last months' lease payment upon signing your lease agreement. Lease agreements may include the following expenses: taxes, insurance, maintenance, fixed rent (with escalations), percentage rent and other charges related to the operation of the Franchised Cafe.

10. Initial Franchise Fee and Development Fee. The details concerning the payment of the Development Fee and the Initial Franchise Fee are included in Item 5.

11. Grand Opening Marketing. At least 60 days before the opening of the Franchised Cafe, you must submit a Grand Opening Required Spending Plan ("Grand Opening Plan") to us, which outlines your proposal for grand opening marketing and promotion of the Franchised Cafe. You must obtain our written consent to the Grand Opening Plan before you begin to implement it. You must modify the Grand Opening Plan as we request, and, thereafter, you may not make any substantial changes to the Grand Opening Plan without our advance written consent. In addition to the Field Marketing expenditure requirements (as described in Items 6 and 11), you must, during the period beginning 30 days before the scheduled opening of the Franchised Cafe and continuing for 180 days after the Franchised Cafe first opens for business, spend at least \$15,000 to conduct grand opening marketing and promotion in authorized advertising media and for authorized expenditures. Within 30 days of each grand opening expense that you incur, you must submit to us evidence (by invoice or sample, if applicable) of those grand opening marketing and promotional expenditures.

12. Training. This estimate includes the cost of sending your Operating Partner, Controlling Principal, Multi-Unit Manager (each as defined in Item 15), general manager and three managers of the Franchised Cafe to attend our Initial Training Program in Dallas, Texas. We do not charge a tuition fee for the Initial Training Program; however, you will be responsible for any salaries, meals, lodging, other living expenses and transportation costs incurred by your employees while attending the Initial Training Program. This estimate also includes the pre-opening training salaries for your managers and employees at the Franchised Cafe. A Developer's training expenses are reflected in the table of estimated initial investment expenses under the Franchise Agreement.

13. Inventory. This estimate includes food products through opening day and initial startup office supplies and restaurant supplies.

14. Security Deposits. This item is an estimated range for security deposits, utility deposits, business licenses and other prepaid expenses.

15. Additional Funds – 3 Months. This is our estimate of your ~~expenses~~additional funds required for the initial period after your business opens, including professional fees, three months of lease payments, the cost of three months of inventory (including restaurant equipment and food), payroll, facility expenses like utilities, insurance, pest control, security, repairs and maintenance, complimentary sales and other costs. The range provided also includes our best estimate of the cash requirements, including salaries for hourly employees and managers (excluding bonuses) for the first three months of operations. For the purpose of this Disclosure Document, we have estimated the initial period to be three months from the date the Franchised Cafe opens for business. These amounts do not include any estimates for debt service. We relied on our experience with our Company-Owned Cafes to derive our estimates for these additional funds.

16. Developer: Leasehold and Office Expenses. Developers will likely need only a moderately sized and furnished office and, depending on their other business activities, may be able to operate from their existing facility. [You must agree to develop at least two Corner Bakery Cafes under a Development Agreement.](#)

17. Developer: Additional Funds – 3 Months. Developers do not generate revenue from their development activities. Ongoing expenses are for site selection and routine expenses associated with maintaining an office.

18. Total Estimated Initial Investment. ~~You should review these figures carefully with a business advisor before making any decision to purchase the franchise. In addition, for~~ For each Franchised Cafe that you develop under the Development Agreement, you will incur the initial investment expenses outlined in the Franchise Agreement table in this Item 7.

## ITEM 8 RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES

### Authorized Products and Services

Construction of the Franchised Cafe. You must engage an architect that we have approved (an "Approved Architect") to develop construction plans and specifications ("Plans and Specifications") for your Franchised Cafe, a branding and signage vendor that we have approved (an "Approved Branding Vendor") to develop a plan for branding the exterior of the Franchised Cafe (a "Branding Plan"), a project manager that we have approved to manage the due diligence, design, bidding and construction processes for your Franchised Cafe, and, at our option, a general contractor that we have approved to construct your Franchised Cafe. Lists of Approved Architects and Approved Branding Vendors are set forth in the Manual. We may approve other architects that you propose, provided that the architect meets our qualifications and successfully completes a training program conducted by an Approved Architect that we designate, for which you may be required to pay us or such Approved Architect a fee.

Proprietary Products. We may, periodically, in our sole discretion, require that you purchase, use, offer and/or promote, and maintain in stock at the Franchised Cafe in those quantities as are needed to meet reasonably anticipated consumer demand, certain proprietary breads, sweets, soups, beverages, products, and other ingredients and raw materials that are manufactured in accordance with our proprietary recipes, specifications and/or formulas and/or uniquely specified or sourced ("Proprietary Products"). You must purchase those Proprietary Products only from us or a third party designated and licensed by us to prepare and sell those products. We are not obligated to reveal the recipes, specifications and/or formulas of these Proprietary Products, or the terms and conditions of any supplier or other contracts, to you, non-designated suppliers or any other third parties. Our specifications or minimum standards are included in the Manual. We will update the Manual to reflect any modifications to the specifications or minimum standards.

Non-Proprietary Ingredients and Products. We may designate other food products, condiments, beverages, fixtures, smallwares, furnishings, equipment, uniforms, supplies, services, menus, packaging, forms, paper products, computer hardware, software and other products and equipment, other than Proprietary Products, that you must use and/or offer and sell at the Franchised Cafe ("Non-Proprietary Products"). You may use, offer or sell only those Non-Proprietary Products that we have expressly authorized, and those products must be purchased or obtained from a producer, manufacturer, supplier or service provider that we have approved ("Approved Supplier") or an alternative Approved Supplier that we have designated or approved. We are not obligated to disclose the terms and conditions, including the pricing, to anyone as to Proprietary or Non-Proprietary Products. We may also determine that certain Non-Proprietary Products (e.g., beverages) will be limited to a designated brand or brands.

Each Approved Supplier must comply with our usual and customary requirements regarding insurance, indemnification and non-disclosure, and must demonstrate to our reasonable satisfaction: (1) its ability to supply a Non-Proprietary Product meeting our specifications, which may include, without limitation, specifications as to brand name, contents, manner of preparation, ingredients, quality, freshness and compliance with governmental standards and regulations; and (2) its reliability as to delivery and the consistent quality of its products and services.

Our Approved Supplier List is available upon written request. We are the only approved supplier of

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

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

**Our Pre-Opening Obligations**

Before you open your Franchised Cafe, we will:

1. Provide: (a) our site selection criteria and, as you request, a reasonable amount of consultation with respect thereto; and (b) such on-site evaluation as we may deem advisable as part of our evaluation of your request for site ~~acceptance~~approval. (Franchise Agreement, Section 3.2.1)

2. Within 30 days after our receipt of your completed Site Application, advise you in writing whether we have ~~accepted~~approved or rejected the proposed site. If we do not respond within that time period, we will be deemed to have rejected the proposed site. Our ~~acceptance~~approval or refusal to ~~accept~~approve a proposed site may be subject to reasonable conditions as determined in our sole discretion. (Franchise Agreement, Section 3.2.3)

3. Once we have granted our site ~~acceptance~~approval and you have completed due diligence as required in the Manual, we will engage, at your expense, the services of an architect or planner to prepare the Design Development Plan for the Franchised Cafe. (Franchise Agreement, Section 3.3.1)

4. Provide a list of Approved Architects and Approved Branding Vendors and review your proposals to approve other architects. (Franchise Agreement, Section 3.3.2)

5. Review, and approve in our sole discretion, your final Plans and Specifications and Branding Plan (Franchise Agreement, Section 3.3.2)

6. Review and, in our sole discretion, approve your lease or sublease. (Franchise Agreement, Section 3.4.1)

7. Review and, in our sole discretion, approve your project manager and general contractor and provide you and them with a construction orientation program for the first Franchised Cafe that you develop. The orientation will be conducted in a manner and location deemed appropriate by us and will review the construction standards and procedures commonly employed to construct a Cafe. You may request additional construction orientation at a fee as periodically specified in the Manual. (Franchise Agreement, Sections 3.6.1 and 3.6.2)

8. Conduct a final inspection of the Franchised Cafe, ~~if we choose to~~, and provide you with express written authorization to open the Franchised Cafe if you have complied with all conditions. (Franchise Agreement, Sections 3.8 and 3.9)

9. Provide you access to an electronic version of our confidential and proprietary Manual, which contains information that is unique, necessary and material to the System. The Manual remains our property. ~~We may revise the contents of the Manual, and you must comply with each new or changed section.~~ We maintain our Manual on a searchable proprietary limited access Intranet portal, which only our franchisees may access in accordance with our confidentiality policies. (Franchise Agreement, Section 7) Since the information is in electronic format only and is constantly being updated, the number of pages for the categories of information available vary, change and are indeterminate. We will make the Manual available for your inspection at our offices before you sign a Franchise Agreement if you first sign a Confidentiality Agreement, which is attached as Exhibit F.

10. Provide consultation and advice to you ~~as we deem appropriate~~ with regard to the development and operation of the Franchised Cafe, building layout, furnishings, fixtures and equipment

plans and specifications, training, purchasing and inventory control and those other matters ~~as we deem appropriate.~~ (Franchise Agreement, Section 9.1) We do not provide, deliver or install these items; however, we provide written specifications for these items and a list of Approved Suppliers.

11. Unless you (or your affiliates) already operate another Franchised Cafe or one of your Franchised Cafes has been certified as a Certified Training Cafe (as described below), provide an Initial Training Program as described further in this Item 11. (Franchise Agreement, Section 9.2).

12. Even if you have a Certified Training Cafe, provide your Controlling Principal, Operating Partner and Multi-Unit Manager a multi-unit orientation / owner orientation portion of the Initial Training Program at our headquarters or such other location as is designated by us. (Franchise Agreement, Section 9.2.2).

13. For your first two Franchised Cafes, provide an opening team of trainers (not to exceed eight personnel) to assist in the opening of the Franchised Cafe and in training your employees for the period deemed necessary by us, which shall not be less than 13 days. For your third Cafe opening, we will provide opening support (not to exceed four personnel) for the period deemed necessary by us, which shall not be less than 13 days, and you must provide your own opening team of trainers. For your fourth and any additional Cafe openings, you will provide your own opening team of trainers from your Certified Training Cafe (as described below). (Franchise Agreement, Section 9.3.1)

### **Our Obligations After Opening**

During the operation of your Franchised Cafe, we will:

1. Collect, administer and spend for advertising purposes monies paid by franchised and Company-Owned Cafes into the Corner Bakery Cafe National Marketing Fund (the "National Marketing Fund") and any regional marketing funds for Cafes ("Regional Marketing Funds") and as Brand Development Fees. (Franchise Agreement, Sections 6.2 – 6.4) We are not required to spend any amount on advertising in your Protected Area. You are not required to contribute to a local or regional advertising cooperative.

2. Periodically provide you with guidelines for marketing and promotions periodically. You must submit to us for our prior approval all marketing plans and promotional materials not prepared or previously approved by us and that vary from our standard marketing and promotional materials. (Franchise Agreement, Section 6.8)

3. Change or modify the System ~~(if we so desire),~~ including modifications to the Manual, menu and menu formats, required equipment, signage, building and premises of the Franchised Cafe (including the trade dress, décor and color schemes), presentation of the Marks, adoption of new administrative forms and means of reporting and payment of any monies owed to us and adoption and use of new or modified Marks or copyrighted materials. (Franchise Agreement, Section 8.1)

4. Periodically advise and consult with you about issues arising from your operation of the Franchised Cafe. ~~We, as we deem appropriate,~~ We will provide to you our knowledge and expertise regarding the System and pertinent new developments, techniques and improvements in the areas of restaurant design, management, food and beverage preparation, sales promotion, service concepts, training, purchasing and inventory control and those other matters ~~as we deem appropriate.~~ We ~~may~~ will provide these services through visits by our representatives to the Franchised Cafe or your offices, online learning programs, the distribution of printed, filmed or electronic information, meetings or seminars, telephone communications, email communications or other communications. (Franchise Agreement, Section 9.6)

5. We will periodically inspect the Franchised Cafe and its operations to assist your operations and ensure compliance with the System. At your request, we may provide special assistance at the

Franchised Cafe for which you will be required to pay our fees and charges that we establish periodically. (Franchise Agreement, Sections 9.6 and 10.12)

6. Review and, in our sole discretion, approve your request to relocate your Franchised Cafe under certain conditions. (Franchise Agreement, Section 3.11)

### **Advertising**

**Monthly Advertising Obligation.** You will have a Monthly Advertising Obligation, which currently equals 1.75% of the Gross Sales of the Franchised Cafe. Currently, you must contribute 0.75% of the Gross Sales of the Franchised Cafe to the National Marketing Fund, and you must spend 1% of the Gross Sales of the Franchised Cafe for Field Marketing as described below. Following written notice to you, we may increase your Monthly Advertising Obligation and reallocate it among the National Marketing Fund, a Regional Marketing Fund, a Brand Development Fee, and/or your Field Marketing expenditures, each of which is described below. Your Monthly Advertising Obligation will not exceed 4.5% of the Gross Sales of the Franchised Cafe.

**Grand Opening Marketing.** At least 60 days before the opening of the Franchised Cafe, you must submit a Grand Opening Required Spending Plan ("Grand Opening Plan") to us, which outlines your proposal for grand opening marketing and promotion of the Franchised Cafe. You must obtain our written consent to the Grand Opening Plan before you begin to implement it. You must modify the Grand Opening Plan as we request, and, thereafter, you may not make any substantial changes to the Grand Opening Plan without our advance written consent. In addition to the Field Marketing expenditure requirements (as described in Item 6 and below), you must, during the period beginning 30 days before the scheduled opening of the Franchised Cafe and continuing for 180 days after the Franchised Cafe first opens for business, spend at least \$15,000 to conduct grand opening marketing and promotion in authorized advertising media and for authorized expenditures. Within 30 days of each grand opening expense that you incur, you must submit to us evidence (by invoice or sample, if applicable) of those grand opening marketing and promotional expenditures.

**National Marketing Fund.** We have established a National Marketing Fund for expenses incurred in connection with the creation, administration and development of advertising, marketing, customer relationship marketing and loyalty programs, design and public relations, research and related programs, activities and materials that we, in our sole discretion, deem appropriate. You must contribute to the National Marketing Fund as specified above. Cafes owned by us and our affiliates will also contribute to the National Marketing Fund on the same basis as comparable franchisees. Our vendors and suppliers also may contribute to the National Marketing Fund.

In our last fiscal year, [which ended on December 31, 2023](#), we made expenditures from the National Marketing Fund in the following approximate amounts: 6% on research and development; 66% on media, digital and social media, loyalty and website; and 28% on administrative expenses.

**Regional Marketing Funds.** ~~We have the right, in our sole discretion, to~~[We may](#) establish one or more Regional Marketing Funds. If a Regional Marketing Fund is established for a geographical area that includes ~~the~~[your](#) Franchised ~~Location~~[Cafe](#), you must contribute to that Regional Marketing Fund in the amount we specify. We or our designee will direct all advertising, marketing and public relations programs and activities financed by the Regional Marketing Fund, with sole discretion over the creative concepts, materials and endorsements used in those programs and activities, and the geographic, market and media placement and allocation of advertising and marketing materials. All expenditures from each Regional Marketing Fund will be made to benefit the geographic area to which it applies. Cafes operated by us and our affiliates in an area covered by a Regional Marketing Fund will contribute to the Regional Marketing Fund on the same basis as comparable franchisees. We currently have not established any Regional Marketing Funds.

**Administration of National Marketing Fund and the Regional Marketing Funds (collectively, the "Funds").** We or our affiliate or a designee will manage any Fund with sole discretion over the creative

concepts, materials and endorsements used in those programs and activities, and the geographic, market and media placement and allocation of advertising and marketing materials. We may use the Funds to develop and execute any, all, none or a combination of the following: (a) advertising ideas, concepts and general plans; (b) menu, merchandising and marketing materials; (c) merchandising programs and strategies including customer relationship management and loyalty programs; (d) advertising and marketing studies, research or services; (e) public relations activities and brochures; (f) advertising strategies and campaigns, including video, audio, electronic and printed advertising materials; (g) promotional ideas, concepts and general plans; (h) design, administration, and optimization of the Corner Bakery Cafe website; (i) media planning and buying services; (j) menu items and products; (k) collateral creative materials; (l) advertisements, including writing, design, illustration, filming, editing and other preparation of advertising materials; (m) employing advertising and public relations agencies; (n) media programs, including planning, strategy, negotiation, contracting, buying, verifying, modifying and trafficking the programs; (o) market research, including, secret shopper programs, customer satisfaction surveys, and branding studies; (p) keyword or adword purchasing programs; (q) administration of the Funds and technical and professional advice in connection with the Funds (including the pro-rata amount of salaries of our personnel who devote time to Fund activities and retainers and fees for outside agencies); and (r) other advertising, promotional, public relations, administrative and related purposes including the administration of Field Marketing. We will not use the Funds for anything whose sole purpose is the marketing of franchises. None of the Funds will be used to defray any of our general operating expenses, except we and our affiliates may be reimbursed by each Fund for salaries, administrative costs, travel expenses, and overhead we or our affiliates incur in the administration of the Funds or Field Marketing.

All disbursements from the Funds will be made first from income and then from contributions. While our intent is to balance each Fund on an annual basis, periodically, a Fund may run at either a surplus or deficit. We may spend in any fiscal year an amount greater or less than the aggregate contributions of all Company-Owned and franchised Cafes to a Fund in that year. Each Fund may borrow from us or other lenders to cover deficits in that Fund, and we may cause the Fund to invest any surplus for future use by the Fund.

Any sales and other materials produced with Fund monies will be made available to you without charge or at a reasonable cost. The proceeds of such sales will also be deposited into the Funds.

Contributions to each Fund are not held by us in trust and we do not have any fiduciary obligation to you with respect to contributions to any Fund. We will separately account for the Funds; however, we will not be required to segregate any of the Funds from our other monies. We will prepare annually an unaudited statement of monies collected and costs incurred by the Funds and furnish a copy to you upon your written request. We will have the right to cause each Fund to be incorporated or operated through an entity separate from us at the time that we deem appropriate, and that successor entity will have all of our rights and duties regarding the Funds. Each Fund may hire employees, either full-time or part-time, for its administration.

We have no obligation to ensure that expenditures by each Fund in or affecting any geographic area (including ~~the area around your~~ Franchised ~~Location~~Cafe) are proportionate or equivalent to the contributions to the National Marketing Fund and any Regional Marketing Fund by Cafes operating in that geographic area, or that any Cafe will benefit directly or in proportion to its contribution to a Fund from the development of advertising and marketing materials or the placement of advertising.

We ~~reserve have~~ the right, ~~in our sole discretion~~, to: (1) suspend contributions to and operations of any Fund for one or more periods that we determine to be appropriate; (2) terminate any Fund upon 30 days' written notice to you and establish, if we so elect, one or more new Funds; and (3) defer or waive, upon the written request of any franchised or Company-Owned Cafes, any advertising contributions required by the Franchise Agreement if, in our sole judgment, there has been demonstrated unique, objective circumstances justifying any waiver or deferral. On termination of a Fund, all monies in that Fund will be spent for advertising and/or promotional purposes. We have the right to reinstate any Fund upon the same terms and conditions set forth in the Franchise Agreement upon 30 days' prior written notice to you. ~~We, in our sole discretion and as we deem appropriate in~~ In order to maximize media effectiveness, we may

our written approval of that agency, which approval we may in our sole discretion withhold, before you sign any contracts or share any of our Confidential Information (as defined in Item 14) with the agency.

If purchased from a source other than us or our affiliates, these materials must comply with federal and local laws and regulations and with the guidelines for marketing and promotions promulgated periodically by us or our designee and must be submitted to us or our designee at least 30 days before first use for our approval, which we may grant or withhold in our sole discretion. Your advertising may not contain any statement or material which, in our sole discretion, may be considered: (1) in bad taste or offensive to the public or to any group of persons; (2) defamatory of any person or an attack on any competitor; (3) to infringe upon the use, without permission, of any other persons' trade name, trademark, service mark or identification; or (4) inconsistent with the public image of the System or the Marks.

**Digital Marketing.** We or our affiliates may, ~~in our sole discretion,~~ establish and operate websites, social media accounts (such as Facebook, Twitter, Instagram, TikTok, Pinterest, LinkedIn, etc.), blogging and vlogging accounts, file or media sharing accounts, applications, mobile applications, keyword or adword purchasing programs, e-mail marketing campaigns, or other means of digital advertising on the Internet or any electronic communications network that are intended to promote the Marks, your Franchised Cafe, and the entire network of Cafes (collectively, "Digital Marketing"). We will ~~have the sole right to~~ control all aspects of any Digital Marketing, including those related to your Franchised Cafe. Unless we consent otherwise in writing, you and your employees may not, directly or indirectly, conduct or be involved in any Digital Marketing that use the Marks or that relate to the Franchised Cafe or the network. If we do permit you or your employees to conduct any Digital Marketing, you or your employees must comply with any policies, standards, guidelines, or content requirements that we establish periodically and must immediately modify or delete any Digital Marketing that we determine, in our sole discretion, is not compliant with such policies, standards, guidelines, or requirements. We may withdraw our approval for any Digital Marketing at any time.

### **Franchise Advisory Council**

We currently have a Franchise Advisory Council ("FAC") that is typically comprised of five members elected by franchisees. The FAC serves in an advisory capacity only and does not have operational or decision making authority. The FAC may advise us with respect to our advertising policies. We retain the right and power to change this arrangement, as well as all other aspects of the FAC, and to dissolve the FAC at our sole discretion.

### **Point of Sale and Back Office Systems**

You must purchase and use in your Franchised Cafe the Technology System that we designate in the Manual. You must use the Technology System to (a) record all sales, (b) update inventory, (c) enter and manage your customer's contact information, (d) generate sales reports and analysis relating to the Franchised Cafe, (e) offer free wireless Internet access to customers, and (f) provide other services relating to the operation of the Franchised Cafe. If we require you to use or purchase any proprietary software or hardware or the software or hardware of a designated vendor, you must execute and pay any fees associated with any license agreements or any related maintenance agreements that we or the licensor of the software or hardware require.

We currently require you to purchase and use the hardware and software that we designate for your point of sale system, back office system, office software, switch and firewall, backup system, wi-fi, online ordering platform, catering ordering platform, and payment processing platform. We have entered into contractual relationships with vendors for these products. The total license fees for these products are currently approximately \$6,200 per year, but the fees, as well as the products, and services are subject to change. You also must use a multi-line phone system with separate lines for catering that has been approved by us. You can expect to spend between \$45,000 to \$65,000 to purchase a complete Technology System.

You must (a) dedicate your Technology System to business uses relating to the operation of the Franchised Cafe; (b) use the Technology System in accordance with our policies and operational procedures; (c) transmit financial and operating data to us as required by the Manuals; (d) do all things necessary to give us unrestricted access to the Technology System at all times (including users IDs and passwords, if necessary) so that we may at any time independently download and transfer data via a connection that we specify; (e) maintain the Technology System in good working order at your own expense; (f) ensure that your employees are adequately trained in the use of the Technology System and our related policies and procedures; and (g) not load or permit to be loaded any unauthorized programs or games on any hardware included in the Technology System. There are no contractual limitations on our right to access information and data stored on your Technology System. You are responsible for any and all consequences that may arise if the system is not properly operated, maintained and upgraded or if the Technology System (or any of its components) fails to operate on a continuous basis or as we or you expect.

To ensure full operational efficiency and optimum communication capability among computer systems installed at all Cafes, you must, at your expense, replace, upgrade, or update at your expense the Technology System as we may require periodically without limitation. We will establish reasonable deadlines for implementation of any changes to our Technology System requirements. There is no contractual limitation on the frequency and cost of this obligation.

Our designated hardware vendors and all prescribed installation and maintenance vendors each have a standard warranty on their products, and extended warranty and maintenance programs may be available. We estimate that the current annual cost of optional and/or required maintenance/support contracts, including upgrades/updates, may range from \$3,300 to \$4,300, depending on the type and quantity of equipment being supported. Upgrade and maintenance costs are subject to change, without notice.

### **Selecting the Site for Your Franchised Cafe**

We do not select the site for your Franchised Cafe. You select the site for your Franchised Cafe, subject to our [acceptanceapproval](#) of the site. You must select a site that we [acceptapprove](#) in writing (the "~~Accepted~~ Site"), and you must fully execute a lease or sublease that we have approved for the ~~Accepted~~ Site or fully execute a deed for the ~~Accepted~~ Site and submit such deed for recordation by the Site Acquisition Deadline referenced in your Franchise Agreement and/or your Development Agreement. [If you fail to do so, you will be in default and we may terminate your Franchise Agreement and/or Development Agreement.](#) You should not acquire any interest in a site for your Franchised Cafe until you have signed the Franchise Agreement, we have [acceptedapproved](#) the site in writing, and we have approved the lease or sublease. [We do not generally own the premises of Corner Bakery Cafes to lease to our franchisees.](#)

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

Within 30 days after our receipt of the completed Site Application (which must include all information and materials regarding a proposed site that we reasonably request), we will advise you in

writing whether we have ~~accepted~~approved or rejected the proposed site, which decision we shall make in our sole discretion.

Once the site has been designated as an ~~Accepted~~approved Site and you have completed due diligence as required in the Manual, we will engage, at your expense, the services of an architect or planner to prepare a Design Development Plan. Upon completion of the Design Development Plan, you shall be responsible for engaging an Approved Architect to develop Plans and Specifications for building permit submittal based on the Design Development Plan and an Approved Branding Vendor to develop a Branding Plan for the exterior of the Franchised Cafe. You shall submit to us your final Plans and Specifications and Branding Plan for our ~~acceptance~~approval (which may be granted or withheld at our discretion) before commencing construction of the Franchised Cafe. All prototype and modified Plans and Specifications and Branding Plans for the Franchised Cafe remain our sole and exclusive property, and you may claim no interest in those modified plans and specifications. You will be responsible for obtaining all necessary design approvals for the Plans and Specifications and Branding Plan, including but not limited to, required approvals from your landlord, the municipality and any third party approving parties.

If you develop multiple Franchised Cafes pursuant to a Development Agreement, you will be required to comply with the site selection criteria that we have in place at the time that you submit each site to us.

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

### **Time Between Agreement Signing and Opening**

You must acquire your site and open your Franchised Cafe by the deadlines that we specify in your Franchise Agreement or we will have the right to terminate the Franchise Agreement. For your first Franchised Cafe, if you sign a Franchise Agreement in conjunction with a Development Agreement, we estimate that the time from the signing of your Franchise Agreement to the opening of the first Franchised Cafe will be approximately 12 to 18 months. If you do not sign a Development Agreement, we estimate that the time from the signing of your Franchise Agreement to your opening of the Franchised Cafe will be approximately six to 12 months. Typically, you must open your Franchised Cafe within six months after you acquire the ~~Accepted~~-Site. Factors affecting the length of time needed to open the Franchised Cafe usually include your ability to obtain a lease and adequate financing, weather, local requirements and procedures for necessary permits and zoning, shortages or delayed installation of equipment, signs and fixtures and special circumstances affecting construction in a particular area, none of which are within our control.

If you sign a Development Agreement, you will sign the Franchise Agreement for your second and subsequent Franchised Cafes after a site has been designated as an ~~Accepted~~approved Site, but before you acquire any interest in such ~~Accepted~~approved Site. In such a situation, we estimate that the time from the signing of your Franchise Agreement to your opening of the Franchised Cafe is approximately six months.

### **Training**

#### **Initial Training Program**

If you do not currently operate a Franchised Cafe, within 90 days after you sign your first Franchise Agreement and before any of your employees attend any training program required by us (including the

meet our standards. In the event that you do not have a Certified Training Cafe as required, your Required Trainees must attend and successfully complete our Initial Training Program at a training facility designated by us, which may be a Cafe operated by us or our affiliates. You will be required to pay a tuition fee for your employees who attend the training program in addition to paying all salaries, meals, lodging, other living expenses and transportation costs incurred by your employees while attending the training program.

Additional Training. We have the right (which may be exercised at any time and in our sole discretion) to require that your Required Trainees take and successfully complete other in person and e-Learning training courses in addition to the Initial Training Program described above. We may charge a tuition fee for additional training programs and you will be required to pay all meals, lodging, other living expenses and transportation costs incurred by your employees while attending the training. If we make travel arrangements for our personnel to provide any training or other assistance to you at the Franchised Cafe, and you need to delay their arrival or we delay their arrival because the Franchised Cafe does not have a certificate of occupancy, you must reimburse us for any costs and expenses that we incur in changing our travel arrangements.

Pricing. You shall be solely responsible for determining the prices of products offered at your Franchised Cafe; however, you are required to comply with any Marketing Programs that we establish and any maximum or minimum resale pricing restrictions we may implement so long as such pricing does not violate applicable laws.

## ITEM 12 TERRITORY

### Development Agreement

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

~~The System, including the products sold under the Marks, has been developed, and is designed, to function effectively in a wide variety of environments, many of which are not practically available to you. Accordingly, we reserve the rights to: (1) operate, and license others to operate, restaurants identified in whole or in part by the Marks and/or utilizing the System in the Development Area that are located in gas stations or convenience stores, transportation facilities (including airports, train stations, subways and rail and bus stations), military bases and government offices, sports facilities (including stadiums and arenas), amusement parks, zoos, convention centers, car and truck rest stops, travel centers, educational facilities, recreational theme parks, hospitals, business or industrial foodservice venues, venues in which foodservice is or may be provided by a master concessionaire or contract foodservice provider, Indian reservations, casinos and any similar captive market location; (2) award national, regional or local~~ We have the right during the term of your Development Agreement and within your Development Area to: (1) operate, and license others to operate restaurants identified in whole or in part by the Marks at non-traditional locations and captive market venues; (2) award licenses to third parties to sell products under the Marks in foodservice facilities primarily identified by the third party's trademark; (3) merchandise and distribute products identified by the Marks ~~in the Development Area~~ through any method or channel of distribution other than through the operation of a restaurant or catering services; (4) sell and distribute products identified by the Marks ~~in the Development Area~~ to restaurants other than restaurants identified by the Marks, provided that those restaurants are not licensed to use the Marks in connection with their retail sales; (5) sell products and services through other channels of distribution, including the Internet, wholesale, mail order and catalog; (6) operate, and license others to operate, ~~during the term of the Development Agreement, restaurants identified in whole or in part by the Marks at any location outside of the Development Area; (7) operate, and license others to operate, after the Development Agreement terminates or expires, restaurants identified in whole or in part by the Marks at any location, including~~

~~locations inside the Development Area; (8) operate, and license others to operate, at any location, including locations inside the Development Area, during or after the term of the Development Agreement, any type of restaurant other than a restaurant identified in whole or in part by the Marks; (9) develop and own other franchise systems for the same or similar products and services using trade names and trademarks other than the Marks; (10) and (8) purchase, be purchased by, merge or combine with, businesses that directly compete with Cafes and convert such businesses to the Marks and System, continue to operate such businesses under another name or system, and/or convert Cafes to such other name or system; and (11) engage in any other activity, action or undertaking that we are not expressly prohibited from taking under the Development Agreement. We and our affiliates have no obligation pay any compensation to you if we exercise these rights.~~

Except as reserved in the preceding paragraph, we will not, during the term of the Development Agreement, operate, or license others to operate, restaurants identified in whole or in part by the Marks in the Development Area, provided that you are in compliance with the terms of the Development Agreement and any other agreements with us or our affiliates and are current on all obligations to us and our affiliates. The restrictions contained in this paragraph will not apply to Cafes in operation or under lease, construction or other commitment to open in the Development Area as of the effective date of the Development Agreement.

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

### **Franchise Agreement**

Protected Area. Under the Franchise Agreement, we will grant you the right to continuously operate the Franchised Cafe at the site that we approve (the “Franchised Location.”). You do not receive the right under the Franchise Agreement to develop or operate more than one Franchised Cafe. If you comply with the Franchise Agreement, during the term of the Franchise Agreement, we and our affiliates will not operate, or license others to operate, Cafes within an agreed upon area surrounding the Franchised Location (“Protected Area”); however, this restriction will not apply to Cafes in operation or under lease, construction or other commitment to open in the Protected Area as of the effective date of the Franchise Agreement. Typically, the Protected Area will be set as a radius of one quarter of a mile to three miles around the Franchised Location based on demographic and other parameters that are described in the Manual.

~~We reserve the rights to: (1) operate, and license others to operate, restaurants identified by the Marks and/or utilizing the System in the Protected Area that are located in gas stations or convenience stores, transportation facilities (including airports, train stations, subways and rail and bus stations), military bases and government offices, sports facilities (including stadiums and arenas), amusement parks, zoos, convention centers, car and truck rest stops, travel centers, educational facilities, recreational theme parks, hospitals, business or industrial foodservice venues, venues in which foodservice is or may be provided by a master concessionaire or contract foodservice provider, Indian reservations, casinos, and any similar captive market location; (2) award national, regional or local licenses to third parties to sell products under the Marks in foodservice facilities primarily identified by the third party’s trademark; (3) merchandise and distribute products identified by the Marks in the Protected Area through any method or channel of distribution other than through the operation of a restaurant or catering services; (4) sell and distribute products identified by the Marks in the Protected Area to restaurants other than restaurants identified by the Marks, provided that those restaurants are not licensed to use the Marks in relation to their retail sales; (5) sell products and services through other channels of distribution, including the Internet, wholesale, mail order and catalog; (6) operate, and license others to operate, during the term of the Franchise Agreement,~~

~~restaurants identified by the Marks at any location outside of the Protected Area; (7) operate, and license others to operate, after the Franchise Agreement terminates or expires, restaurants identified by the Marks at any location, including locations inside the Protected Area; (8) operate, and license others to operate, at any location, including locations inside the Protected Area, during or after the term of the Franchise Agreement, any type of restaurant other than a restaurant identified by the Marks; (9) develop and own other franchise systems for the same or similar products and services using trade names and trademarks other than the Marks; (10) purchase, be purchased by, or merge or combine with businesses that directly compete with Cafes and continue to operate such businesses under another name or system; and (11) engage in any other activity, action or undertaking that we are not expressly prohibited from taking under the Franchise Agreement.~~

[We reserve the rights noted above with respect to a Development Agreement in your Protected Area. We and our affiliates have no obligation pay any compensation to you if we exercise these rights.](#)

You may not relocate the Franchised Cafe without our prior written consent. If we approve a relocation of the Franchised Cafe, we may charge you for all reasonable charges actually incurred by us in connection with our consideration of your relocation request and, within six months after you receive our written notice of approval, you must relocate and commence operations of the Franchised Cafe at the new site. We will not extend the term of the Franchise Agreement if you relocate the Franchised Cafe.

If you develop multiple Franchised Cafes pursuant to a Development Agreement, we will determine the Protected Area for each Franchised Cafe pursuant to the criteria that we have in place at the time that you sign the Franchise Agreement for each Cafe.

Catering and Delivery Services. You must participate in the Corner Bakery Cafe Catering Program and provide the catering services designated by us from the Franchised Cafe (the "Catering Services") to customers located within your Protected Area subject to your obligation to follow our procedures and menu requirements, purchase all supplies, products and ingredients through our approved and designated suppliers and otherwise follow the Manual as to the catering services.

We may require or permit you to offer delivery services for regular (non-catering) menu items from the Franchised Cafe using your own delivery personnel or third-party vendors that we designate or approve ("Delivery Services") to customers located within your Protected Area in accordance with the Manual. You may not offer Delivery Services without our prior written approval. We may require you to exclusively use one or more vendors that we designate for such Delivery Services in accordance with the terms of any agreements that we enter into with such vendors (which may require you to pay such vendor a portion of your revenue from such sales).

During the term of the Franchise Agreement, you have the exclusive right to directly solicit catering or delivery customers and provide Catering Services or Delivery Services from the Franchised Cafe only within the Protected Area. You may not directly solicit catering or delivery customers or provide catering or delivery services outside of the Protected Area, unless you obtain our prior written permission. "Direct solicitation" includes, but is not limited to, solicitation in person, by telephone, by mail, by email, and by distribution of brochures, business cards or other materials. If any of your advertising for catering or delivery services within the Protected Area is in media that will or may reach a significant number of persons outside of the Protected Area, you must notify us in advance and obtain our prior written consent. We may establish rules and policies from time to time regarding catering and delivery advertising.

We may, in our sole discretion, grant written permission to you to directly solicit catering or delivery customers and provide Catering Services and/or Delivery Services in a geographic area adjacent to the Protected Area that we have not assigned as a protected area of another Cafe ("Extended Catering and Delivery Area"). Upon receipt of written notice from us, you agree to stop directly soliciting catering customers and/or delivery customers and providing Catering Services and/or Delivery Services in the Extended Catering and Delivery Area and you shall provide us with all customer information that you have acquired relating to that area. You will not have any rights of first refusal to any open area.

If you, or your affiliate, are a party to a Development Agreement with us, during the term of that Agreement, you also will have the exclusive right to directly solicit catering or delivery customers and provide Catering Services or Delivery Services within any portion of your Development Area (as defined in the Development Agreement) that we have not assigned as a protected area of another Cafe. Upon the expiration or earlier termination of the Development Agreement, you will no longer have the right to directly solicit catering or delivery customers or provide Catering Services or Delivery Services within the Development Area and your catering and delivery rights will be restricted to the Protected Area.

\* \* \*

You will not receive an exclusive territory under the Development Agreement or 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. ~~Except as described above, we and our affiliates may establish other franchised or company outlets under the Marks and/or under other marks that may compete with your location. We and our affiliates may merchandise and distribute goods and services identified by the Marks through methods or channels of distribution other than restaurants. We and our affiliates have no obligation pay any compensation to you if we exercise these rights. Except as described above with respect to the Catering Services and Delivery Services, there are no restrictions on the areas in which you may advertise or solicit customers. We reserve all rights to use and license the System other than those we expressly grant you under the Development Agreement and the Franchise Agreement.~~

As explained in Item 1, our affiliate, On Smile LLC, offers franchises for Cici's restaurants. Cici's restaurants specialize in pizza and other foods and operate either as dine-in buffet style restaurants or carry-out restaurants. The principal business address of On Smile LLC is the same as ours. Corner Bakery Cafes and Cici's restaurants currently offer significantly different menu items but they do offer some similar goods and they may offer similar goods or services in the future. There may be now or in the future Cici's restaurants located in the same market as current and future Corner Bakery Cafes. These Cici's restaurants could be company-owned, franchised or both. If there is a conflict between you and us caused by a Cici's restaurant or between a Corner Bakery Cafe franchisee and a Cici's restaurant franchisee, our management team will attempt to resolve the conflict after taking into account the specific facts of each situation and what is in the best interests of the affected system or systems. However, we are not responsible for resolving conflicts between or among Corner Bakery Cafe franchisees, or between or among a Corner Bakery Cafe franchisee and a Cici's franchisee.

Except as previously described in Item 1 and this Item 12, neither we nor any of our affiliates have established or presently intends to establish, other franchises or company-operated outlets selling or leasing similar products or services under a different trade name or trademark; however, we retain the right to do so in the future.

### **ITEM 13 TRADEMARKS**

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

In addition to other registered trademarks, BCIP has registered and filed all applicable declarations for the following principal Marks with the United States Patent and Trademark Office ("PTO") on the Principal Register:

or material litigation involving the principal Marks. There are no agreements currently in effect that significantly limit our right to use or license the use of the Marks in any manner material to you. We do not know of either superior prior rights or infringing uses that could materially affect your use of the principal Marks in any state. We are aware that there are companies that have made use of the word “corner” and/or “bakery” in their trade or business names, as used in their common linguistic sense.

You may not directly or indirectly contest the validity, or our ownership, of the Marks. The Franchise Agreement requires you to notify us immediately if any litigation involving the Marks is instituted or threatened against you. You also must fully cooperate in defending or settling the litigation. We will reimburse you for all costs and expenses related to any actions that you take with this regard.

We agree to reimburse you for all damages and expenses that you incur in any trademark infringement proceeding challenging your authorized use of any Mark under the Franchise Agreement if you have timely notified us of, and comply with our directions in responding to, the proceeding, and you have used the Mark(s) in compliance with the Franchise Agreement, the Manual, and any other directives from us. At our option, we may defend and control the defense of any proceeding arising from your use of any Mark under the Franchise Agreement.

If we should elect to use a principal name other than “Corner Bakery Cafe” to identify the System or elect to add to, delete, or modify any of the Marks, we will notify you of any changes to the name or Marks, and you must cease using any disapproved Marks and begin using the newly approved Marks within a reasonable period of time as determined by us. You will bear the sole cost and expense of making these changes, and we shall have no obligation or liability to you as a result of any such changes.

#### **ITEM 14 PATENTS, COPYRIGHTS, AND PROPRIETARY INFORMATION**

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

The Manual and these other materials contain our detailed standards, specifications, instructions, requirements, methods and procedures for the management and operation of your Franchised Cafe. The Manual also may relate to the (1) selection, purchase, storage, preparation, packaging, ingredients, recipes, service and sale of all products and beverages sold at the Franchised Cafe; (2) management and employee training; (3) marketing, advertising and sales promotions; (4) maintenance and repair of the Franchised Cafe building, grounds, equipment, graphics, signs, interior and exterior décor items, fixtures and furnishings; (5) employee dress attire and appearance standards; (6) menu concept and graphics; (7) accounting, bookkeeping, records retention and other business systems, procedures and operations; (8) reports and other information useful for financial evaluation and planning; (9) resources, tools, including training materials, marketing resources, reference materials and promotional initiatives; and (10) contact information for Corner Bakery Cafe support centers, vendors, franchisees, and Cafe locations. [We may revise the contents of the Manual, and you must comply with each new or changed section.](#)

We may disclose in confidence to you, either orally or in writing, certain trade secrets, know-how, and other confidential information relating to the System, our business, our vendor relationships, or the construction, management, operation, or promotion of the Cafes (“Confidential Information”), including the information in the Manuals. You (1) must not communicate or disclose any Confidential Information to anyone who is not an employee, agent or independent contractor of yours; (2) must not disclose to your employees, agents, or independent contractors parts of the System other than those that such person needs to know; (3) must have a system in place to ensure that your employees, agents and independent contractors keep confidential our trade secrets and Confidential Information, and (4) if requested by us, must obtain from those of your employees designated by us an executed confidentiality agreement in the

the new requirements. We also may, in our sole discretion, restrict sales of menu items to certain time periods during the day. We do not limit the customers to whom you may sell goods or services.

**ITEM 17  
RENEWAL, TERMINATION, TRANSFER, AND DISPUTE RESOLUTION**

**THE FRANCHISE RELATIONSHIP**

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

<b>DEVELOPMENT AGREEMENT</b>		
<b>PROVISION</b>	<b>SECTION IN DEVELOPMENT AGREEMENT</b>	<b>SUMMARY</b>
a. Length of the franchise term	Section 5	The Development Term begins on the date on which we sign the Development Agreement and terminates at the earlier of the date that the last Franchised Cafe is opened or the date that the last Franchised Cafe must be opened according to the Development Schedule.
b. Renewal or extension of the term	Section 5	There is no right to renew or extend the term.
c. Requirements for you to renew or extend	Not Applicable	Not Applicable
d. Termination by you	Not Applicable	Not Applicable
e. Termination by us without cause	Not Applicable	Not Applicable
f. Termination by us with cause	Section 6	We may terminate upon default.
g. "Cause" defined-curable defaults	Not Applicable	Not Applicable
h. "Cause" defined non-curable defaults	Section 6.1	Non-curable defaults include: failure to comply with the Development Schedule; failure to comply with any other provision of the Development Agreement; or an event of default occurs under a Franchise Agreement which gives us the right to terminate such agreement (even if we do not exercise such right). <a href="#"><u>A default of the Development Agreement is not a default of any Franchise Agreement.</u></a>
i. Your obligations on termination /non-renewal	Sections 6.2 and 9	Obligations include, but are not limited to: forfeiture of right to develop; termination of limited exclusive rights in Development Area; continued observance of covenants; payment of amounts due to us and our affiliates; and forfeiture of Development Fee.

DEVELOPMENT AGREEMENT		
PROVISION	SECTION IN DEVELOPMENT AGREEMENT	SUMMARY
r. Non-competition covenants after the franchise is terminated or expires	Section 9	You and your Principals for two years after expiration or termination may not (a) directly or indirectly own, manage, engage in, be employed in a managerial position by, advise, make loans to, or have any other interest in any Competitive Business that is (or is intended to be) located within the Development Area and within 10 miles of any Cafe that is operating or under development at the time of such expiration, termination, or Transfer; or (b) sell, assign, lease or transfer the Franchised Location to any person or Entity that you know, or have reason to know, intends to operate a Competitive Business at the Franchised Location.
s. Modification of the agreement	Section <del>4</del> <u>12</u>	No modification generally without agreement signed by both parties.
t. Integration/ merger clause	Section 10	Only the terms of the Development Agreement, the Manual the documents referred to in, and the attachments to, the Development Agreement are binding. <del>Except for the statements contained in this Disclosure Document, you may not rely on any other oral or written statements you may have been provided about the franchise.</del> <u>Nothing in the Development Agreement or any related agreement is intended to disclaim the express representations made in this disclosure document and its exhibits.</u>
u. Dispute resolution by arbitration or mediation	Section 10	Either party may submit a claim arising out of the Development Agreement to non-binding mediation; however, the parties will not be required to pursue mediation of any claim as a prerequisite to commencing legal proceedings.
v. Choice of forum	Section 10	Subject to state law, you and we can only file suit where our principal offices are located at the time the suit is filed (currently, Texas).
w. Choice of law	Section 10	Subject to state law, Texas law applies.

FRANCHISE AGREEMENT		
PROVISION	SECTION IN FRANCHISE AGREEMENT	SUMMARY
a. Length of the franchise term	Section 2.1	20 years from the date the Franchised Cafe opens.
b. Renewal or extension of the term	Section 2.2	If you meet the criteria set forth in provision c. below, you will have the option to remain a franchisee at the Franchised Location for two renewal terms of 10 years each.

FRANCHISE AGREEMENT		
PROVISION	SECTION IN FRANCHISE AGREEMENT	SUMMARY
c. Requirements for you to renew or extend	Section 2.2	In order to remain a franchisee for the first renewal term, you must: pay the renewal fee; <del>give timely</del> <a href="#">provide</a> notice <a href="#">of renewal not less than six months nor more than 12 months prior to the end of the initial term</a> ; remodel the Franchised Cafe as required by the Manual; not be in default under any agreement with us or our affiliates, any real estate lease, equipment lease or financing instrument involving the Franchised Cafe and any agreement with any vendor or supplier to the Franchised Cafe; for the 12 months before your notice, you must not have been in default beyond the applicable period to in which to cure the default under any agreements with us or our affiliates; have the right to remain in possession of the Franchised Location for the renewal term; sign general release (a copy of the current form of General Release is attached as Exhibit E); and comply with training requirements. You also must sign our then-current form of Renewal Franchise Agreement, which may contain terms and conditions substantially different from your original Franchise Agreement, including, without limitation, those relating to royalty fees and advertising obligations.
d. Termination by you	Not Applicable	Not Applicable
e. Termination by us without cause	Not Applicable	Not Applicable
f. Termination by us with cause	Section 18.3	We may terminate upon default.
g. "Cause" defined-curable defaults	Section 18.2.19 and 18.2.20	You have 10 days to cure monetary defaults. You have 30 days to cure all other defaults except those discussed in provision h.
h. "Cause" defined non-curable defaults	Sections 18.2	Non-curable defaults include: failure to meet the site acquisition deadline or opening deadline; cease to operate the Franchised Cafe for more than three consecutive days; insolvency; bankruptcy; execution levied against your business or property; foreclosure; unsatisfied judgment of more than \$25,000 for more than 30 days; material breach of covenants; transfer without approval; material misrepresentation; falsification of reports; imminent danger to public health or safety; loss of possession of Franchised Location; felony conviction or crime or offense that may have an adverse effect; breach of representation or warranty; unauthorized use of the Marks; failure or refusal to have the required number of employees attend and successfully complete required training programs; default beyond cure period under other agreements with BCF or our affiliates; <a href="#">(however, a default of a Development Agreement will not be a default of your Franchise Agreement)</a> ; contract with any vendor or supplier to the Franchised Cafe or any lease or financing instrument involving the Franchised Cafe; two consecutive failed inspections; three late reports in any 12-month period; failure to pay when due any taxes or

FRANCHISE AGREEMENT		
PROVISION	SECTION IN FRANCHISE AGREEMENT	SUMMARY
r. Non-competition covenants after the franchise is terminated or expires	Section 17.2.3	You and your Principals for two years after expiration or termination may not (a) directly or indirectly own, manage, engage in, be employed in a managerial position by, advise, make loans to, or have any other interest in any Competitive Business that is (or is intended to be) located within the Protected Area and within 10 miles of any Cafe that is operating or under development at the time of such expiration, termination, or Transfer; or (b) sell, assign, lease or transfer the Franchised Location to any person or Entity that you know, or have reason to know, intends to operate a Competitive Business at the Franchised Location.
s. Modification of the agreement	Section 8.1 and 26	No modification generally without signed agreement, but we may modify the System and the Manual.
t. Integration/ merger clause	Section 26	Only the terms of the Franchise Agreement, the Manual, the documents referred to in and the attachments to the Franchise Agreement are binding. <del>Except for the statements contained in this Disclosure Document, you may not rely on any other oral or written statements you may have been provided about the franchise.</del> <u>Nothing in the Development Agreement or any related agreement is intended to disclaim the express representations made in this disclosure document and its exhibits.</u>
u. Dispute resolution by arbitration or mediation	Section 27.1	Either party may submit a claim arising out of the Franchise Agreement to non-binding mediation; however, the parties will not be required to pursue mediation of any claim as a prerequisite to commencing legal proceedings.
v. Choice of forum	Section 27.3	Subject to state law, you and we can only file suit where our principal offices are located at the time suit is filed (currently, Texas).
w. Choice of law	Section 27.2	Subject to state law, Texas law applies.

**ITEM 18  
PUBLIC FIGURES**

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

We do not make any representations about a franchisee's future financial performance or the past financial performance of company-owned or franchised outlets. 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 outlet, however, we may provide you with the actual records of that outlet. 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 Erin Hasselgren, Chief Operating Officer, Best Cafe - Franchises, LLC, 13355 Noel Road, Suite 1645, Dallas, Texas 75240 or (972) 619-4100, the Federal Trade Commission, and the appropriate state regulatory agencies.

**ITEM 20  
OUTLETS AND FRANCHISEE INFORMATION**

**Table No. 1  
Systemwide Outlet Summary  
For years 2021 to 2023**

Outlet Type	Year	Outlets at Start of Year	Outlets at End of Year	Net Change
Franchised	2021	5448	4944	-54
	2022	4944	4240	-74
	2023	4240	37	-53
Company-Owned	2021	1408	1065	-43
	2022	1065	10097	-68
	2023	9997	67	-3230
Total Outlets	2021	1564	155149	-97
	2022	155149	142137	-1312
	2023	141137	104	-3733

**Table No. 2  
Transfers of Outlets from Franchisees to New Owners (other than the Franchisor)  
For years 2021 to 2023**

State	Year	Number of Transfers
WA	2021	0
	2022	1
	2023	0
Total	2021	0
	2022	1
	2023	0

**Table No. 3  
Status of Franchised Outlets  
For years 2021 to 2023**

State	Year	Outlets At Start of Year	Outlets Opened	Terminations	Non-Renewals	Reacquired by Franchisor	Ceased Operations – Other Reasons	Outlets at End of Year
AZ	2020 <sup>1</sup>	1	0	0	0	0	1	0
	2021 <sup>2</sup>	0	0	0	0	0	0	0

State	Year	Outlets At Start of Year	Outlets Opened	Terminations	Non-Renewals	Reacquired by Franchisor	Ceased Operations – Other Reasons	Outlets at End of Year
	<del>2022</del> 2023	0	0	0	0	0	0	0
CA	<del>2022</del> 2021	<del>108</del>	0	0	0	0	0	<del>108</del>
	<del>2023</del> 2022	<del>108</del>	0	0	0	0	<del>20</del>	8
	2023	8	0	0	0	0	2	6
CO	2021	5	0	0	0	0	1	4
	2022	4	1	0	0	0	0	5
	2023	5	0	0	0	0	1	4
FL	2021	2	0	0	0	0	0	2
	2022	2	0	0	0	<del>0</del> 1	<del>2</del> 1	0
	2023	0	0	0	0	0	0	0
KS	2021	2	0	0	0	0	0	2
	2022	2	0	0	0	0	1	1
	2023	1	0	0	0	0	0	1
KY	2021	1	0	0	0	0	0	1
	2022	1	0	0	0	0	0	1
	2023	1	0	0	0	0	0	1
NM	2021	1	0	0	0	0	0	1
	2022	1	0	0	0	0	0	1
	2023	1	0	0	0	0	0	1
NV	2021	1	0	0	0	0	0	1
	2022	1	0	0	0	0	0	1
	2023	1	0	0	0	0	0	1
OH	2021	1	0	0	0	0	1	0
	2022	0	0	0	0	0	0	0
	2023	0	0	0	0	0	0	0
OK	2021	1	0	0	0	0	0	1
	2022	1	0	0	0	0	0	1
	2023	1	0	0	0	0	0	1
OR	2021	1	0	0	0	0	0	1
	2022	1	0	0	0	0	0	1
	2023	1	0	0	0	0	0	1
TN	2021	1	0	0	0	0	0	1
	2022	1	0	0	0	0	0	1
	2023	1	0	0	0	0	0	1

State	Year	Outlets At Start of Year	Outlets Opened	Terminations	Non-Renewals	Reacquired by Franchisor	Ceased Operations – Other Reasons	Outlets at End of Year
TX	2021	<del>44</del> 13	0	0	0	0	1	<del>43</del> 12
	2022	<del>43</del> 12	0	0	0	0	0	<del>43</del> 12
	2023	<del>43</del> 12	0	0	0	0	<del>4</del> 0	12
UT	2021	6	0	0	0	0	0	6
	2022	6	0	0	0	0	2	4
	2023	4	0	0	0	0	0	4
VA	2021	1	0	0	0	0	0	1
	2022	1	0	0	0	0	0	1
	2023	1	0	0	0	0	0	1
WA	2021	<del>2</del> 1	0	0	0	0	0	<del>2</del> 1
	2022	<del>2</del> 1	0	0	0	0	<del>4</del> 0	1
	2023	1	0	0	0	0	0	1
WI	2021	<del>3</del> 2	0	0	0	0	0	<del>3</del> 2
	2022	<del>3</del> 2	0	0	0	0	0	<del>3</del> 2
	2023	<del>3</del> 2	0	0	0	0	<del>4</del> 0	2
Total	2021	<del>54</del> 48	0	0	0	0	<del>5</del> 4	<del>49</del> 44
	2022	<del>49</del> 44	1	0	0	<del>0</del> 1	<del>8</del> 4	<del>42</del> 40
	2023	<del>42</del> 40	0	0	0	0	<del>5</del> 3	37

**Table No. 4**  
**Status of Company-Owned Cafes**  
**For years 2021 to 2023**

State	Year	Cafes at Start of Year	Cafes Opened	Cafes Reacquired from Franchisees	Cafes Closed	Cafes Sold to Franchisees	Cafes at End of Year
CA	2021	<del>39</del> 38	0	0	0	0	<del>39</del> 38
	2022	<del>39</del> 38	1	0	3	0	<del>37</del> 36
	2023	36	0	0	9	0	27
DC	2021	5	0	0	1	0	4
	2022	4	0	0	0	<del>0</del> 2	<del>4</del> 2
	2023	<del>4</del> 2	0	0	<del>3</del> 1	0	1
FL	2021	0	0	0	0	0	0
	2022	0	0	1	0	0	1
	2023	1	0	0	1	0	0

State	Year	Cafes at Start of Year	Cafes Opened	Cafes Reacquired from Franchisees	Cafes Closed	Cafes Sold to Franchisees	Cafes at End of Year
GA	2021	6	0	0	0	0	6
	2022	6	0	0	3	0	3
	2023	3	0	0	0	0	3
IL	2021	<del>23</del> 22	0	0	<del>21</del>	0	21
	2022	21	0	0	0	0	21
	2023	21	0	0	8	0	13
MD	2021	5	0	0	0	0	5
	2022	5	0	0	0	0	5
	2023	5	0	0	3	0	2
NJ	2021	1	0	0	0	0	1
	2022	1	0	0	0	0	1
	2023	1	0	0	1	0	0
PA	2021	6	0	0	1	0	5
	2022	5	0	0	1	0	4
	2023	4	0	0	1	0	3
TX	2021	22	0	0	0	0	22
	2022	22	0	0	1	0	21
	2023	21	0	0	4	0	17
VA	2021	3	0	0	0	0	3
	2022	3	0	0	0	0	3
	2023	3	0	0	2	0	1
Total	2021	<del>110</del> 108	0	0	<del>43</del>	0	<del>106</del> 105
	2022	<del>106</del> 105	1	1	<del>81</del> 0	<del>0</del> 2	<del>100</del> 97
	2023	<del>99</del> 97	0	0	<del>32</del> 30	0	67

**Table No. 5**  
**Projected Openings As Of December 31, 2023**

State	Franchise Agreements Signed But Outlet Not Opened	Projected New Franchised Outlets In The Next Fiscal Year	Projected Company-Owned Outlets In The Next Fiscal Year
DC	0	0	1
IL	0	0	2
TX	0	1	0
Totals	0	1	3

\*\*\*\*\*

**LIST OF STATE ADMINISTRATORS**

**~~AGENTS FOR SERVICE OF PROCESS~~**

## GENERAL RELEASE

**THIS GENERAL RELEASE** (“Release”) is executed on \_\_\_\_\_ by \_\_\_\_\_ (“Franchisee”) and \_\_\_\_\_ (collectively, “Guarantors”) as a condition of the (1) transfer of the Corner Bakery Cafe Area Development Agreement dated \_\_\_\_\_ (“Development Agreement”) between Franchisee and Best Cafe – Franchises, LLC (“Franchisor”); (2) transfer of the Corner Bakery Cafe Franchise Agreement dated \_\_\_\_\_ (“Franchise Agreement”) between Franchisee and Franchisor; or (3) execution of a Successor Franchise Agreement by Franchisor and Franchisee.

**1. 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) and Guarantors (on behalf of themselves and their respective heirs, representatives, successors and assigns) (collectively, “Releasers”) freely and without any influence forever release and covenant not to sue Franchisor and its parent, subsidiaries and affiliates and their respective past and present officers, directors, shareholders, agents and employees, in their corporate and individual capacities, (collectively “Releasees”) with respect to any and all claims, demands, liabilities and causes of action of whatever kind or nature, whether known or unknown, vested or contingent, suspected or unsuspected (collectively, “Claims”), which any Releaser ever owned or held, now owns or holds or may in the future own or hold, including, without limitation, claims arising under federal, state and local laws, rules and ordinances and claims arising out of, or relating to the **[Development/Franchise]** Agreement and all other agreements between any Releaser and any Releasee, arising out of, or relating to any act, omission or event occurring on or before the date of this Release, unless prohibited by applicable law. [This General Release does not apply with respect to claims arising under the Washington Franchise Investment Protection Act, 19.100 RCW, and the rules adopted thereunder in accordance with RCW 19.100.220\(2\).](#)

**2. 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.

**3. No Prior Assignment.** Franchisee and Guarantors represent and warrant that the Releasers are the sole owners of all Claims and rights released in Section 1 and that the Releasers have not assigned or transferred, or purported to assign or transfer, to any person or entity, any Claim released under Section 1.

**4. Covenant Not to Sue.** Franchisee and Guarantors (on behalf of Releasers) 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.

**5. 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.

**6. Successors and Assigns.** This Release will inure to the benefit of and bind the successors, assigns, heirs and personal representatives of Franchisor and each Releaser.

**7. 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.

**ADDITIONAL DISCLOSURE DOCUMENT DISCLOSURES  
REQUIRED BY THE STATE OF CALIFORNIA**

1. 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 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 URL 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.DFPI.CA.GOV.

2. **Item 3, Additional Disclosure**. The following statement is added to Item 3:

Neither BCF nor any person listed in Item 2 is subject to any currently effective order of any national securities association or national securities exchange, as defined in the Securities Exchange Act of 1934, 15 U.S.C.A. 78a *et seq.*, suspending or expelling such parties from membership in such association or exchange.

3. **Item 17, Additional Disclosures**. The following statements are added to Item 17:

California Business and Professions Code Sections 20000 through 20043 provide rights to you concerning termination or non-renewal of the Franchise. If the franchise agreements contain a provision that is inconsistent with the law, the law will control.

The franchise agreements provide for termination upon bankruptcy. These provisions may not be enforceable under federal bankruptcy law (11 U.S.C.A. § 101, *et seq.*).

The franchise agreements provide for application of the laws of Texas. This provision may not be enforceable under California law.

The franchise agreements contain a covenant not to compete which extends beyond the termination of the franchise. These provisions may not be enforceable under California law.

The franchise agreement contains liquidated damages clauses. Under California Civil Code Section 1671, certain liquidated damages clauses are unenforceable.

You must sign a general release when you execute the Franchise Agreement and the Development Agreement (if applicable) and if you transfer your franchise or development rights (if applicable) or execute a successor franchise agreement. These provisions may not be enforceable under California law. California Corporations Code Section 31512 voids a waiver of your rights under the Franchise Investment Law (California Corporations Code Sections 31000 through 31516). Business and Professions Code Section 21000 voids a waiver of your rights under the Franchise Relations Act (Business and Professions Code Sections 20000 through 20043).

4. **Item 22, Additional Disclosure**. The following ~~statement is~~[statements are](#) added to Item 22:

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.~~any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

~~5.~~ California's Franchise Investment Law (Corporations Code Sections 31512 and 31512.1) states that any provision of a franchise agreement or related document requiring the franchisee to waive specific provisions of the law is contrary to public policy and is void and unenforceable. The registration law also prohibits a franchisor from disclaiming or denying (i) representations it, its employees, or its agents make to you, (ii) your ability to rely on any representations it makes to you, or (iii) any violations of the law.

~~6.~~ Registration of this franchise offering by the California Department of Financial Protection and Innovation does not constitute approval, recommendation, or endorsement by the commissioner. Commissioner of the Department of Financial Protection and Innovation.

#### **ADDITIONAL DISCLOSURE DOCUMENT DISCLOSURE REQUIRED BY THE STATE OF ILLINOIS**

**Item 17, Additional Disclosures.** The following statements are added to Item 17:

Illinois law governs the Franchise and Development Agreements.

In conformance with Section 4 of the Illinois Franchise Disclosure Act, any provision in a 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.

Your rights upon Termination and Non-Renewal are set forth in sections 19 and 20 of the Illinois Franchise Disclosure Act.

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.

**Item 22, Additional Disclosure.** The following statement is added to Item 22:

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.~~any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

Each provision of these Additional Disclosures shall be effective only to the extent, with respect to such provision, that the jurisdictional requirements of the Illinois Franchise Disclosure Act are met independently without reference to these Additional Disclosures.

#### **ADDITIONAL DISCLOSURE DOCUMENT DISCLOSURES REQUIRED BY THE STATE OF MARYLAND**

**41. Item 5, Additional Disclosures.** The following statements are added to Item 5:

Based upon the review of our audited financial statements (attached as Exhibit H), the Maryland Securities Commissioner has required a financial assurance. Therefore, all initial fees and

payments owed by franchisees shall be deferred until we complete our pre-opening obligations under the Franchise Agreement. In addition, all development fees and initial payments owed by developers shall be deferred until the first Franchised Cafe under the Development Agreement opens.

**2. Item 17, Additional Disclosures.** The following statements are added to Item 17:

The franchise agreements provide for termination upon bankruptcy. These provisions may not be enforceable under federal bankruptcy law (11 U.S.C.A. § 101, *et seq.*).

Any provisions requiring you to sign a general release of claims against us as a condition of renewal or transfer, does not release any claim you may have under the Maryland Franchise Registration and Disclosure Law.

Any claims arising under the Maryland Franchise Registration and Disclosure Law must be brought within 3 years after the grant of the franchise.

A franchisee may bring a lawsuit in Maryland for claims arising under the Maryland Franchise Registration and Disclosure Law.

**23. Item 22, Additional Disclosure.** The following statement is added to Item 22:

No statement, questionnaire, or acknowledgment 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 any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

**ADDITIONAL DISCLOSURE DOCUMENT DISCLOSURES  
REQUIRED BY THE STATE OF MICHIGAN**

**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:**

- (a) A prohibition on 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 this act. 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 franchisees 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.

(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 DISCLOSURE ON FILE WITH THE ATTORNEY GENERAL DOES NOT CONSTITUTE APPROVAL, RECOMMENDATION, OR ENDORSEMENT BY THE ATTORNEY GENERAL.

Any questions regarding these Additional Disclosures shall be directed to the Department of the Attorney General, Consumer Protection Division, 670 Law Building, 525 West Ottawa Street, Lansing, Michigan 48913, (517) 373-7717.

#### **ADDITIONAL FDD DISCLOSURES REQUIRED BY REQUIRED BY THE STATE OF MINNESOTA**

1. ~~Notice of Termination~~-The following statement is added to Item 17:

~~With respect to licenses governed by Minnesota law, we will comply with Minnesota Statute § 80C.14, subdivisions 3, 4, and 5 which requires, 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 agreements.~~

~~2. **Choice of Forum and Law.** The following statement is added to the cover page and Item 17:~~

~~Minnesota Statute § Minnesota Statute 80C.21 and Minnesota Rule 2860.4400J4400(J) prohibit ~~us~~the franchisor from requiring litigation to be conducted outside Minnesota, requiring waiver of a jury trial, or requiring the franchisee to consent to liquidated damages, termination penalties or judgment notes. In addition, nothing in the ~~disclosure document or agreements~~Franchise Disclosure Document or agreement(s) can abrogate or reduce (1) any of ~~your~~the franchisee's rights as provided for in Minnesota ~~Statutes, Chapter~~Statute 80C, or ~~your~~(2) franchisee's rights to any procedure, forum, or remedies provided for by the laws of the jurisdiction.~~

~~3. **General Release.** The following statement is added to Item 17:~~

~~The franchisee cannot consent to the franchisor obtaining injunctive relief. The franchisor may seek injunctive relief. See Minnesota Rule 2860.4400(J). Also, a court will determine if a bond is required.~~

~~The Limitations of Claims section must comply with Minnesota Statute 80C.17 Subd. 5.~~

~~Minnesota Rule 2860.4400D prohibits ~~us~~the franchisor from requiring ~~you~~the franchisee to assent to a release, assignment, novation, or waiver that would relieve any person from liability imposed by Minnesota Statute §§ 80C.01 - 80C.22.~~

~~4. **Waiver of Right to Jury Trial or Termination Penalties:** The following statement is added to Item 17:~~

~~Minnesota Rule 2860.4400J, among other things, prohibits ~~us~~ from requiring ~~you~~ to waive your rights to a jury trial or to consent to liquidated damages, termination penalties, or judgment notes; provided, that this part will not bar an exclusive arbitration clause.~~

~~5. **Contracts. 4.** The following statements are added to Item 22:~~

~~No statement, questionnaire, or acknowledgment 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 any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.~~

**ADDITIONAL DISCLOSURE DOCUMENT DISCLOSURES  
REQUIRED BY THE STATE OF NEW YORK**

**1. State Cover Page.** The following information is added to the cover page of the Franchise Disclosure Document:

INFORMATION COMPARING FRANCHISORS IS AVAILABLE. CALL THE STATE ADMINISTRATORS LISTED IN EXHIBIT A OR YOUR PUBLIC LIBRARY FOR SOURCES OF INFORMATION. REGISTRATION OF THIS FRANCHISE BY NEW YORK STATE DOES NOT MEAN THAT NEW YORK STATE RECOMMENDS IT OR HAS VERIFIED THE INFORMATION IN THIS FRANCHISE DISCLOSURE DOCUMENT. IF YOU LEARN THAT ANYTHING IN THE FRANCHISE DISCLOSURE DOCUMENT IS UNTRUE, CONTACT THE FEDERAL TRADE COMMISSION AND NEW YORK STATE DEPARTMENT OF LAW, INVESTOR PROTECTION BUREAU, 28 LIBERTY STREET, 21<sup>ST</sup> FLOOR, NEW YORK, NEW YORK 10005. THE

In recognition of the Virginia Retail Franchising Act, the Best Cafe – Franchises, LLC Franchise Disclosure Document for use in the Commonwealth of Virginia shall be amended to include the following:

1. **Termination, Item 17.** The following is added to Item 17.h:

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 ground 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.

2. **Additional Disclosure, Item 22.** The following is added to Item 22:

No statement, questionnaire, or acknowledgment 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 any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

These Additional Disclosures shall be effective only to the extent, with respect to such provision, that the jurisdictional requirements of the Virginia Retail Franchising Act are met independently, without reference to these Additional Disclosures.

### **ADDITIONAL FDD DISCLOSURES 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 Best Cafe – Franchises, LLC Franchise Disclosure Document for use in the State of Washington is amended as follows:

**Item 17, Additional Disclosure.** The following statement is added to Item 17:

~~You have the right to terminate the Franchise Agreement upon any grounds permitted by law.~~

The State of Washington has imposed a financial condition under which we will not require or accept the payment of any initial franchise fees until the franchisor has met all its pre-opening obligations under the Franchise Agreement and is open for business. Because we have material pre-opening obligations with respect to each Franchised Cafe the franchisee opens under the Development Agreement, payment of the development fee will be released proportionally with respect to each Franchised Cafe opened and is deferred until the franchisor has met all its pre-opening obligations under the Franchise Agreement and the franchisee is open for business with respect to each such Franchised Cafe.

The state of Washington has a statute, the Washington Franchise Investment Protection Act, RCW 19.100.180 (“Act”), which may supersede the Franchise Agreement in your relationship with us, including in the areas of termination and renewal of your franchise. There also may be court decisions that may supersede the Franchise Agreement in your relationship with us, including in the areas of termination and renewal of your franchise.

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.

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.

In the event of a conflict of laws, the provisions of the Act shall prevail.

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.

A release or waiver of rights executed by you shall not include rights under the Act 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, rights or remedies under the Act such as a right to a jury trial may not be enforceable.

Transfer fees are collectable to the extent that they reflect our reasonable estimated or actual costs in effecting a transfer.

[You have the right to terminate the Franchise Agreement upon any grounds permitted by law.](#)

**Item 22, Additional Disclosure.** The following statements are added to Item 22:

No statement, questionnaire, or acknowledgment 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 any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

**ADDENDUM TO THE CORNER BAKERY CAFE  
FRANCHISE AGREEMENT  
REQUIRED FOR MARYLAND FRANCHISEES**

This Addendum to the Corner Bakery Cafe Franchise Agreement dated \_\_\_\_\_ (“Franchise Agreement”) between Best Cafe – Franchises, LLC (“Franchisor”, “we”, “us” or “our”), a Delaware limited liability company, and \_\_\_\_\_ (“Franchisee,” “you” or “your”), a \_\_\_\_\_, is entered into simultaneously with the execution of the Franchise Agreement.

1. The provisions of this Addendum form an integral part of, and are incorporated into the Franchise Agreement. This Addendum is being executed because: **(A)** the offer or sale of a franchise to you was made in the State of Maryland; **(B)** you are a resident of the State of Maryland; and/or **(C)** the Franchised Cafe will be located in the State of Maryland.

2. The following sentence is added to the end of Sections 2.2.5 (Renewal Franchise Agreement), 15.2.5 (Transfers by You) and 16 (General Release):

This release shall not apply to any liability under the Maryland Franchise Registration and Disclosure Law.

3.3 The following is added to the end of Section 4.1 of the Franchise Agreement (Initial Franchise Fee):

Based upon our financial condition, the Maryland Securities Commissioner has required a financial assurance. Therefore, all initial fees and payments owed by you shall be deferred until we complete our pre-opening obligations under this Agreement.

4 The second sentence of Section 26 (Entire Agreement) is deleted.

5 The following sentence is added to the end of Section 27.3 (Choice of Forum):

Notwithstanding the foregoing, you may bring a lawsuit in Maryland for claims arising under the Maryland Franchise Registration and Disclosure Law.

4.6 The following sentence is added to the end of Section 27.4 (Limitation of Actions):

Any claims arising under the Maryland Franchise Registration and Disclosure Law must be brought within 3 years after the grant of the franchise.

5.7 The following sentence is added to the end of Section 30 (Representations):

Section 14-226 of the Maryland Franchise Registration and Disclosure Law prohibits a franchisor from requiring a prospective franchisee to assent to any release, estoppel, or waiver of liability as a condition of purchasing a franchise. Representations in this Agreement 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.

No statement, questionnaire, or acknowledgment 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 any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

**6.8** Any capitalized terms that are not defined in this Addendum shall have the meaning given them in the Franchise Agreement.

**7.9** Except as expressly modified by this Addendum, the Franchise Agreement remains unmodified and in full force and effect.

**8.10** This Addendum may be executed in multiple counterparts, each of which when executed and delivered shall be deemed an original and all of which together shall constitute one and the same agreement. Delivery of an executed counterpart of a signature page of this Addendum by electronic transmission (including PDF) shall be as effective as delivery of a manually executed counterpart of this Addendum.

**IN WITNESS WHEREOF**, the parties have duly executed, sealed and delivered this Addendum as of the date identified below.

**FRANCHISOR**

**BEST CAFE - FRANCHISES, LLC**

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_  
Date: \_\_\_\_\_

**FRANCHISEE**

**(IF ENTITY):**

\_\_\_\_\_  
By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_  
Date: \_\_\_\_\_

**(IF INDIVIDUALS):**

\_\_\_\_\_  
[Signature]  
\_\_\_\_\_  
[Print Name]  
  
\_\_\_\_\_  
[Signature]  
\_\_\_\_\_  
[Print Name]  
Date: \_\_\_\_\_

**ADDENDUM TO THE CORNER BAKERY CAFE  
AREA DEVELOPMENT AGREEMENT  
REQUIRED FOR MARYLAND DEVELOPERS**

This Addendum to the Corner Bakery Cafe Area Development Agreement dated \_\_\_\_\_ (“Development Agreement”) between Best Cafe – Franchises, LLC (“Franchisor”, “we”, “us” or “our”), a Delaware limited liability company, and \_\_\_\_\_ (“Developer,” “you” or “your”), a \_\_\_\_\_, is entered into simultaneously with the execution of the Development Agreement.

1. The provisions of this Addendum form an integral part of, and are incorporated into the Development Agreement. This Addendum is being executed because: **(A)** the offer or sale of a franchise to you was made in the State of Maryland; **(B)** you are a resident of the State of Maryland; and/or **(C)** part or all of the Development Area is located in the State of Maryland.

~~2.1~~ 2.2 The following is added to the end of Section 2 of the Development Agreement:

Based upon our financial condition, the Maryland Securities Commissioner has required a financial assurance. Therefore, all development fees and initial payments owed by you shall be deferred until the first Cafe under this Agreement opens.

3 The following sentence is added to the end of Sections 7 and 8:

This release shall not apply to any liability under the Maryland Franchise Registration and Disclosure Law.

~~3.4~~ The following sentence is added to the end of Section 10:

Notwithstanding the foregoing, you may bring a lawsuit in Maryland for claims arising under the Maryland Franchise Registration and Disclosure Law.

~~4.5~~ The following sentence is added to the end of Section 10:

Any claims arising under the Maryland Franchise Registration and Disclosure Law must be brought within 3 years after the grant of the franchise.

~~5.6~~ The following sentence is added to the end of Section 10:

Section 14-226 of the Maryland Franchise Registration and Disclosure Law prohibits a franchisor from requiring a prospective franchisee to assent to any release, estoppel, or waiver of liability as a condition of purchasing a franchise. Representations in this Agreement 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.

No statement, questionnaire, or acknowledgment 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 any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

~~6.7~~ Any capitalized terms that are not defined in this Addendum shall have the meaning given them in the Development Agreement.

**7.8** Except as expressly modified by this Addendum, the Development Agreement remains unmodified and in full force and effect.

**8.9** This Addendum may be executed in multiple counterparts, each of which when executed and delivered shall be deemed an original and all of which together shall constitute one and the same agreement. Delivery of an executed counterpart of a signature page of this Addendum by electronic transmission (including PDF) shall be as effective as delivery of a manually executed counterpart of this Addendum.

**IN WITNESS WHEREOF**, the parties have duly executed, sealed and delivered this Addendum as of the date identified below.

**FRANCHISOR**

**BEST CAFE - FRANCHISES, LLC**

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_  
Date: \_\_\_\_\_

**DEVELOPER**

**(IF ENTITY):**

\_\_\_\_\_  
By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_  
Date: \_\_\_\_\_

**(IF INDIVIDUALS):**

\_\_\_\_\_  
[Signature]  
\_\_\_\_\_  
[Print Name]  
\_\_\_\_\_  
[Signature]  
\_\_\_\_\_  
[Print Name]  
Date: \_\_\_\_\_

**ADDENDUM TO THE CORNER BAKERY CAFE  
FRANCHISE AGREEMENT  
REQUIRED FOR WASHINGTON FRANCHISEES**

This Addendum to the Corner Bakery Cafe Franchise Agreement dated \_\_\_\_\_ (“Franchise Agreement”) between Best Cafe – Franchises, LLC (“Franchisor”, “we”, “us” or “our”), a Delaware limited liability company, and \_\_\_\_\_ (“Franchisee,” “you” or “your”), a \_\_\_\_\_, is entered into simultaneously with the execution of the Franchise Agreement.

1. The provisions of this Addendum form an integral part of, and are incorporated into, the Franchise Agreement. This Addendum is being executed because: **(A)** the offer or sale of a franchise to you was made in the State of Washington; **(B)** you are a resident of the State of Washington; and/or **(C)** the Franchised Cafe will be located in the State of Washington.

22. The following is added to the end of Section 4.1 of the Franchise Agreement:

The State of Washington has imposed a financial condition. Therefore, we will defer the payment of the Initial Franchise Fee until the Franchised Cafe opens for business. Upon the opening of the Franchised Cafe, you shall pay the Initial Franchise Fee to us.

3. The state of Washington has a statute, the Washington Franchise Investment Protection Act, RCW 19.100.180 (“Act”), which may supersede this Agreement in your relationship with Franchisor, including in the areas of termination and renewal of your franchise. There also may be court decisions that may supersede this Agreement in your relationship with the Franchisor, including in the areas of termination and renewal of your franchise.

34. 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.

45. 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.

56. In the event of a conflict of laws, the provisions of the Act shall prevail.

67. 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.

78. A release or waiver of rights executed by Franchisee shall not include rights under the Act 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, rights or remedies under the Act such as a right to a jury trial may not be enforceable.

**89.** Transfer fees are collectable to the extent that they reflect Franchisor's reasonable estimated or actual costs in effecting a transfer.

**910.** No statement, questionnaire, or acknowledgment 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 any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

~~1011.~~ [Section 3.2.6 of the Franchise Agreement is deleted.](#)

**12.** Any capitalized terms that are not defined in this Addendum shall have the meaning given them in the Franchise Agreement.

~~113.~~ Except as expressly modified by this Addendum, the Franchise Agreement remains unmodified in full force and effect.

~~1214.~~ This Addendum may be executed in multiple counterparts, each of which when executed and delivered shall be deemed an original and all of which together shall constitute one and the same agreement. Delivery of an executed counterpart of a signature page of this Addendum by electronic transmission (including PDF) shall be as effective as delivery of a manually executed counterpart of this Addendum.

[\[Signatures follow on next page.\]](#)

**ADDENDUM TO THE CORNER BAKERY CAFE  
AREA DEVELOPMENT AGREEMENT  
REQUIRED FOR WASHINGTON DEVELOPERS**

This Addendum to the Corner Bakery Cafe Area Development Agreement dated \_\_\_\_\_ (“Development Agreement”) between Best Cafe – Franchises, LLC (“Franchisor”, “we”, “us” or “our”), a Delaware limited liability company, and \_\_\_\_\_ (“Developer,”: “you” or “your”), a \_\_\_\_\_, is entered into simultaneously with the execution of the Development Agreement.

1. The provisions of this Addendum form an integral part of, and are incorporated into, the Development Agreement. This Addendum is being executed because: **(A)** the offer or sale of a franchise to you was made in the State of Washington; **(B)** you are a resident of the State of Washington; and/or **(C)** part or all of the Development Area is located in the State of Washington.

22. [The following is added to the end of Section 2 of the Development Agreement:](#)

[The State of Washington has imposed a financial condition. Therefore, payment of the Development Fee will be released proportionally with respect to each Cafe opened and is deferred until have met our pre-opening obligations under the Franchise Agreement and the Cafe is open for business](#)

3. The state of Washington has a statute, the Washington Franchise Investment Protection Act, RCW 19.100.180 (“Act”), which may supersede this Agreement in your relationship with Franchisor, including in the areas of termination and renewal of your franchise. There also may be court decisions that may supersede this Agreement in your relationship with the Franchisor, including in the areas of termination and renewal of your franchise.

34. 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.

45. 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.

56. In the event of a conflict of laws, the provisions of the Act shall prevail.

67. 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.

78. A release or waiver of rights executed by Franchisee shall not include rights under the Act 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, rights or remedies under the Act such as a right to a jury trial may not be enforceable.

**89.** Transfer fees are collectable to the extent that they reflect Franchisor’s reasonable estimated or actual costs in effecting a transfer.

**910.** No statement, questionnaire, or acknowledgment 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 any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

**1011.** Any capitalized terms that are not defined in this Addendum shall have the meaning given them in the Development Agreement.

**112.** Except as expressly modified by this Addendum, the Development Agreement remains unmodified and in full force and effect.

**113.** This Addendum may be executed in multiple counterparts, each of which when executed and delivered shall be deemed an original and all of which together shall constitute one and the same agreement. Delivery of an executed counterpart of a signature page of this Addendum by electronic transmission (including PDF) shall be as effective as delivery of a manually executed counterpart of this Addendum.

**IN WITNESS WHEREOF**, the parties have duly executed, sealed and delivered this Addendum as of the date identified below.

**FRANCHISOR**

**BEST CAFE - FRANCHISES, LLC**

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_  
Date: \_\_\_\_\_

**DEVELOPER**

**(IF ENTITY):**

\_\_\_\_\_  
By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_  
Date: \_\_\_\_\_

**(IF INDIVIDUALS):**

\_\_\_\_\_  
[Signature]  
\_\_\_\_\_  
[Print Name]  
\_\_\_\_\_  
[Signature]  
\_\_\_\_\_  
[Print Name]  
Date: \_\_\_\_\_

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 any state franchise registration and disclosure law.

NOT FOR USE IN CALIFORNIA, ~~MARYLAND~~ OR WASHINGTON STATE. DO NOT SIGN IF YOU ARE A MARYLAND RESIDENT OR IF YOUR FRANCHISED RESTAURANT WILL BE LOCATED IN MARYLAND.

FRANCHISE APPLICANT

\_\_\_\_\_  
[Insert name of Franchise Applicant]

By: \_\_\_\_\_  
[Name of Person signing on behalf of Franchise Applicant]

Its: \_\_\_\_\_  
[Title of Person signing on behalf of Franchise Applicant]

OWNER(S) OF FRANCHISE APPLICANT

\_\_\_\_\_  
[Insert name of Owner]

\_\_\_\_\_  
[Signature of Owner]

## 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 Franchise Disclosure Document is registered, on file, or exempt from registration in the following states having franchise registration and disclosure laws, with the following effective dates:

STATE	EFFECTIVE DATE
CALIFORNIA	<del>PENDING</del> <a href="#">August 15, 2024</a>
ILLINOIS	<del>PENDING</del> <a href="#">August 26, 2024</a>
INDIANA	May 31, 2024
MARYLAND	PENDING
MICHIGAN	June 4, 2024
MINNESOTA	PENDING
NEW YORK	<del>PENDING</del> <a href="#">September 30, 2024</a>
NORTH DAKOTA	<del>PENDING</del> <a href="#">September 25, 2024</a>
RHODE ISLAND	June 7, 2024
SOUTH DAKOTA	May 31, 2024
VIRGINIA	<del>PENDING</del> <a href="#">September 20, 2024</a>
WASHINGTON	PENDING
WISCONSIN	May 31, 2024

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.