FRANCHISE DISCLOSURE DOCUMENT

Cosi Franchise Holdings LLC
A Delaware limited liability company
500 Rutherford Avenue, Suite 130
Charlestown, Massachusetts 02129
(857) 415-5000
www.getcosi.com

This disclosure document provides information regarding the operation of a fast-casual restaurant offering a menu specializing in our signature flatbread, made-to-order sandwiches, freshly-tossed salads, fresh soups, Cosi® Melts, flatbread pizzas, bowls, bagels and/or bagels/Squagels®, breakfast wraps, oatmeal, breakfast parfaits and other breakfast items, snacks and desserts, gourmet coffee and handcrafted beverages, and other food and beverage items, under the tradename "Cosi®". A "Cosi®" restaurant operates using our proprietary recipes, formulae, and techniques, trade dress, and trademarks and logos. The total investment necessary to begin operation of a "Cosi®" franchise is $466,500 to $946,900. This includes $40,000 (for the initial franchise fee, unless you are purchasing your second or later franchise, in which event the initial franchise fee is $35,000) that must be paid to us. The total investment necessary under an Area Development Agreement (based on a commitment of three to five Cosi Restaurants) ranges from $77,500 to $117,500. This includes $75,000 to $110,000 that must be paid to us.

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, the franchisor or an affiliate of the franchisor in connection with the proposed franchise sale or grant. **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 Cosi Franchise Holdings LLC at 500 Rutherford Avenue, Suite 130, Charlestown, Massachusetts 02129, Legal Department, Vicki Baue at 312-310-1336.

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. You can contact the FTC at 1-877-FTCHELP or by writing to the FTC at 600 Pennsylvania Avenue, NW, Washington, D.C. 20580. You can also visit the FTC's home page at www.ftc.gov for additional information. Call your state agency or visit your public library for other sources of information on franchising.

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

ISSUANCE DATE: April 29, 2019

STATE COVER PAGE

Your state may have a franchise law that requires a franchisor to register or file with a state franchise administrator before offering or selling in your state. REGISTRATION OF A FRANCHISE BY A STATE DOES NOT MEAN THAT THE STATE RECOMMENDS THE FRANCHISE OR HAS VERIFIED THE INFORMATION IN THIS DISCLOSURE DOCUMENT.

Call the state franchise administrator listed in Exhibit C for information about the franchisor, about other franchisors, or about franchising in your state.

MANY FRANCHISE AGREEMENTS DO NOT ALLOW YOU TO RENEW UNCONDITIONALLY AFTER THE INITIAL TERM EXPIRES. YOU MAY HAVE TO SIGN A NEW AGREEMENT WITH DIFFERENT TERMS AND CONDITIONS IN ORDER TO CONTINUE TO OPERATE YOUR BUSINESS. BEFORE YOU BUY, CONSIDER WHAT RIGHTS YOU HAVE TO RENEW YOUR FRANCHISE, IF ANY, AND WHAT TERMS YOU MIGHT HAVE TO ACCEPT IN ORDER TO RENEW.

Please consider the following RISK FACTORS before you buy this franchise:

1. THE FRANCHISE AGREEMENT PERMITS YOU TO LITIGATE ONLY IN THE STATE IN WHICH FRANCHISOR IS LOCATED (CURRENTLY, MASSACHUSETTS). OUT OF STATE LITIGATION MAY FORCE YOU TO ACCEPT A LESS FAVORABLE SETTLEMENT FOR DISPUTES. IT MAY ALSO COST MORE TO LITIGATE WITH FRANCHISOR IN THE STATE IN WHICH IT IS LOCATED THAN IN YOUR HOME STATE.

2. THE FRANCHISE AGREEMENT STATES THAT THE LAW OF THE STATE IN WHICH FRANCHISOR IS LOCATED (CURRENTLY, MASSACHUSETTS) GOVERNS THE AGREEMENT, AND THIS LAW MAY NOT PROVIDE THE SAME PROTECTIONS AND BENEFITS AS LOCAL LAW. YOU MAY WANT TO COMPARE THESE LAWS.

3. DURING THE LAST TWO YEARS, A HIGH PERCENTAGE OF FRANCHISED OUTLETS WERE RE-ACQUIRED OR CEASED OPERATIONS FOR OTHER REASONS. THIS FRANCHISE COULD BE A HIGHER RISK INVESTMENT THAN A FRANCHISE IN A SYSTEM WITH A LOWER TURNOVER RATE.

4. THERE MAY BE OTHER RISKS CONCERNING THIS FRANCHISE.

We may use the services of one or more franchise brokers or referral sources to assist us in selling our franchise. A franchise broker or referral source is our agent and represents us, not you. We pay this person a fee for selling our franchise or referring you to us. You should be sure to do your own investigation of the franchise.

Effective Date: See next page for state effective dates.

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 disclosure laws, with the following states.

STATE	EFFECTIVE DATE
California	
Hawaii	*(not filed)*
Illinois	May 21, 2019
Indiana	April 30, 2019
Maryland	
Michigan	April 30, 2019
Minnesota	
New York	
North Dakota	*(not filed)*
Rhode Island	May 1, 2019
South Dakota	April 29, 2019
Virginia	June 3, 2019
Washington	
Wisconsin	April 29, 2019

COSI FRANCHISE HOLDINGS LLC
FRANCHISE DISCLOSURE DOCUMENT

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EXHIBITS

ITEM 1
THE FRANCHISOR AND ANY PARENT, PREDECESSORS, AND AFFILIATES

The Franchisor and Our Predecessors and Parent

Cosi Franchise Holdings LLC ("**we**" or "**us**" or "**Cosi**") is the franchisor. We are a Delaware limited liability company with our principal place of business at 500 Rutherford Avenue, Suite 130, Charlestown, Massachusetts 02129 (857-415-5000). We were formed on May 2, 2017, as a wholly-owned subsidiary of our parent company, Cosi, Inc. Our agents for service of process are listed in Exhibit D to this disclosure document. We conduct business under the names and marks "COSI" and "(SUN & MOON DESIGN)" and related trademarks, logos, and service marks.

Cosi, Inc. is also the predecessor franchisor. It was originally formed through the merger of two restaurant concepts, Cosi Sandwich Bar, Inc. and Xando, Incorporated, which are described below. We do not have any predecessors other than these three entities, and other than Cosi, Inc., we do not have any affiliated entities that offer, or have ever offered, franchises in any line of business or that currently sell products and services to our franchisees.

Cosi Sandwich Bar, Inc. was formed in 1996, and operated restaurants under the name "Cosi Sandwich Bar." Their signature item was "crackly-crust" flatbread (which we now use) that was baked at each restaurant throughout each day. Cosi Sandwich Bar focused on selling sandwiches in high-density central business districts in New York City, Washington DC, Boston and Philadelphia. Xando, Incorporated was founded in 1994 and operated Xando Coffee and Bar restaurants. Its concept was designed to go beyond the traditional specialty coffee bar. Xando Coffee and Bar restaurants featured a full liquor bar offering beginning at 5 p.m. and adjusted their atmosphere for different portions of the day and evening. Neither Cosi Sandwich Bar, Inc. nor Xando, Incorporated offered franchises in any line of business. As part of their merger, aspects of the two restaurant programs were brought together to develop the concept for our system of developing and operating "Cosi" restaurants. Cosi, Inc. (formerly known as Xando Cosi, Inc.) began operating "Cosi" restaurants in October 1999.

As described further in Item 4 of this disclosure document, Cosi, Inc. filed voluntary bankruptcy in 2016, and as part of the Amended and Restated Plan of Reorganization approved by the court, there was a change of ownership in Cosi, Inc. effective May 10, 2017. Additionally, at that time, a new entity (Cosi Franchise Holdings LLC) was formed to become the franchisor. On May 10, 2017, the existing franchise agreements were assigned to us, and we became the franchisor of the "Così" system at that time.

As of December 31, 2018, there were 59 affiliate-owned "Cosi" restaurants in 9 states and the District of Columbia, which includes two catering commissaries that we operate in two markets. In this disclosure document, we refer to the "Cosi" restaurants operated by our affiliates as "**Company-owned Restaurants**". We may own and operate catering commissaries in certain markets to support catering in the markets in which we operate Company-owned Restaurants. We began to offer franchises for "Cosi" restaurants as May 1, 2018. Cosi, Inc., our parent entity, began to offer franchises for "Cosi" restaurants on March 26, 2005 but no longer offers franchises. As of December 31, 2018, there were 8 franchised "Cosi" restaurants operating in 7 states and Costa

Rica. We have not offered franchises in any other line of business. Other than operating and selling franchises for "Cosi" restaurants, we are not involved in other business activities.

The Franchise Offered

We are offering franchises for restaurants that operate under the name "Cosi," which are all-day café-style fast casual restaurants that are established and operated using the format and system previously developed by our parent entity and predecessor franchisor (the "**System**"), and which operate at retail locations displaying our interior and exterior trade dress and feature and operate under the Proprietary Marks (each a "**Cosi Restaurant**"). Cosi Restaurants offer menus that specialize in our signature flatbread, made-to-order sandwiches, freshly-tossed salads, fresh soups, Cosi® Melts, flatbread pizzas, bowls, bagels/Squagels®, breakfast wraps, oatmeal, breakfast parfaits, snacks and desserts, breakfast items, gourmet coffee and handcrafted beverages, and other food and beverage items using our proprietary recipes, formulae and techniques ("**Proprietary Products**"), as well as other non-proprietary food, beverage, and other compatible items the we designate from time to time (collectively, "**Products**"). Our interior trade dress is designed to make Cosi Restaurants welcoming, comfortable, and easily identifiable for customers. Our System for Cosi Restaurants currently includes menus for breakfast, lunch, dinner, dessert, coffee and beverages; however, some Cosi Restaurants located in non-residential business districts close in the early evenings. If approved by us, a Cosi Restaurant may offer the alcoholic beverage Products that we approve for sale at Cosi Restaurants. Franchised Cosi Restaurants are not required to offer and sell alcoholic beverages. Franchised Cosi Restaurants may also offer delivery or off-Premises catering activities, provided they first obtain our written approval and follow the standards, policies, terms and conditions that we establish from time to time for these activities.

Cosi Restaurants are characterized by the System. Some of the features of our System include distinctive exterior and interior design, decor, color schemes, fixtures, and furnishings; recipes, standards and specifications for products, equipment, materials, and supplies; uniform standards, specifications, and procedures for operations; purchasing and sourcing procedures; procedures for inventory and management control; training and assistance; and marketing and promotional programs. We may periodically change and improve the System.

You must operate your Cosi Restaurant in accordance with our standards and procedures, as set out in our confidential Operations Manuals, including any other writings provided to you from time to time and as may be amended, modified or replaced (the "**Manuals**"). We will provide you with access to the Manuals for the duration of the Franchise Agreement (or, at our option, we may make these available to you electronically). In addition, we will grant you the right to use our marks, including the marks "COSI®" and "(SUN & MOON DESIGN)", and any other trade names and marks that we designate in writing for use with the System (the "**Proprietary Marks**"). We may modify the Proprietary Marks or substitute new Proprietary Marks. We operate under a trademark license agreement with Cosi, Inc., our parent entity and predecessor franchisor, which grants to us the right to use the Proprietary Marks and to grant to you a license to use the Proprietary Marks in the operation of Franchised Cosi Restaurants.

Franchise Agreement

We offer to enter into franchise agreements ("**Franchise Agreements**") (included as Exhibit A to this disclosure document) with qualified legal entities and persons ("**you**") that wish to establish and operate Cosi Restaurants. (In this disclosure document, "**you**" means the person or legal entity with whom we enter into an agreement. The term "**you**" also refers to the direct and indirect owners of a corporation, partnership, limited liability company, or limited liability partnership that signs a Franchise Agreement as the "franchisee".) Under a Franchise Agreement, we will grant you the right (and you will accept the obligation) to operate a Cosi Restaurant at an agreed-upon specified location (the "**Accepted Location**"). (In this disclosure document, the term "**Franchised Restaurant**" means the Cosi Restaurant franchised to you under a Franchise Agreement.)

If, at the time you enter into the Franchise Agreement, you do not already possess a premises for an Accepted Location, you must lease, sublease, or acquire a site for the location of the Restaurant, subject to our approval, under the site selection addendum ("**Site Selection Addendum**") which is attached to the Franchise Agreement as Exhibit B. The procedures for finding, selecting and receiving authorization for a site under the Site Selection Addendum are described in Item 11 of this disclosure document.

If you are not an individual, then you must designate one of your owners, who must be an individual owning at least a ten percent (10%) interest in the franchisee entity, and who must be reasonably acceptable to us (the "**Designated Principal**"), to be involved in the general management of your Franchised Restaurant.

Area Development Agreement

We also may offer an area development agreement (the "**Area Development Agreement**") (included as Exhibit B to this disclosure document) with qualified corporations and persons (an "**Area Developer**"), which grants the right to establish and operate a specified number of Cosi Restaurants in a specified area (the "**Development Area**") at Accepted Locations (as defined above), each under a separate Franchise Agreement. The Franchise Agreement for the first Franchised Restaurant will be the form of Franchise Agreement that is provided at the same time as the Development Agreement. Our then-current form of Franchise Agreement may differ from the version of Franchise Agreement attached to this disclosure document. The Franchise Agreement for each additional Franchised Restaurant will be the form of franchise agreement that we are then offering to new franchisees. We will enter into Development Agreements under which at least three Cosi Restaurants will be developed by an Area Developer.

Area Developers must open each Cosi Restaurant in accordance with the Development Schedule defined in Exhibit A to the Development Agreement. The Area Developer will exercise the right to develop each Restaurant by executing a Franchise Agreement, under which it will establish and operate a Cosi Restaurant.

Industry-Specific Regulations

You must comply with all local, state, and federal laws that apply to your Franchised Restaurant's operations, including, for example, health, food handling, sanitation, Title VII, such as but not limited to anti-discrimination, anti-harassment, and anti-retaliation laws, OSHA, menu labeling, product labeling, anti-discrimination, anti-harassment, employment laws, and data collection and use laws. If applicable to your Franchised Restaurant, the Americans with Disability Act of 1990 requires readily accessible accommodation for disabled persons and therefore may affect your building construction, site elements, entrance and exit ramps, doors, bathrooms, drink stations, counters, etc. You will be responsible for obtaining any applicable real estate permits (for example, zoning permits, construction permits, etc.), real estate licenses, signage permits, and operational licenses. If you obtain our prior written approval, you may at your Franchised Restaurant offer the alcoholic beverages that we approve in writing for sale by Cosi Restaurants. If you do so, you will be responsible for complying with any federal, state, county, municipal, or other local laws and regulations relating to alcohol and liquor that may apply to your Franchised Restaurant. You should consult with your attorney concerning those and other local laws and ordinances that may affect the construction and operation of your Franchised Restaurant.

Competition

The market for restaurants is well developed and intensely competitive. You will serve the general public and will compete with a variety of businesses, from locally-owned to national and chain businesses. These include sandwich retailers, fast-casual restaurants, specialty coffee retailers, bagel shops, fast food restaurants, delicatessens, cafes, bars, take-out food service companies, supermarkets and convenience stores. We may establish other Cosi Restaurants in your area (if permitted under the Franchise Agreement) and/or sell or license others to sell Products in your area. Also, we may sell Products through the Internet, toll-free telephone numbers, catalogs, or other similar means of distribution to customers at any location, which may be located in your area. See Items 12 and 16 for a description of your permitted activities and your rights, and our permitted and restricted activities and rights.

ITEM 2
BUSINESS EXPERIENCE

Chief Executive Officer and President, Director: Andrew Berger

Andrew Berger has served as our Chief Executive Officer since May 2017. He has also served as the Chief Executive Officer and as a member of the Board of Directors of Cosi, Inc. since May 2017. Since December 2016, he has served as the Chief Executive Officer of LIMAB, LLC, which served as the Operator of Cosi, Inc. and certain of its subsidiaries during the bankruptcy described in Item 4. Since January 2008, Mr. Berger has served as the Managing Member of AB Value Management LLC, which is the General Partner of AB Value Partners LP. Since February 2002, Mr. Berger has served as President of Walker's Manual, Inc. Mr. Berger has also been a director of image Sensing Systems since October 8, 2015, as well as a member of their Audit Committee and Nominating and Corporate Governance Committee.

Executive Vice President: David Polonitza

David Polonitza has served as our Executive Vice President since May 2017. From May 2017, he has also served in the same position with Cosi, Inc., and since December 2018, he has served as a member of the Board of Directors of Cosi, Inc. Since December 2016, he has served as the Executive Vice President of LIMAB, LLC, which served as the Operator of Cosi, Inc. and certain subsidiaries during the bankruptcy described in Item 4. Mr. Polonitza has been the Chief Operating Officer of AB Value Management LLC since 2010.

Vice President & General Counsel, and Chief Compliance Officer (Chief Legal Officer), Secretary: Vicki Baue

Vicki Baue has served as our Vice President & General Counsel, Chief Compliance Officer (Chief Legal Officer), and Secretary, since May 10, 2017. Since May 10, 2017, she has served in the same positions with Cosi, Inc. From February 2007 until May 9, 2017, she was Vice President & General Counsel, Chief Compliance Officer (Chief Legal Officer), and Assistant Secretary, and from September 2004 until February 2007 she was General Counsel and Chief Compliance Officer (Chief Legal Officer) and Assistant Secretary, of Cosi, Inc. From July 2012, to April 2014, and from October 2015 until November 2017, Ms. Baue acted as interim Vice President Human Resources & Benefits of Cosi, Inc.

Chief Financial Officer: Jeff Denecke

Jeff Denecke has served as the Chief Financial Officer of Cosi, Inc., since January 21, 2018, and he serves in the same capacity for us. From September 2016 to November 2017, he served as Chief Financial Officer of MaidPro Franchise Corp., and since May 2011, as Chief Financial Officer of Bishop Hospitality Group.

Acting Executive Vice President of Purchasing and Development: Steven Grover

Steven Grover, an independent consultant, has served as the acting Executive Vice President of Business Development of Cosi, Inc. since September 2017, performing those same services for us. He has also served as the President of Steven Grover Associates, Inc. since September 2017. Prior to that, he served as Vice President of Steak ‘n Shake, Inc. from September 2008 to September 2017.

Acting Senior Director of Development: Kim Andereck

Kim Andereck, an independent broker and consultant, has served as the acting Senior Director of Development of Cosi, Inc. since October 2018, performing those same services for us. He has also served as the Managing Member of Alfa Zed, LLC since October 2018. From May 2017 to September 2018, he served as Director Franchise Sales of Luby’s Inc. Prior to that, he served as Franchise Salesperson of Sbarro, Inc. from September 2014 to March 2017, and as VP Franchise Sales of Steak ‘n Shake, Inc. from July 2009 to September 2014.

Director of Franchise Support: Stan Loring

Stan Loring has served as the Director of Franchise Support of Cosi, Inc. since July 2017, performing those services for us. From March 2017 to July 2017, he served as the Director of Operations of Locke Wings dba Wingstop, located in Worcester, Massachusetts, and from September 2016 to March 2017, as Chef / Operator of Dig Inn, located in Boston, Massachusetts. Prior to that, he was with Cosi, Inc., located in Boston, Massachusetts, where he served as Regional

Manager from January 2016 to September 2016, and Area Director from April 2015 to January 2016. From November 2007 to April 2015, Mr. Loring served as Area Director with Hearthstone Associates, LLC, a franchisee of the predecessor franchisor prior to Hearthstone Associates, LL C being acquired by Cosi, Inc. in a merger.

Director of Marketing: Vinnie DiNatale
Vinnie DiNatale has served as the Director of Marketing of Cosi, Inc. since March 2019, performing those same services for us. Prior to that, he served as Director of Marketing of Grotto Pizza, Inc. from January 2012 to March 2019.

The above is a list of our principal officers who have responsibility for the franchise program. Unless otherwise stated, the location of each company or employer is Boston, Massachusetts.

The above is a list of our directors, officers, and other executives and personnel who have responsibility for the franchise program. Unless otherwise stated, the location of each company or employer is Boston, Massachusetts.

ITEM 3
LITIGATION

Envision Foods Incorporated ("**EFI**") filed an action against Cosi, Inc. (which as described in Item 1 is our parent and immediate predecessor), the Franchisor at the time, in the United States District Court for the Northern District of Illinois Eastern Division (*Envision Foods Corp. v. Cosi, Inc. et al*.,) (Case No. 10-CV-5902) (the "**EFI Action**") on September 17, 2010. EFI never served the action on Cosi, Inc. EFI alleged that Cosi, Inc. improperly terminated EFI's development agreement and demanded a return of its development fees and unspecified damages. Cosi, Inc. disputed EFI's allegations, however neither EFI's claims nor any counterclaims by Cosi, Inc. were pursued in court. In connection with mediation held on January 24, 2011, Cosi, Inc. and EFI settled the dispute and entered into a settlement agreement dated March 3, 2011. Under the settlement terms, Cosi, Inc. retained all development fees paid by EFI and EFI had the opportunity, for a certain time period, to choose to resume its development rights and to develop Cosi restaurants under the requirements of the reinstated development agreement without payment of further initial fees. Under alternative terms of the settlement, EFI may have had an opportunity to recoup its development fee in connection with the sale of franchise and development rights within the development area granted under EFI's development agreement. On March 7, 2011, the EFI Action was dismissed with prejudice. EFI notified Cosi, Inc. that it would exercise the option to resume development of Cosi restaurants but did not complete the terms for that option. The settlement agreement between EFI and Cosi, Inc. was rejected and not assumed in the bankruptcy.

Other than this action, no litigation is required to be disclosed in this Item.

ITEM 4
BANKRUPTCY

On September 28, 2016, our parent and predecessor, Cosi, Inc., for itself and certain of its subsidiaries (described below), commenced a case under chapter 11 of the United States Code, 11 U.S.C. §§101 – 1330 (the "**Bankruptcy Code**"), by filing a voluntary petition for relief in the United States Bankruptcy Court for the District of Massachusetts (the "**Bankruptcy Court**"), Case No. 16-13704 (MSH) (jointly administered). As a result of the bankruptcy, the stock of Cosi, Inc. was delisted in October 2016 and deregistered from the Nasdaq Stock Exchange in January 2017, at which time Cosi, Inc. became a private company. The Amended and Restated Joint Plan of Reorganization (the "**Plan**") was approved by the Bankruptcy Court on April 25, 2017. The Plan became effective on May 10, 2017 ("**Plan Effective Date**"), at which time Cosi, Inc., and some of its subsidiaries emerged as reorganized entities. Under the Plan, all of the previously existing equity interests in Cosi, Inc. were cancelled and extinguished, and a portion of the secured debt of the secured lenders was converted to equity, resulting in a change in ownership on the Plan Effective Date. At that time, the existing franchise agreements were assigned from Cosi, Inc. to us, and we became the franchisor of the "Cosi" system.

The Debtors in these chapter 11 bankruptcy cases are Cosi, Inc. (Case No. 16-13704-MSH), Xando Cosi of Maryland, Inc. (Case no. 16-13706-MSH), Cosi Sandwich Bar, Inc. (Case No. 16-13705-MSH), Hearthstone Associates, LLC (Case No. 16-13707-MSH), and Hearthstone Partners, LLC (Case no. 16-13708-MSH). The cases are jointly administered under the Cosi, Inc. case number.

Other than this action, no bankruptcy is required to be disclosed in this Item.

ITEM 5
INITIAL FEES

Initial Franchise Fee

When you sign the Franchise Agreement, you must pay us an initial franchise fee (the "**Franchise Fee(s)**"). The Franchise Fee is $40,000, unless you are purchasing your second (or later) franchise, in which event the Franchise Fee is $35,000. The initial franchise fee will be fully earned when paid and non-refundable in consideration of administrative and other expenses we incur in entering into the Franchise Agreement and for our lost or deferred opportunity to enter into the Franchise Agreement with others.

You must pay the Franchise Fee in full at the time you sign the Franchise Agreement. However, as described below, if you signed an Area Development Agreement and you remain in full compliance with the Area Development Agreement and any other agreement with us, then as you sign a Franchise Agreement, we will credit toward the Franchise Fee the amount of the Area Development Fee you paid to us under the Area Development Agreement for that Franchised Restaurant (which amounts are described in the following paragraph).

Area Development Fee

If you are going to be an Area Developer, then you will sign an Area Development Agreement and pay us an area development fee (the "**Area Development Fee(s)**"). The amount of the Area Development Fee will depend on the number of Cosi Restaurants to be developed under the Development Agreement and will be calculated as follows: $40,000 for the first Cosi Restaurant and $17,500 for each additional Cosi Restaurant to be opened under that agreement. For example, if you agree to develop three Cosi Restaurants (which is the minimum number of Cosi Restaurants required under an Area Development Agreement), you must pay us an Area Development Fee of $75,000. The Area Development Fee will be due in a lump sum upon the signing of an Area Development Agreement. The Area Development Fee is fully earned and non-refundable regardless of whether you enter into a Franchise Agreement for any of those Franchised Restaurants, in consideration of administrative and other expenses we incur in entering into the Development Agreement, and for our lost or deferred opportunity to enter into the Development Agreement with others.

If you meet your obligations under the Development Agreement and are not otherwise in default under any other agreement with us, as you sign the then-current Franchise Agreements for each Franchised Restaurant under the Development Agreement, we will credit the portion of the Area Development Fee that you paid attributable to that Franchised Restaurant towards the Franchise Fee due for that Franchised Restaurant. Additionally, if you are in compliance with the Development Agreement, then as you sign a Franchise Agreement for each Franchised Restaurant that you develop to satisfy the Development Schedule, the Franchise Fee for those Franchised Restaurants will be the amount specified in the Development Agreement (currently $40,000 for the first Franchised Restaurant and $35,000 for each additional Franchised Restaurant), regardless of whether our standard Franchise fee is higher at the time you sign the then-current Franchise Agreements for those Franchised Restaurants.

The Franchise Fees and Area Development Fees are uniform in the United States.

You are not required to purchase from us and/or our affiliates any products or items before opening for business.

ITEM 6
OTHER FEES

Type of Fee (Note 1)	**Amount**	**Due Date**	**Remarks**
Royalty	5% of Net Sales	By the third business day after the close of each Week based on the Net Sales for that Week (Note 2)	Net Sales means all revenue related to the Franchised Restaurant (excluding customer refunds and sales taxes collected and remitted to the proper authorities).

Type of Fee (Note 1)	Amount	Due Date	Remarks
Advertising Obligations	Maximum Total: Will not exceed 5% of Net Sales (Notes 3 and 4) Current allocation: You must contribute 1% of Net Sales to the System Ad Fund, and spend 1% of Net Sales on your local advertising	Same as Royalty Fee	We may change the allocation between the System Ad Fund, a regional "Market Ad Fund," or require that some or all of this amount be spent on local advertising, as described in Item 11.
Local Telephone and On-line Directories	Varies	Upon demand	We may require you to, or we may on your behalf, advertise your Franchised Restaurant in local directories. You will be responsible for the costs for your Franchised Restaurant, including reimbursements to us.
Additional on-site training and assistance	Our per-diem charge (which is currently $250, plus our out-of-pocket costs) Schoox online training platform (which is currently $45 per month per location)	Upon demand	If you ask that we (a) provide additional on-site training, or (b) we conduct at your Franchised Restaurant any training session that we offer at our headquarters, and we do so, then you will have to pay our then-current per-diem charge for extra training. See Note 5 and Item 11 under the heading "Training." If you elect to do so, you may enter into an agreement with Schoox to use their online training platform, which includes access to our training materials.

Type of Fee (Note 1)	Amount	Due Date	Remarks
Fees related to Computer System and Software	Currently approximately $7,150 in total for annual fees for software and hardware maintenance, help-desk services and CosiCard® services (excluding network/circuit costs)	Upon demand	See Note 6 and Item 11 under the heading "Computer System"
Product/Supplier Testing	Varies – the costs of testing and evaluation	Upon demand, if incurred	See Note 7 and Item 8.
Transfer Fee	An amount equal to 50% of our then-current initial franchise fee	At time of transfer	Payable only if you make a transfer (as defined in the Franchise Agreement), which includes any sale or assignment of your franchise or your company. We do not impose a fee for a transfer to a corporation you form for the convenience of ownership.
Renewal Fee	$7,500, to compensate us for our costs related to the renewal (e.g., our expenses related to reviewing you and your Franchised Restaurant, and training)	Before renewal	Due only if you decide to renew the franchise on the terms that are described in the agreement. The renewal fee is instead of a new initial franchise fee.

Type of Fee (Note 1)	Amount	Due Date	Remarks
Charges for "mystery customer" quality control evaluation, customer satisfaction survey, or other quality control or evaluation programs.	Will vary under circumstances, but not to exceed $750 per year. For the Qore Analytics guest perception program, the current fees are $45.00 per month.	Upon demand, if incurred	See Note 8 and Item 8. These monthly fees do not include the costs of discounted or complimentary items provided to customers who participate in customer satisfaction surveys or audits. Currently, we require you to participate in the Qore Analytics program, where you pay a monthly fee for your guests to participate in real-time guest perception surveys that provide actionable information for operations and marketing.
Late Fee and Interest on Overdue Payments	A late fee equal to 5% of your overdue amount, and interest equal to 18% per year (but not more than any maximum rate set by law)	At the time the overdue payments are paid	Only due if you don't pay us the amounts you owe on the due date. Interest will be charged only on overdue amounts and will start to accrue on the date when the payment was originally due.
Dues and Assessments Imposed by a Franchisee Advisory Council or Association	As determined by a franchisee advisory council or association (if established) Currently no fees are charged by the existing franchisee advisory council	At the times required by a franchisee advisory council or association	We may form, or require that our franchisees form, a franchisee advisory council or association. During any time one is in effect, you must become a member, and you must pay the fees and assessments (if any) imposed by the council or association.

Type of Fee (Note 1)	Amount	Due Date	Remarks
Audit Expenses	All costs and expenses associated with the audit, reasonable accounting and legal costs	Upon demand	Payable only if we audit and the audit discloses an understatement in any statement or report of 3% or more. (You will also have to pay the monies owed and interest on the underpayment (see "interest" above).)
Insurance Procurement	Our cost to obtain insurance coverage if you fail to do so	Upon demand	We have the right (but not obligation) to buy insurance coverage if you do not do so.
Securities Offering	Our actual expenses, whichever is more	Upon demand	Payable only if you propose to engage in a public or private securities offering, to reimburse us for our reasonable costs and expenses (including legal and accounting fees) to evaluate your proposed offering.
Costs and Attorneys' Fees	Will vary under circumstances	Upon Demand	Due only if you are in default under the Franchise Agreement, in which case you must reimburse us for the expenses we incur (including reasonable attorneys' fees) as a result of your default and to enforce and terminate the Franchise Agreement.
Indemnification	Will vary under circumstances	Upon Demand	You must reimburse us if we are sued or held liable for claims arising from your operation of the Franchised Restaurant, as well as your use of the Proprietary Marks in a manner inconsistent with our instructions, and any transfers or securities offerings that you propose.

Notes to Item 6 Table:

1. All fees described above in this Item 6 are collected and imposed by us and are payable to us, except for expenditures relating to local advertising that you will spend directly, fees relating to the computer and software system that may be payable to third-party vendors (see Item 11 for details), Schoox monthly fees that are payable to the third-party vendor if you elect to utilize the Schoox training platform (see Item 11 under "Training" for details), and Qore monthly fees that are payable to the third-party vendor utilized for the guest perception program. All fees are non-refundable and, unless specifically noted, are uniformly applied to new system franchisees. However, in some instances in which it was appropriate to do so, we (Cosi, Inc., when it was the franchisor) have waived, and may in the future waive, some or all of these fees for a particular franchisee or location. For all fees and charges, you must use the payment method we designate, which may include electronic funds transfer.

2. You must pay your royalties and advertising fund contributions by EFT (electronic fund transfer). To make arrangements for EFT, you must sign our current form of Authorization Agreement for Prearranged Payments (Direct Debits), which is Exhibit D to the Franchise Agreement. If you sell alcohol at the Franchised Restaurant and a state or local law in which the Franchised Restaurant is located prohibits or restricts in any way your ability to pay and our ability to collect royalty fees or other amounts based on Net Sales derived from the sale of alcoholic beverages at the Franchised Restaurant, then we and you will renegotiate the royalty fees and other provisions to provide the same basic economic effect to both us and you as otherwise provided in the Franchise Agreement, with a corresponding change to the definition of Net Sales.

3. The chart reflects the maximum required percentage amount that you may be required to contribute and/or spend on advertising (together the "**Advertising Obligations**"), and our current allocation of the Advertising Obligations (with the exception, described in Note 4 below, that a Market Ad Fund may elect to increase its fee). At present, there are no Market Ad Funds in our System. Further details about the applicable advertising and promotional requirements and Market Ad Funds that we may establish are included in Item 11, under the subheading "Advertising."

4. The amount of required Market Ad Fund contributions will be determined by us, unless we authorize the Market Ad Fund to set the amount. Members of any Market Ad Fund may, however, agree (by a majority vote) to increase the Market Ad Fund contribution to a rate in excess of the amount that we require. (See Item 11)

5. As part of the opening of your first two Franchised Restaurants, we will conduct pre-opening and opening training and assistance at your Franchised Restaurant. We will bear the costs associated with providing this training. However, if you request additional days of on-site training or assistance in connection with your opening, or at a later time, we may charge you our then-current per diem training fee for the additional training provided; and you will also have to reimburse us for all out-of-pocket costs and expenses associated with the additional training, including lodging, food and travel arrangements of the trainers.

Additionally, we may require that you complete refresher and additional training programs, and we may offer the programs on a voluntary basis. If you request that we conduct any additional training sessions (required or voluntary) at your Franchised Restaurant rather than at our headquarters or affiliate-owned Cosi Restaurants, and we do so, then we may charge you our then-current per diem training fee for that training we provide, and you will also have to reimburse us for all out of pocket costs and expenses described above. Our current per diem charge is $250 (we have the right to change our per diem rate in the future). We also make available to you, at your option, our online training materials in the Schoox training platform. We have negotiated pricing with the vendor, and the vendor offers the same pricing to our franchisees. You would be required to enter into a separate agreement directly with the vendor, and you would have access to certain materials in our training material applicable to our franchisees. See Item 11 under the heading "Training" for more detailed information.

6. As described in Item 11 under the heading "Computer System," we may require you to use certain software, hardware and/or support services in connection with the operation of the Franchised Restaurant. Currently, we require you to use NetPOS (POS), Electronic Data Capture (EDC) and COM interface software; MonkeyMedia Cosi Online Ordering System; and Paytronix Gift and Loyalty Card Program. The set-up costs and initial ongoing costs for these are included in the chart above. See Item 11 for additional information regarding the current Computer System and fees for required support services. We may also change the standards and requirements for the communications and information systems used in Cosi Restaurants, which may require you to pay fees for those services or products, and to sign license agreements. We or our affiliates may be a provider of these services or products. Also, as described in Item 11, we may require that you obtain and maintain a maintenance and/or support contract for your communications and information systems.

7. If you desire to purchase unapproved products, or equipment, supplies, services, or Products (other than Proprietary Products) from other than approved suppliers, we may require that our representatives be permitted to inspect, from time to time, the supplier's facilities, and that samples from the supplier be delivered for evaluation and testing either to us or to an independent testing facility designated by us. You must pay a charge not to exceed the reasonable cost of the evaluation and testing. See also Item 8.

8. As described in Item 8, we may use an independent service to conduct a "mystery customer" quality control evaluation, customer satisfaction survey or other quality control or evaluation program. You must participate in these programs, and we may require that you pay the then-current charges imposed by the survey or evaluation service (as we direct, either directly to the service or evaluation service provider or to us as a reimbursement). We currently require you to participate in the Qore Analytics program, where you pay a monthly fee for your guests to participate in real-time guest perception surveys that provide actionable information useful to operations and marketing. You will be required to enter into a franchisee participation agreement with the vendor, and you must pay the vendor directly for the charges imposed for this service.

ITEM 7
ESTIMATED INITIAL INVESTMENT

YOUR ESTIMATED INITIAL INVESTMENT
FRANCHISE AGREEMENT

Type of Expenditure	Amount	Method of Payment	When Due	To Whom Payment is to Be Made (Note 1)
Franchise and Facility Investment				
Initial Franchise Fee (Note 2)	$40,000 (unless you are buying your second or later franchise, in which case it is $35,000)	Lump sum	When you sign the Franchise Agreement	Us
Business Licenses & Permits (Note 3)	$3,000 to $6,000	As arranged	As incurred	Local and other state government agencies
Leasehold Improvements; (Note 4)	$133,000 to $346,000	As arranged	As arranged	Independent contractors, Lessor
Fixtures, Furnishings & Equipment (Note 5)	$208,000 to $306,000	As arranged	As incurred	Suppliers
Architect Fees (Note 6)	$17,000 to $45,000	As arranged	As arranged	Independent contractors, Approved Suppliers
Subtotal	**$396,000 to $743,000**			
Pre-Paid Expenses & Initial Operating Costs				
Rent (3 months) (Note 7)	$10,000 to $50,000	As arranged	As arranged	Lessor
Utility Deposits (Note 8)	$1,000 to $9,000	As arranged	As arranged	Utility companies
Other Professional Fees (Note 9)	$3,500 to $7,500	As arranged	As arranged	Various service providers and contractors

Type of Expenditure	Amount	Method of Payment	When Due	To Whom Payment is to Be Made (Note 1)
Insurance Deposit (Note 10)	$2,000 to $3,000	As arranged	As arranged	Insurance providers
Initial Inventory of Food and Paper Supplies (Note 11)	$11,000 to $23,000	As arranged	As incurred	Approved suppliers
Training Expenses (Note 12)	$4,000 to $15,000	As arranged	Payment terms arranged with suppliers and your employees	Suppliers and your employees
Grand Opening Advertising (Note 13)	$5,000 to $15,000	As arranged	As arranged	Suppliers
Additional Funds - initial period of operations (Note 14)	$34,000 to $81,400	As arranged	As needed	Us, suppliers, employees and other creditors
Subtotal	**$70,500 to $203,900**			
TOTAL ESTIMATED INITIAL INVESTMENT	**$466,500 to $946,900**			

Please review the above chart together with the Notes that follow.

Explanatory Notes to Franchise Agreement

1. General – We do not impose or collect the fees or costs described in this Item, except for the items noted in the charts with "Us" in the column labeled "To Whom Payment is to be Made." Except as described below, all fees and amounts that you must pay to us are non-refundable. For any amounts paid to third parties, the availability and conditions under which you may obtain refunds will depend on the terms offered by those third-party suppliers. Our estimates in this Item are based on our current prototype for Cosi Restaurants, the experience that we and our parent and predecessor franchisor have in developing and operating affiliate-owned Cosi Restaurants, and our knowledge of business practices and conditions in the general marketplace. We (or any affiliates) do not provide financing for your initial investment.

2. Franchise Fee – The Franchise Fee shown in the chart above is for the first (or only) franchise you purchase. However, if you are purchasing a second (or later) franchise, the Franchise

Fee is $35,000 (the same fee structure applies to Franchised Restaurants developed under an Area Development Agreement). If you sign an Area Development Agreement, you will have to pay an Area Development Fee, which as described in Item 5 will be equal to $40,000 for your first Franchised Restaurant, plus $17,500 for each additional Franchised Restaurant that you are to open under the Development Schedule. The portion of the Area Development Fee that you paid in connection with this Franchised Restaurant will be credited toward the Franchise Fee for this Franchised Restaurant. The Franchise Fee and Area Development Fee are fully non-refundable. See Item 5 for further details regarding the Franchise Fee and Area Development Fee. We (or any affiliates) do not provide financing for any of these fees.

3. Business Licenses and Permits – These are general estimates for permits and licensing (including construction and operating permits) that may be required by local and state governments. Local, municipal, county and state regulations vary on the licenses and permits you will need for construction and to operate a Cosi Restaurant. You will pay these fees to governmental authorities before starting business. As described earlier in Item 1, we do not require our franchisees to offer and sell alcoholic beverages. If you wish to do so, you must obtain our prior written approval, and you will be solely responsible for obtaining all appropriate licenses and permits. The laws, regulations and licensing requirements and restrictions relating to alcohol may vary significantly between jurisdictions and, therefore, the estimates in the chart above do not include any alcohol-related licensing fees. The estimates do not include outdoor seating permits, as outdoor seating is not mandatory (however, it is preferred) and the permitting requirements and fees may vary significantly between jurisdictions.

4. Leasehold Improvements. – You will need to employ a qualified licensed general contractor approved by us to construct the improvements to, or "build out" of, the premises, and that also meets our insurance requirements and the insurance requirements of the landlord of the premises, at which you will operate the Franchised Restaurant. Our estimates are based on our current prototype design and the assumption that the location is approximately 800 to 2,000 square feet, and that your lessor will provide a shell space that includes, at a minimum, a level concrete floor suitable for floor covering, finished demising walls, and electricity, gas, sewer, and water and plumbing suitable for a retail business. Among other things, you will probably need to arrange for the following items to meet our standard plans and specifications: proper electrical and network wiring and plumbing, floor covering, wall covering, partitions, lighting and fixtures, signage, awnings, storefront modifications, painting, cabinetry, air conditioning and the like. You will also need to install bathroom facilities in accordance with various legal requirements. Costs will vary depending upon various factors, including: the geographic location of your business; the size of the premises; the availability and cost of labor and materials; and the condition of the premises and the work that the lessor will do as a result of the lease negotiations. Lessors may, instead of actually doing some of the work, provide you with credits towards your future rent payments and/or tenant improvement allowances. If you find a space previously used as a similar restaurant, your buildout costs and time needed to prepare for opening may be reduced. Our model is flexible and can be adjusted to fit in a variety of spaces.

5. Fixtures, Furnishings & Equipment – As described in Item 8, you must purchase all fixtures, furnishings, equipment (including computer and point of sale equipment), signage and supplies that we specify as required for a Cosi Restaurant. *Fixtures, Furnishings and Equipment:* These estimates include fixtures and equipment required for a Cosi Restaurant, including an oven,

coolers and refrigeration equipment, display cases, food preparation tables, other fixtures and equipment, serving and customer tables and seating, other various décor items, and small wares. These amounts also include costs of your office furniture, filing cabinet and miscellaneous office supplies, and equipment. *Computer and point of sale systems:* You must purchase or lease specified computers and related hardware, along with required third-party software necessary to operate the Franchised Restaurant. The estimate includes the costs for the items that we currently require. We may periodically require franchisees to update their computer systems to our then-current standards. See Item 11 under the heading "Computer System" for additional information. *Signage:* The estimates include the costs for interior and exterior signage. The cost of signage may vary significantly depending upon the location of your Franchised Restaurant, market conditions, local codes, and size and number of signs. In some instances, the use of additional or larger signage may be possible, with our prior written approval. The costs of these optional items are not included in the line item total above. As mentioned in Note 4 above, our estimates are based on our current prototype design and the assumption that the location is approximately 2,000 square feet or less.

6. Architect Fees – You will be required to retain the services of a qualified architect, who we have approved or designated for use by our franchisees, to adapt our standardized plans and specifications based upon our prototype(s) Cosi Restaurant(s) for the remodeling or build-out of your Franchised Restaurant (see Item 11 under the subheading "Construction and Layout of Restaurant" for additional information). The figures in the chart include our estimates of the architectural fees. As described in Item 11, we may from time to time develop or approve variations with respect to our prototype specifications and plans.

7. Rent (including security deposits) – If you do not own a location for your Franchised Restaurant, you must purchase or lease a space. Locations for Cosi Restaurants will typically need approximately 800 to 2,000 square feet. Lessors customarily require tenants to pay first and last month's rent, plus security equal to one-month's rent, when signing a lease. The requirement to make, and the amount of, security deposits will depend on a variety of factors, including your credit and financial condition. You will need to lease a space in advance to build-out the Franchised Restaurant, which we estimate to be 3 to 4 months. However, you may attempt to negotiate an abatement from the lessor for this period. The estimates in the chart are calculated on the following assumptions: (a) the rent estimate is for 3 months' rent (that is, first month's rent, 1 month's rent as a security deposit; and advance payment of the last month's rent); (b) you will pay rent for a space of approximately 2,000 square feet; (c) your annual lease rate will be in the range of approximately $20 to $100 per square foot per year; (d) rent commences upon the Franchised Restaurant's opening (or, if earlier, 120 days after you take possession of the location), which would reflect a rent abatement of 120 days; (e) you complete the required build-out and are prepared to open within 120 days of taking possession of the location. If you cannot negotiate a rent abatement for 120 days (or more) of pre-opening rent, or if you are not prepared to open your Restaurant during the abatement period, then your costs will be higher.

We anticipate that Cosi Restaurants will typically be located in commercial centers in areas of high traffic in urban and suburban areas, and preferably retail near residential housing, office buildings and other commercial areas. Rent varies considerably from market to market and from location to location within each market. Rents may vary beyond the range that we have provided, based on factors such as market conditions in the relevant area, the type and nature of improvements needed to the premises, the size of the site for the Franchised Restaurant, the terms of the lease, the desirability of the location, and your ability to negotiate with your lessor.

The estimates assume that you will lease the premises for your Franchised Restaurant and, therefore, do not include costs related to the purchase of land or the construction of any buildings. If you decide to purchase the property for the location of your Franchised Restaurant, you will incur additional costs that we cannot estimate.

8. Utility Deposits – The estimate in the chart above includes utility deposits (based on assumption of one month of gas and electricity). The requirement to make, and the amount of, security deposits will depend on a variety of factors, including your credit and financial condition.

9. Professional Fees – The estimate assumes that you will employ an attorney to help you negotiate your lease for the Franchised Restaurant premises. In addition, you may choose to employ an attorney, accountant, and other consultants to help you evaluate our franchise offering and your establishment of a new business, and in obtaining all required permits and licenses to establish and operate the Franchised Restaurant. In addition, you may also form a corporation or other entity to operate the business. Your actual costs may vary substantially, for example, depending on the degree to which you rely upon your advisors and upon the licensing requirements that may apply to your Franchised Restaurant.

10. Insurance Deposit – The estimate represents an initial deposit for the coverage necessary to operate the business and represents approximately 2 to 3 months of coverage. Insurance costs will vary depending upon factors such as the size and location of the Franchised Restaurant. Your obligations with respect to insurance are more fully described in Item 8.

11. Initial Inventory of Food and Paper Supplies – These expenses include an initial inventory of Products, as well as an initial inventory of paper goods and supplies and a “now hiring” kit. You will need to replenish your initial inventory on an as-needed basis and food items and other supplies as used. Our affiliate-owned Cosi Restaurants typically place orders for replacement items once or twice per week. The amount and cost of your initial and subsequent orders for all of these items will vary depending upon various factors, including the size and anticipated volume of your Franchised Restaurant’s sales and the frequency of your orders.

12. Training Expenses – You will incur expenses associated with our training program. For this training program, we provide instructors and instructional materials at no charge for up to four persons, but you must pay for transportation, lodging, food, and wages for your trainees. As to the amounts shown, the low end reflects the estimate for two persons to attend training, and the high end reflects the estimate for four persons to attend training. The low end of the estimates assumes that the trainees are within driving distance to the training location, and the high end assumes that other travel will be needed, and includes travel expenses, although these may vary significantly depending upon factors such as the distance traveled and mode of transportation. Your costs will also vary depending upon the nature and style of accommodations, and the number of persons who will attend training. See Item 11 under the heading “Training” for additional details regarding the program.

13. Grand Opening Advertising – This advertising and marketing promotion is intended to provide initial awareness and momentum for your new Franchised Restaurant. You must spend a minimum of $5,000 on this advertising. Additional details regarding advertising and promotion can be found in Item 11, under the heading "Advertising."

14. Additional Funds – You will need additional capital to support on-going expenses, such as rent (for 2 months, as the first month's rent will be credited from the deposit made before opening), payroll and utilities, to the extent that these costs are not covered by sales revenue. New businesses often generate a negative cash flow. We estimate that the amount given will be sufficient to cover on-going expenses for the start-up phase of the business, which we calculate to be three months. This is only an estimate, however, and there is no assurance that additional working capital will not be necessary during this start-up phase or after. Your actual costs may vary considerably, depending, for example, upon factors such as: local economic conditions; the local market for the Products; the prevailing wage rate; competition; the sales level achieved during the initial period of operation; and, your management and training experience, skill, and business acumen. You should review these figures carefully with a business advisor before making any decision to purchase the franchise. You should take into account the cash outlays and probable losses that you may incur while you are trying to get established.

YOUR ESTIMATED INITIAL INVESTMENT
AREA DEVELOPMENT AGREEMENT

Type of Expenditure	**Amount**	**Method of Payment**	**When Due**	**To Whom Payment is to Be Made**
Development Fee (Note 1)	$75,000 (for 3 units) to $110,000 (for 5 units)	Lump sum	Upon signing Development Agreement	Us
Professional Fees (Note 2)	$2,500 to $7,500	As incurred	As incurred	Third parties
TOTAL ESTIMATED INITIAL INVESTMENT (Note 3)	$77,500 to $117,500			

Explanatory Notes to Area Development Agreement Investment

1. Area Development Fees - If you and we sign an Area Development Agreement, we will reserve a Development Area in which you will develop multiple Cosi Restaurants under an agreed upon Development Schedule. You must pay us an Area Development Fee, which as described in Item 5 will be equal to $40,000 for your first Cosi Restaurant, plus $17,500 for each additional Cosi Restaurant that you are to open under the Development Schedule. The estimate in the chart above assumes a Development Schedule commitment of three (which is the minimum) to five Cosi Restaurants, although the actual number will be based on our mutual agreement. Your estimated initial investment under the Area Development Agreement will vary depending on the number of

Cosi Restaurants you develop within the Development Area. No part of this initial investment is refundable, although we will apply your Area Development Fee towards the Franchise Fees owed under the Franchise Agreements that the Development Agreement covers if you develop those units according to the Development Schedule. We (or any affiliates) do not provide financing for any of these fees.

2. Professional Fees - You may choose to employ an attorney, accountant, and other consultants to help you evaluate the Area Development Agreement and area development opportunity. Your actual costs may vary, for example, depending on the degree to which you rely upon your advisors.

3. Estimated Investment - For each Cosi Restaurant that you develop under the Area Development Agreement, you must sign a Franchise Agreement and you will also incur the expenses in the first table in this Item 7.

ITEM 8
RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES

To ensure that the highest degree of quality and service is maintained, you must operate the Franchised Restaurant in strict conformity with the methods, standards, and specifications as we may from time to time prescribe in the Manuals or otherwise in writing.

Products and Other Purchases

General

All Products sold or offered for sale at the Franchised Restaurant must meet our then-current standards and specifications and be approved by us. You must purchase, install, and use all fixtures, furnishings, equipment, décor, supplies, computers and communications hardware and software (see Item 11 under "Computer System"), signs and materials as we may reasonably require in the Manuals or other written materials (collectively, "**Store Items**"). You must purchase all Additional Products and other Store Items solely from manufacturers, distributors, and suppliers who demonstrate to our continuing reasonable satisfaction the ability to meet our standards and specifications, who possess adequate quality controls and capacity to supply your needs promptly and reliably, and who have been approved by us in the Manuals or otherwise in writing. You may not purchase, offer, or sell any Products, or use at your Franchised Restaurant, any Products or Store Items that we have not previously approved as meeting our standards and specifications. Although we (or any affiliate) are not currently a supplier of Products, we (and any affiliate) have the right to be an approved supplier of some of such items. We may disapprove of Products and suppliers based on our desire to consolidate System purchases through fewer suppliers. We may designate a single supplier, which may be us or one of our affiliates, for any products, equipment, supplies, or services, in which event you must purchase such items exclusively from the designated supplier.

If you desire to purchase unapproved products, or Products (except for Proprietary Products, which are discussed below) or Store Items from other than approved suppliers, you must submit to us a written request to approve the proposed product or supplier, together with such evidence of conformity with our specifications as we reasonably require. We will have the right to require that our representatives be permitted to inspect the supplier's facilities, and that samples from the supplier be delivered for evaluation and testing either to us or to an independent testing facility designated by us. You must pay a charge not to exceed the reasonable cost of the evaluation and testing. We will use our best efforts to complete our review within 45 days. If we do not give our written approval within 60 days, we will be deemed to have disapproved the proposed new supplier. We may, from time to time, revoke our approval of particular Products, Store Items or suppliers if we determine, in our sole discretion, that the Products or suppliers no longer meet our standards. Upon receipt of written notice of such revocation, you must cease to sell any disapproved product and/or cease to purchase from any disapproved supplier.

Our specifications either: (1) are contained in the Manuals or otherwise in writing; or (2) will be provided to you upon request. We, however, have no obligation to make available to prospective suppliers, the standards and specifications that we deem confidential. When approving suppliers, we consider whether they demonstrate the ability to meet our standards and specifications and whether they possess adequate quality controls and capacity to supply your needs promptly and reliably. However, our approval may be withheld for any reason.

We estimate that your purchases from approved suppliers or conforming to our specifications will represent approximately 85% (or greater) of your total purchases in establishing the Franchised Restaurant, and approximately 85% (or greater) in the continuing operation of the Franchised Restaurant.

As of the date of this disclosure document, neither we nor our affiliates are currently approved suppliers and therefore our predecessor franchisor did not derive any revenue from franchisees' purchases or leases during its most recent fiscal year.

We may establish strategic alliances or preferred vendor programs with suppliers that are willing to supply some products, equipment, or services to some or all of the Cosi Restaurants in our System. If we do establish those types of alliances or programs, we may limit the number of approved suppliers with whom you may deal, we may designate sources that you must use for some or all products, equipment and services, and we may refuse to approve proposals from franchisees to add new suppliers if we believe that such refusal would be in the best interests of the System or the franchised network of Cosi Restaurants. There are currently no purchasing or distribution cooperatives in our System.

We and/or our affiliates may receive payments or other compensation from suppliers on account of the suppliers' dealings with us, you, or other Cosi Restaurants in the System. We may use any amounts that we receive from suppliers for any purpose that we deem appropriate. We and/or our affiliates may negotiate supply contracts with our suppliers under which we are able to purchase products, equipment, supplies, services and other items at a price lower than that at which our franchisees are able to purchase the same items. Under arrangements with certain beverage and food suppliers and our primary food service distributor, we have the right to collect a rebate on total System purchases, including franchisee purchases. In 2018, we did not receive any rebates based on franchisee purchases. In 2019, we expect to earn rebates under our primary distribution agreement, based on System-wide purchases and we may negotiate additional rebates from vendors supplying products through our primary distributor. To the extent our franchisees make purchases through our primary distribution agreement, we may receive rebates on the portion of the purchases attributable to franchises. Additionally, if franchisees purchase beverages under our beverage agreements, we may receive rebates based on System-wide volume purchases, including any franchisee purchases. None of our officers owns an interest in any companies that are suppliers to our franchisees.

Proprietary Products

The Proprietary Products that are offered and sold in Cosi Restaurants are manufactured in accordance with our proprietary recipes, formulae and specifications. In order to maintain the high standards of quality, taste, and uniformity associated with Proprietary Products sold at all Cosi Restaurants in the System, you must purchase Proprietary Products only from the suppliers and distributors that we designate in our sole discretion, and you may not offer or sell any Proprietary Products that have not been purchased from us or our designated suppliers at or from the Franchised Restaurant. We will have the right to periodically introduce additional Proprietary Products, or to withdraw Proprietary Products.

<u>Insurance</u>

You also must obtain, before beginning any operations under the Franchise Agreement, and must maintain in full force and effect at all times during the term of the Franchise Agreement, at your own expense, an insurance policy or policies protecting you, us, our affiliates, and our respective officers, directors, partners, and employees. Additionally, you must obtain, before beginning construction or renovation of the Franchised Restaurant at the premises and must maintain in full force and effect at all times during construction or renovation at the Franchised Restaurant, at your own expense, a builder's risk insurance policy or policies. The policies must provide protection against any demand or claim relating to personal and bodily injury, death, or property damage, or any liability arising from your operation of the Franchised Restaurant. All policies must be written by a responsible carrier or carriers whom we determine to be acceptable, must name us and our affiliates, and our officers, directors, partners and employees, as additional insureds, and must provide at least the types and minimum amounts of coverage specified in the Franchise Agreement or otherwise in the Manuals or otherwise in writing. Additionally, we may designate one or more insurance companies as the insurance carrier(s) for Cosi Restaurants. If we do so, we may require that you obtain your insurance through the designated carrier(s). Our insurance requirements are in addition to the insurance requirements and terms required under the leases for your Franchised Restaurants.

Except as described above, neither we nor any affiliate of ours will derive revenue as a result of your purchases or leases in accordance with our specifications or standards or from approved suppliers. Except as described in this Item 8, we provide no material benefits to franchisees based on their use of approved suppliers. However, in determining whether to renew your franchise rights or to grant you additional franchises, among the factors we may consider is your compliance with the requirement to purchase only from approved suppliers.

Leases

If you will occupy the premises of your Franchised Restaurant under a lease, then you must, before executing the lease, submit the lease to us for our review and approval, which will not be unreasonably withheld. Your lease or sublease (or rider to the lease or sublease) must contain the lease terms and conditions that we may reasonably require in writing, a current list of which is included as Attachment 1 to the Site Selection Addendum and Exhibit E to the Development Agreement (See Item 22).

ITEM 9
FRANCHISEE'S OBLIGATIONS

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

Obligation	Section(s) in Franchise Agreement	Section(s) in Development Agreement	Disclosure Document Item(s)
(a) Site selection and acquisition/lease	Exhibit A, Site Selection Addendum	5.1 and Exhibit A	11
(b) Pre-opening purchases/leases	5, Site Selection Addendum	Not applicable	7 and 8
(c) Site development and other pre-opening requirements	5, Site Selection Addendum	3.2	8 and 11
(d) Initial and ongoing training	6	8.2	11
(e) Opening	5	Not applicable	11
(f) Fees	4 and 13	4	5 and 6
(g) Compliance with standards and policies/Operating Manual	8, 10, and 13	5	8, 11, and 14
(h) Trademarks and proprietary information	8.8, 8.10, 9, and 10.2	1.4	13 and 14

Obligation	Section(s) in Franchise Agreement	Section(s) in Development Agreement	Disclosure Document Item(s)
(i) Restrictions on products/services offered	1.3 and 8.6	1	5, 8 and 16
(j) Warranty and customer service requirements	23	Not applicable	16
(k) Territorial development and sales quotas	1 and Exhibit A	Not applicable	12
(l) On-going product/service purchases	8	Not applicable	8
(m) Maintenance, appearance and remodeling requirements	5 and 8	Not applicable	8
(n) Insurance	14	Not applicable	7 and 8
(o) Advertising	12	Not applicable	6, 7, 8, and 11
(p) Indemnification	21.4	12.4	Not applicable
(q) Owner's participation/ management and staffing	8.3 and 8.4	Not applicable	15
(r) Records/reports	12	5.3 and 5.4	6
(s) Inspections/audits	8.9	Not applicable	6 and 11
(t) Transfer	15	7	17
(u) Renewal	2.2	Not applicable	17
(v) Post-termination obligations	18.3 and 1.7	6.6	17

Obligation	Section(s) in Franchise Agreement	Section(s) in Development Agreement	Disclosure Document Item(s)
(w) Non-competition covenants	18	8	17
(x) Dispute resolution	27	16	17
(y) Other – Personal guaranty	19.2	9.2	17

ITEM 10
FINANCING

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

ITEM 11
FRANCHISOR'S OBLIGATIONS

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

Pre-opening Obligations

We are required by the Site Selection Addendum, Franchise Agreement, and Development Agreement to provide certain assistance and services to you.

Franchise Agreement. Before you open your Franchised Restaurant:

1. If you sign the Site Selection Addendum, we will provide you with site selection guidelines, including our minimum standards for a location for Cosi Restaurants, and such site selection counseling and assistance as we consider advisable. (Section 2.1 of the Site Selection Addendum)

2. If you sign the Site Selection Addendum, we will provide you with such on-site evaluation as we consider advisable in response to your request for site approval. (Section 2.2 of the Site Selection Addendum)

3. We will provide you with our standard initial management training program for up to four persons (unless you are an area developer and the Franchise Agreement is for your third or subsequent Franchised Restaurant). (Training is also discussed below in this Item 11 under the subheading "Training.") We will be responsible for the cost of instruction and materials, subject to the terms stated in the Franchise Agreement. (Franchise Agreement, Sections 3.2, 6)

4. We will, at no charge to you, provide you or your design firm and/or architect with our specifications or plans for the construction of a Cosi Restaurant and for the exterior and interior design and layout, fixtures, equipment, furnishings, and signs. You will be responsible for hiring your own architect or employing a design firm and/or architecture firm designated by or acceptable to us, to adapt the plans to your site (with our approval as described below under the heading "Construction and Layout of Restaurant"), and for hiring a contractor to build the Franchised Restaurant in accordance with those approved plans. You are also responsible for compliance with all local and other requirements relating to the plans, including for example, zoning, code, and compliance with the Americans with Disabilities Act. (Franchise Agreement, Sections 3.1, 5.1)

5. We have the right to inspect and approve the Franchised Restaurant for opening before the initial opening. You may not start operation of your Franchised Restaurant until receiving our approval to do so. (Franchise Agreement, Section 5.2)

6. We will provide on-site pre-opening and opening supervision and assistance as described in Item 6. (Franchise Agreement, Section 3.3)

7. We will lend you, for the duration of the Franchise Agreement, copies of the Manuals (which are more fully described in Item 14 below). (Franchise Agreement, Section 3.4)

8. We will assist you in developing a Grand Opening Advertising Program (which is more fully described in Item 7 of this disclosure document and in this Item under "Advertising"); you will be responsible for the cost of this program. (Franchise Agreement, Sections 3.6, 13.5)

9. We will provide you a list of our then-current designated or approved suppliers. (Franchise Agreement, Section 3.9)

Development Agreement: Before you open the Franchised Restaurant:

1. We will issue a no-objection letter or deny your proposed site for each Franchised Restaurant. (Section 3.2)

2. We will provide you with site selection guidelines, including our minimum standards for restaurant sites, and other site selection counseling and assistance as we deem appropriate. (Section 5.1)

3. If we determine that an on-site evaluation is appropriate, we will, at no charge to you, visit the site and provide you with our visual on-site evaluations as we consider advisable for each Franchised Restaurant to be developed under the Development Schedule.

We are not required by the Franchise Agreement or Development Agreement to furnish any other service or assistance to you before the opening of your Franchised Restaurant.

Continuing Obligations

We are required by the Franchise Agreement to provide certain assistance and service to you. During the operation of your Franchised Restaurant:

1. We may conduct, as we deem advisable, periodic inspections of the Franchised Restaurant and may provide evaluations of the Products sold and services rendered at the Franchised Restaurant. (Franchise Agreement, Sections 3.8, 8.7.2)

2. We will make available additional training programs, as we deem appropriate. (Franchise Agreement, Sections 6.4, 6.7)

3. We will give you periodic and continuing advisory assistance as to the operation and promotion of the Franchised Restaurant, as we deem advisable. (Franchise Agreement, Section 3.7)

4. We will have the right, in our sole discretion, to establish and administer the System Ad Fund as stated in the Franchise Agreement and as described below in this Item 11. (Franchise Agreement, Section 13.2)

The Franchise Agreement does not require us to provide any other assistance or services to you during the operation of the Franchised Restaurant. As the Development Agreement relates to the development of Franchised Restaurants, the Development Agreement does not require us to provide any other assistance or services during the operation of the Franchised Restaurant.

Site Selection

Under the Site Selection Addendum

If at the time you sign the Franchise Agreement you do not already possess a location that we find acceptable for a Cosi Restaurant, you must sign our Site Selection Addendum to the Franchise Agreement (the current form of which is Exhibit B to the Franchise Agreement), which contains procedures for locating, evaluating, and obtaining our no-objection letter for a site. Under the Site Selection Addendum, we will furnish site selection guidelines to you, including our minimum standards for a location for the Franchised Restaurant, and any site selection counseling and assistance as we may deem advisable. Under the terms of the Site Selection Addendum, you will have 150 days (the "**Search Period**") within which to lease, sublease or acquire a site for the Cosi Restaurant, subject to our requirements and our site selection guidelines.

Within 60 days after signing the Site Selection Addendum, you must submit to us a completed site review package in a form specified by us, which includes an option contract, with a letter of intent, or other evidence satisfactory to us that describes your favorable prospects for obtaining such site, photographs of the site, demographic statistics, and other such other information or materials that we may reasonably require (collectively, the "**SRP**"). In response to your request for site approval, we will perform such on-site evaluations of the proposed site for the Franchised Restaurant to be developed as we deem advisable. However, we will not be required to provide on-site evaluations of any proposed site(s) in addition to your first proposed site for the Franchised Restaurant. Under the terms of the Site Selection Addendum, we will have 20 business days after we receive the SRP from you to issue a no-objection letter or to disapprove the location for the Franchised Restaurant. You must, on terms that we deem acceptable, secure a lease or a binding agreement for the purchase of the authorized site within 75 days after we issue a no-objection letter. If you fail to acquire or lease a site for the Franchised Restaurant under the Site Selection Addendum within the time required, we may, in our discretion, terminate the Franchise Agreement.

Under an Area Development Agreement

For each proposed site for a Franchised Restaurant to be developed under the Development Agreement, you must also submit to us a completed SRP. We will have 20 business days after we receive the SRP from you to issue a no-objection letter or to disapprove, in our sole discretion, the location for the Franchised Restaurant. You must, on terms that we deem acceptable, secure a lease or a binding agreement for the purchase of the authorized site.

Terms Applicable to Site Selection Addendum and Area Development Agreement

Under either the Site Selection Addendum or the Development Agreement, we will be deemed to have disapproved a proposed location unless we have issued a no-objection letter to you. In reviewing a location for the Franchised Restaurant, we consider the location, neighborhood, traffic patterns, visibility, parking facilities, size, lease, and zoning. If we do not approve a site that you propose, you may submit additional SRPs for alternative proposed sites. If you do not locate and secure an acceptable site within the required time frames (*i.e.*, the expiration of the Search Period under a Site Selection Addendum, and the deadline set forth in the Development Schedule to sign the Franchise Agreement for such Cosi Restaurant to be established under a Development Agreement), you will be in default of your agreement with us for which we may terminate your agreement. As described in Item 5, the Franchise Fee and Development Fee are non-refundable.

Our no-objection to (or failure to disapprove of) a site does not constitute an assurance, representation, or warranty of any kind, express or implied, as to the suitability of the site for the Franchised Restaurant or for any other purpose, or as to any expected level of sales, revenues or profits. No objection by us of the site indicates only that the site meets the minimum requirements for a Cosi Restaurant site.

Regardless of whether we enter into a Site Selection Addendum or Development Agreement, the lease or purchase agreement must be submitted to us for our approval prior to the time you acquire the authorized site.

Computer System

You will need to acquire (either by purchase or lease) the computer hardware and software system that we specify from time to time (a "**Computer System**"), and maintain any maintenance, update, upgrade or support contracts that we may require in connection with the Computer System

(Franchise Agreement, Section 7.1). The term Computer System refers to hardware, network and software for the management and operation of the Franchised Restaurant and for reporting and sharing information with us, point-of sale / cash register systems, and communication systems (including modems, cables, etc.). Our requirements may fluctuate as does the price and availability of new computer technology and based on changes in industry and regulatory requirements and standards relating to technology and data. As of the date of this disclosure document, our requirements are described below. We have not approved any hardware or software or support services in place of these systems and programs, although we have the right to do so in the future. Also, if you wish to use a computer system that differs from the Computer System that we have specified or approved, you may request approval to do so. If approved, your costs in operating an alternative computer system, including the costs to interface and meet future requirements with our Computer System and related network and software partners in the manner we require, will be at your cost and may be substantially higher.

Vendor	**Address**	**Description of Item**
NetPOS (1)	210 Collingwood Ave., Suite 106 Ann Arbor, MI 48103	NetPOS v5.19.3 or latest Cosi approved PCI compliant version.
PAYTRONIX	125 Cambridge Park Drive Cambridge, MA 02140	CosiCard® gift and loyalty card processing and reporting services (minimum version 12.2.4)
MonkeyMedia	220 – 1401 W. 8th Avenue, Vancouver, BC Canada 46H 1C9	Cosi's Online Ordering and Mobile Ordering provider

Notes to Item 11 Table:

(1) NetPOS is the current preferred vendor for the POS System.

The hardware and software that we currently use is not proprietary to us but is proprietary property to the vendors described above. We currently require you to maintain contracts from the vendors described in the chart above for services, including gift and loyalty card processing, online ordering processing, hardware and software repair and maintenance, helpdesk services, and support and upgrade services for the communications and information systems. We estimate that it may cost you approximately $10,000 to $20,000 to purchase the Computer System, which includes the standard NetPOS restaurant system, MonkeyMedia and Paytronix (but does not include other systems that we may recommend or that you may choose to utilize, such as Net Chef or other inventory control application). Additionally, we estimate that annual costs for other required services will be approximately $2,500 for POS help desk and maintenance fees, $1,400 for Paytronix fees, $1,750 for MonkeyMedia, and $1,500 for hardware maintenance. These estimates do not include network/circuit costs for the Franchised Restaurant since the costs may vary significantly from location to location, depending upon the technology that is available, the technology solution you select, building requirements and location.

We have the right to change our specifications in the future to take advantage of technological advances, to adapt the system to meet operational needs and changes, and to adapt to changes in industry and regulatory requirements and standards relating to technology and data. We may require you to bring any computer hardware, network and software, related peripheral equipment, and communications systems into conformity with our then-current standards for new Cosi Restaurants. In connection with a proprietary program, we or our approved vendor may require you to sign a license or maintenance agreement in order to obtain and use the proprietary program. We also require, and it is your responsibility to ensure that, the Computer System, network and any device that interfaces with the Computer System or any of our systems or network be fully compliant with the most current PCI Data Security Standards and other similar security standards determined from time to time (which are the credit card security standards established, maintained and updated by major credit card companies to ensure consumer credit card data privacy and security). Other than providing you with information regarding our specifications and requirements for the Computer System, we are not required to assist you in obtaining hardware, software, compliance with PCI and other security standards or related information technology services. We will endeavor to keep these changes infrequent and reasonable in cost but the Franchise Agreement does not impose a limit as to the number or cost of such changes to the Computer System.

You must provide us with access to your Computer System in the form and manner that we may request, which may include unimpeded and independent access. We reserve the right to download sales, costs, inventory related information, customer service related information, and all other data and communications related to the operation of your Franchised Restaurant from your Computer System. There is no contractual limitation on our right to access and/or receive this information. We will exclusively own all data provided by you, downloaded from your Computer System, and otherwise collected from your Computer System. We will have the right to use such data in any manner that we deem appropriate without compensation to you.

We will also have the right to establish a website or other electronic system providing private and secure communications (*e.g.*, an extranet) between us, our franchisees, and other persons and entities that we determine appropriate. If we require franchisees to do so, you must establish and maintain access to the extranet in the manner we designate. Additionally, we may from time to time prepare agreements and policies and require specific security requirements concerning the use of the extranet that you must acknowledge and/or sign. (Franchise Agreement, Section 7.5)

Advertising

Recognizing the value of advertising, and the importance of the standardization of advertising programs to the furtherance of the goodwill and public image of the System, we reserve the right to require you to expend on advertising and promotion, or to participate in and contribute for the purpose of advertising and promotion, each year during the term of the Franchise Agreement (the "**Advertising Obligations**"). We have the right to require you to spend money on local advertising and promotion, contribute to the System Ad Fund, and/or contribute to a Market Ad Fund. See Item 6 for a summary of the total amount we can require you to expend on advertising and promotion.

We will determine what proportion of the Advertising Obligations you must: (1) contribute to the System Ad Fund; (2) contribute to a market advertising fund (if one is established for your region (a "**Market Ad Fund**")); or (3) spend on local advertising and promotion. No matter how we determine to split your Advertising Obligations, the total amount that we may require you to pay or spend will not exceed five percent of the Net Sales of your Franchised Restaurant. (Section 13.1 of Franchise Agreement). Our affiliate-owned Cosi Restaurants will contribute to the System Ad Fund or Market Ad Fund on the same basis as franchisees in the System, generally, are required to contribute. The coverage of any media used in these advertising activities may be local, regional or national in scope.

<u>System Ad Fund</u>

We collected funds for our System Ad Fund during fiscal year 2018, and those funds were spent approximately as follows: 33.3% on advertising, 37.1% on production (printing), and 29.6% on administrative expenses. All collected funds for the System Ad Fund will be used in accordance with paragraphs (a) through (e) below and the franchise agreements. Our System Ad Fund is currently being administered by Cosi, Inc. for us. Franchisees contribute the amounts described in Item 6 under the heading "Advertising Fees and Expenses" to the System Ad Fund. Each of our affiliate-owned Cosi Restaurants contribute to the System Ad Fund on the same basis as our franchisees. We expect that we will typically disseminate advertising in one or more of print, radio, television or other electronic media, or in-store merchandising. We (or our designee, which might be a parent entity, affiliate or subsidiary or an advertising agency or consulting firm) will maintain and administer the System Ad Fund, as follows:

(a) We (or our designee) will direct all advertising programs and will have the sole right to decide the concepts, materials, and media used in these programs and the placement and allocation of the programs. The System Ad Fund is intended to maximize general public recognition, acceptance, and use of the System. Neither we nor our designee will be obligated to make expenditures for you that are equivalent or proportionate to your contribution, or to ensure that any particular franchisee benefits directly or *pro rata* from expenditures by the System Ad Fund.

(b) The System Ad Fund, and all contributions to and earnings from the System Ad Fund, will be used exclusively to meet the costs of marketing and any other activities that we believe (or our designee believes) will enhance the System's image and, in our (or our designee's) sole discretion, promote general public awareness of and favorable support for the System. This includes, among other things, the costs of preparing and conducting media advertising campaigns; direct mail advertising; marketing surveys and other public relations activities; developing and maintaining our Website or other Online Sites (as defined below); employing advertising personnel (in-house) or retaining third-party advertising and public relations agencies, and independent contractors; purchasing promotional items, conducting and administering visual merchandising, point of sale, and other merchandising programs; research and development and product testing; and providing promotional and other marketing materials and services to the Cosi Restaurants operated under the System; and administrative costs and overhead as described in paragraph (d) below. We (or our designee) may allocate a reasonable amount of the System Ad Fund toward the cost of our website's maintenance and further development, including on-line ordering, catering or other functions. The Website and other Online Sites that we participate in may have a section relating to our franchise opportunity, and all advertising and promotional materials may reflect the availability of Cosi Restaurant franchises. Otherwise, neither we nor our designee use any System Ad Fund monies for advertising that is principally a solicitation for the sale of franchises.

(c) You must contribute to the System Ad Fund by EFT (electronic fund transfer) by the third business day after the close of each Week (see also Item 6, note 2). All sums you pay to the System Ad Fund will be maintained in our (or our designee's) records in a separate account although the monies will not be maintained in a bank account separate from our (or our designee's) other monies. The System Ad Fund is not and will not be our (or our designee's) asset, and we or our designee will maintain separate bookkeeping accounts for the System Ad Fund.

(d) We will have the right to charge the System Ad Fund for the reasonable administrative costs and overhead that we incur in activities reasonably related to the direction and implementation of the System Ad Fund and advertising programs for you and the System (for example, salaries, costs of our or our designee's personnel for creating and implementing, associated overhead, advertising, merchandising, promotional, and marketing programs). The System Ad Fund and its earnings will not otherwise inure to our (or our designee's) benefit or be used to solicit the sale of franchises.

(e) We (or our designee) may make available to franchisees from time to time, marketing plans and promotional materials, including newspaper mats, coupons, merchandising materials, sales aids, point-of-purchase materials, special promotions, direct mail materials, television or radio commercials, and similar marketing and promotional materials produced from contributions to the System Ad Fund. Additionally, we (or our designee) may sell such items to franchisees in the System at a reasonable price, and any proceeds from any those sales will be contributed to the System Ad Fund.

(f) Any interest earned on the System Ad Fund and to the extent any vendor rebates are contributed to the System Ad Fund, those amounts (if any) will be spent first before other funds in the System Ad Fund. If all of the money in the System Ad Fund is not used in the year in which it is received, these amounts will be used in the next fiscal year. Although the System Ad Fund is intended to be of perpetual duration, we maintain the right to terminate the System Ad Fund. The System Ad Fund will not be terminated, however, until all monies in the System Ad Fund have been spent for advertising or promotional purposes and costs related to termination. Although we (and our designee) are not required to maintain the funds in a separate bank account, an annual statement (in unaudited form) of the operations of the System Ad Fund as shown on our books will be prepared by us (or the designated administrator for the System Ad Fund), and a copy will be provided to you upon your written request.

Market Ad Funds

We will have the right, as we see fit, to establish a Market Ad Fund for your region, which would be in addition to the System Ad Fund. The purpose of a Market Ad Fund is to conduct advertising campaigns for the Cosi Restaurants located in that region. As of the date of this disclosure document, there are no Market Ad Funds in existence.

If a Market Ad Fund for your area was established before you began to operate your Franchised Restaurant, then when you open your Franchised Restaurant, you must immediately join that Market Ad Fund. If a Market Ad Fund for your area is established after you begin to operate your Franchised Restaurant, then you will have 30 days to join the new Market Ad Fund. An individual Cosi Restaurant will not be required to be a member of more than one Market Ad Fund. If we (or an affiliate) contribute to a Market Ad Fund, we (or such affiliate) will have the same voting rights for our affiliate/Company-owned Cosi Restaurants as do our franchisees with respect to their Cosi Restaurants.

The following provisions will apply to each Market Ad Fund (if and when organized):

(a) Market Ad Funds will be established, organized, and governed in the form and manner that we have (or our designee has) approved in advance in writing.

(b) Market Ad Funds will be organized according to written governing documents for the exclusive purpose of administering regional advertising programs and developing (subject to our (or our designee's) approval) standardized promotional materials for use by the members in local advertising and promotion.

(c) Market Ad Funds may not use advertising, promotional plans, or materials without our (or our designee's) prior written approval, as described below under the heading "Local Advertising and Promotion."

(d) You must submit your required contribution to the Market Ad Fund according to the schedule we designate (or our designee designates) for the Market Ad Fund. At the same time, you will have to submit the reports that we (or our designee) or the Market Ad Fund require. We (or our designee) may require you to submit this payment by EFT or by check. We (or our designee) also may require that your payments and reports to the Market Ad Fund be made to us (or our designee) for distribution to the Market Ad Fund. Any interest earned on the Market Ad Fund and to the extent any vendor rebates are contributed to the Market Ad Fund, those amounts (if any) will be spent first before other funds in the System Ad Fund.

(e) We maintain the right to terminate any Market Ad Fund. A Market Ad Fund will not be terminated, however, until all monies in that Market Ad Fund have been expended for advertising or promotional purposes and the costs and expenses of termination; unless there are no remaining Cosi Restaurants in the Market Ad Fund, in which event, we (or our designee) will transfer the remaining monies to the System Ad Fund.

Local Advertising and Promotion

Certain criteria will apply to any local advertising and promotion that you conduct. All of your local advertising and promotion must be dignified, must conform to our standards and requirements, and must be conducted in the media, type, and format that we have approved. You, or any Market Ad Fund, may not use any advertising or promotional plans that we have not approved in writing. You must submit to us samples of all proposed plans and materials. You are not required to obtain our approval of the prices you intend to charge. If we do not give our written disapproval within five days, we will have been deemed to have approved the plans or materials.

All copyrights in and to advertising and promotional materials you develop (or that are developed for you) will become our sole property. You must sign the documents (and, if necessary, require your independent contractors to sign the documents) that we deem necessary to implement this provision. (The requirements in this paragraph, as well as in the previous paragraph, will also apply to any Market Ad Funds.)

As discussed in Item 7, in addition to (and not in place of) the Advertising Obligations, you must prepare and conduct an opening advertising program (the "**Opening Advertising Program**") within two to three months after you open your Franchised Restaurant, in accordance with our specifications for that program. All materials used in the Opening Advertising Program will be subject to our prior written approval, as described above. The Opening Advertising Program is considered "local advertising and promotion" and is therefore subject to the restrictions described below. We will work with you to develop your Opening Advertising Program for your market. We or our affiliates or approved suppliers may periodically make available to you, for purchase, certain advertising plans and promotional materials for your use in local advertising and promotion.

As used in the Franchise Agreement, the term "**local advertising and promotion**" refers to only the costs of purchasing and producing advertising materials (such as camera-ready advertising), media (space or time), promotion, and your direct out-of-pocket expenses related to costs of advertising and sales promotion in your local market or area. Local advertising and promotion also includes associated advertising agency fees and expenses, postage, shipping, telephone, and photocopying costs. "Advertising and sales promotion" does not, however, include any of the following: salaries and expenses of your employees; charitable, political, or other contributions or donations; and, the value of discounts given to customers.

Online Sites

The term "**Online Site**" means one or more related documents, designs, pages, or other communications that can be accessed through electronic means, including, but not limited to, the Internet, World Wide Web, webpages, microsites, social networking sites (for example, Facebook, Twitter, LinkedIn, You Tube, Google Wave, Google Plus, Pinterest, etc.), blogs, vlogs, applications to be installed on mobile devices (for example, iOSd or Android apps), and other applications, etc. Unless we have otherwise approved in writing, you may not establish or permit any other party to establish an Online Site relating in any manner whatsoever to your Franchised Business or referring to the Proprietary Marks. You also may not offer, promote, or sell any products or services, or make any use of the Proprietary Marks, through the Internet, without our prior written approval. We may require that your only presence on the Internet will be through one or more webpages that we establish on our website. However, if we approve a separate Online Site for you (which we are not obligated to do), we have the right to establish any requirement that we deem appropriate including that you adhere to certain rules and standards concerning any Online Site. These may include: (1) before establishing any Online Site, you must submit to us, for our prior written approval, a sample of the proposed Online Site, including its domain name, format, visible content (including, without limitation, proposed screen shots), and non-visible content (including meta tags), in the form and manner we may require; (2) you must not use or modify an Online Site without our prior written approval; (3) you must comply with the standards and specifications for Online Sites that we may periodically prescribe in the Manuals or otherwise in writing; (4) if we require, you must establish hyperlinks to our Online Site and other Online Sites; and (5) we may require you to make us the sole administrator (or co-administrator) of any social networking pages that you maintain or that are maintained on your behalf. If you maintain an Online Site, you are responsible for ensuring the site is at all times compliant with applicable laws, rules and regulations, including, without limitation, ADA, privacy and security requirements.

Franchisee Advisory Council

At this time, we do not have a Franchisee Advisory Council. However, we have the right, but no obligation, to establish a Franchisee Advisory Council to serve in an advisory capacity, providing us with advice on marketing and operations, among other things. If we establish a Franchisee Advisory Counsel, we will have the right to dissolve or make other changes to it.

Training

Before each of your first and second Franchised Restaurants open, you must complete all of our initial management training requirements, and you must train all of your employees prior to opening. Unless you are an area developer or you are opening your third or subsequent Franchised Restaurant (the differing requirements for area developers are described below), you (or, if you are other than an individual, your Designated Principal) and, if applicable, the General Manager must attend and successfully complete, to our satisfaction, the initial management training program that we offer at a location designated by us. (See Item 15 for details regarding our requirements for the management and operation of the Franchised Restaurant). Additionally, we may also require that other managerial persons, up to a total of four individuals (including the Designated Principal and General Manager), attend and successfully complete the initial management training program. We conduct the initial management training program on an as-needed basis no later than approximately 42 days prior to the scheduled opening of your Franchised Restaurant. We will bear the cost of all training (instruction and certain required materials) for the initial management training program, and all other training, except for additional training and assistance that we provide at your Franchised Restaurant (as described below). You will bear all other expenses incurred in attending training, such as the costs of transportation, lodging, meals, wages, and workers' compensation insurance (see Items 6 and 7 of this disclosure document).

If you are an area developer, then by the time you are developing your third Franchised Restaurant, you must be prepared (by meeting all of our requirements) to train the General Manager and other managerial personnel for your third and subsequent Franchised Restaurants.

This requires that you have management personnel who have completed to our satisfaction our initial management training program and who continue to meet our standards and requirements for providing this training to other managerial personnel, and that you conduct the training of these additional managerial personnel according to the programs and requirements that we specify in the Manuals and other written materials. If we determine that you or your managerial personnel do not meet these requirements, we may require that your additional managerial personnel attend and complete the initial management training program we provide for new franchisees.

If you (or the Designated Principal) or the General Manager cease active employment in the Franchised Restaurant, then you must enroll a qualified replacement (who must be reasonably acceptable to us) in our initial management training program promptly following cessation of employment of said individual, provided that you may train General Managers in accordance with Section 6.3 of the Franchise Agreement. The replacement Designated Principal and any required managerial personnel shall complete the initial management training program as soon as is practicable and in no event later than any time periods we specify from time to time in the Manuals and otherwise in writing. We have the right to review any managerial personnel you trained and to require that such persons attend and complete, to our satisfaction, our initial management training program.

As part of the opening of your first and second Franchised Restaurant, we will conduct pre-opening training and opening assistance at your Franchised Restaurant. We will bear the costs associated with providing this training. We will provide one or more of our representatives for the purpose of facilitating the opening of your Franchised Restaurant. Prior to the time our representatives arrive at your Franchised Restaurant, you must have completed the training of your initial managerial personnel. During the pre-opening training, our representative will also assist you in establishing and standardizing procedures and techniques essential to the operation of a Cosi Restaurant and will assist in training your hourly personnel. We will not be responsible for training or offering guidance with respect to compliance with any laws, ordinances, or other legal matters. If you request additional days of on-site training in connection with your opening, or at a later time, we may charge you our then-current per diem training fee for the additional training provided; and, you will also have to reimburse us for all out-of-pocket costs and expenses associated with the additional training, including lodging, food and travel arrangements of the trainers. (See Item 6 regarding the costs).

The subjects covered in the initial training program are described below. The classroom portion of the training will be provided through our Cosi Academy, an interactive online training platform (Schoox) that provides you with knowledge of all components of restaurant operations. The materials for the training will be provided through our online training platform, and training materials may include our Manuals, other materials, handouts and use of other presentation tools. We have the right to change the duration and content of our initial training program.

MANAGEMENT TRAINING PROGRAM

Subject	Hours of Classroom (Online) Training	Hours of On-the-Job Training	Location
Cosi Orientation	2		Certified Training Restaurant* *(in territory to be determined)*
Shift Management Procedures (Open & Close Shifts)Including: Guest Service Procedures Labor Management Inventory Management NetPOS System Repair & Maintenance Procedures Operations Systems Exams & Validations	23	80	Certified Training Restaurant*
Ovenline Procedures Including: Salads Sandwiches Other	4	54	Certified Training Restaurant*
Barista Procedures	4	21	Certified Training Restaurant*
Catering Procedures	4	16	Certified Training Restaurant*
Expediter Procedures		21	Certified Training Restaurant*
Prep Position	5	14	Certified Training Restaurant*
Baker Position	6	16	Certified Training Restaurant*
TOTALS	**48**	**222**	

*The term "**Certified Training Restaurant**" refers to the Cosi Restaurants that we have identified as suitable locations at which to conduct the initial management training to franchisees. We strive to maintain at least one Certified Training Restaurant in seven major markets of the states in which our affiliate-owned Restaurants, and the current Certified Training Restaurants are located in: Arlington, Virginia; New York, New York; Chicago, Illinois; and Boston, Massachusetts. The specific Certified Training Restaurant to be used for training will be determined on a case-by-case basis on a variety of factors, including proximity to the location where the Franchised Restaurant will be operated, convenience for both you and us, the capacity of the Certified Training Restaurant, the format and type of location that will apply to the Franchised Restaurant, and other factors.

The initial management training for your first or second Cosi Restaurant will consist of approximately 30 days of training, which is currently conducted at a certified training Cosi Restaurant that we designate. In the future, we may conduct portions of the training at our headquarters in the Boston, Massachusetts, area or other additional training facilities. We will also provide eight days of on-site assistance at your Franchised Restaurant as you open your Franchised Restaurant, including four days prior and four days at opening. The portion of training that is conducted in Massachusetts, or in a regional Certified Training Restaurant or facility or other location that we designate, must be completed at least 30 days in advance of the scheduled opening of your Franchised Restaurant. We will schedule and conduct training periodically on an as-needed basis. If, you are developing your third or subsequent Cosi Restaurant, then you will be responsible for conducting the initial management training of your Designated Principal and your General Manager (if applicable), and any other managerial personnel, according to our standards and conditions, and you will also be responsible for providing hourly personnel to support the pre-opening training at your third or subsequent Cosi Restaurant.

Additionally, we may require that you or your Designated Principal and General Manager attend such refresher courses, seminars, and other training programs as we may require from time to time, provided that required refresher and additional training will not exceed (a) seven days (per trainee) each year at our headquarters, regional training facility or other location that we designate, and (b) three days (per trainee) each year to attend a convention for the franchise system. We will schedule and conduct training periodically on an as-needed basis. We may offer voluntary training programs. If these refresher and additional training programs are conducted at our headquarters in Massachusetts, or at our affiliate-owned Cosi Restaurants, we will bear the costs associated with providing these training programs (including instruction and certain required materials). However, if you request that we provide any of this training at your Franchised Restaurant, and we do so, we may charge you our then-current per diem training fee for the additional training provided; and, you will also have to reimburse us for all out-of-pocket costs and expenses associated with the additional training, including lodging, food, and travel arrangements of the trainers. (See Item 6 regarding the costs).

We incorporate online training into our initial and ongoing training programs through the Schoox online training platform. These programs are prepared and updated by our training and operations teams, and certain portions of the Schoox online training program are available to our franchisees at the same subscription rate (currently $45 per month per location) negotiated for our corporate-owned restaurants. If you elect to utilize Schoox to access portions of our online training program, you will be required to enter into a separate agreement directly with the vendor.

The key members of our training and franchise support teams include the following:

<u>Senior Director Training: Matthew Porter</u>
Matthew Porter has served as the Senior Director Training of Cosi, Inc. since May 2017, performing the same services for us. Mr. Porter has more than 15 years of operations and training experience, including most recently service as Senior Director Training with Cosi,

Inc. since February 2017. From November 2017 to February 2014, Mr. Porter served as Field Café Operations Café of Barnes and Noble located in New York, New York.

Director Franchise Support: Stan Loring
Stan Loring has served as the Director Franchise Support of Cosi, Inc. since July 2017, performing the same services for us. He has more than 25 years of operations and training experience, including most recently from March 2017 to July 2017, serving as the Director of Operations of Locke Wings dba Wingstop, located in Worcester, Massachusetts, and from September 2016 to March 2017, as Chef / Operator of Dig Inn, located in Boston, Massachusetts. Prior to that, he was with Cosi, Inc., located in Boston, Massachusetts, where he served as Regional Manager from January 2016 to September 2016, and Area Director from April 2015 to January 2016. From November 2007 to April 2015, Mr. Loring served as Area Director with Hearthstone Associates, LLC, a franchisee of the predecessor franchisor prior to Hearthstone Associates, LL C being acquired by Cosi, Inc. in a merger.

Our Senior Director of Training and Director of Franchise Support, along with members of our Training and Operations teams, will oversee our training program. We will use additional members of our team to conduct our training programs in the field, including the Director of Franchise Support and Training General Managers (the Training General Managers are restaurant general managers who have successfully completed our training certification process). Our additional training instructors generally have two to ten years of operations experience, with strong abilities in training and development, including two to ten years of experience with us. They have demonstrated successful operations and performance with our affiliate-owned Cosi Restaurants and operations.

Construction and Layout of Restaurant

You are responsible for developing your Franchised Restaurant, consistent with our plans and specifications. These plans and layouts are not intended, with respect to your particular location, to contain, address, or comply with the requirements of any federal, state or local law, code, or regulation, including those concerning the Americans with Disabilities Act (the "**ADA**") or similar rules governing public accommodations for persons with disabilities. We may from time to time change our prototypes and plans (including our specifications for the interior and exterior appearances) of Cosi Restaurants and develop or approve variations on our prototypes and plans to reflect locations with differing sizes, structural elements, visibility, and other relevant factors.

You must hire a licensed architect (as described below) to prepare all required construction plans and specifications to suit the shape and dimensions of the site. We have the right to designate one or more suppliers of design and/or architecture services to perform these services for our System. During any period that we have designated a design or architecture firm prior to the time you begin to develop your Franchised Restaurant, you must employ the designated supplier to prepare all designs and plans for the Franchised Restaurant. If we have not designated suppliers for design and architecture services for your geographic area, you must locate and employ a qualified design consultant and architect, who are licensed in your jurisdiction and who are reputable and experienced in providing design and architecture services, and your design consultant and architect must be approved by us. You will be responsible for paying for all design and architecture services. If you are converting an existing restaurant space to a Franchised Restaurant, you may not require a licensed architect, depending upon the changes to be made in connection with your conversion. If you are converting an existing restaurant space to a Franchised Restaurant, you may not require a licensed architect, depending upon the changes to be made in connection with your conversion.

You will be solely responsible for ensuring that all plans and specifications, as applied to your Franchised Restaurant, comply with the ADA and all other applicable regulations, ordinances, building codes, and permit requirements, and with lease or sublease requirements and restrictions, if any. You must submit final plans and specifications to us for approval before construction of the Franchised Restaurant begins. Our review is not designed to assess compliance with federal, state, or local laws and regulations and is limited to review of such plans to access compliance with our design standards for Cosi Restaurants, including such items as trade dress, presentation of Proprietary Marks, and the provision to the potential customer of certain products and services that are central to the functioning of Cosi Restaurants. Additionally, prior to opening the Franchised Restaurant (and prior to renovating it after the initial opening), you must sign and deliver to us an ADA Certification (in the form that is attached as Exhibit B to the Franchise Agreement), certifying to us that the Franchised Restaurant and any proposed renovations comply with the ADA.

Manuals

You will be required to comply with all of the specifications, procedures, and standards set out in our Manuals or otherwise in writing. The table of contents to our Manuals is contained in Exhibit G.

Opening of Franchised Restaurant

We estimate that the time period between the signing of the Franchise Agreement and the start of operations will be approximately four to six months if you already possess the location for your Franchised Restaurant when you sign the Franchise Agreement, and another six to twelve months if you do not already possess your location. Factors that may affect this time period include your ability to obtain financing or building permits, zoning and local ordinances, weather conditions, shortages, or delayed installation of equipment, fixtures and signs. Unless we agree in writing otherwise, you must conduct the opening of your Franchised Restaurant within six months after signing the Franchise Agreement. Your lease for the location would be signed prior to signing the Franchise Agreement.

ITEM 12
TERRITORY

Site Selection Addendum

If at the time you sign the Franchise Agreement you do not already possess the premises of an Authorized Location, you will also sign the Site Selection Addendum to the Franchise Agreement. The Site Selection Addendum will specify an area in which you may search for a site to locate your Restaurant (the "**Search Area**"). We will not enter into franchise agreements for Cosi Restaurants within the Search Area until the Search Period expires or we approve a site for the Franchised Restaurant. When the site for your Cosi Restaurant is authorized, or if you fail to find an authorized site during the Search Period, we will have the right to enter into a Franchise Agreement, Development Agreement, or other agreement for Cosi Restaurants within the Search Area. There is no other purpose for the Search Area. Once we issue a no-objection letter to the site for the Franchised Restaurant, we will determine the portion of the geographic area that will constitute the territory that becomes the "Territory" under your Franchise Agreement for the Franchised Restaurant. The "Territory" is not the same area as, and will be smaller than, the Search Area under the Site Selection Addendum.

Franchise Agreement and Development Agreement

The following describes how Territories and Development Areas are determined, and the rights that you and we have under the Franchise Agreement and the Development Agreement.

Franchise Agreement

Your Franchise Agreement will specify the site that will be the Accepted Location for your Franchised Restaurant. Your Franchise Agreement will also specify a Territory. We will categorize locations as either urban or suburban. We will provide you with information regarding our classification as either urban or suburban with respect to each portion of your Search Area (for a Site Selection Addendum) or your Development Area (for a Development Agreement.) The size and scope of the Territory will be contained in the Franchise Agreement and will be determined according to whether the Accepted Location is an urban area or a suburban area. For locations in urban areas, the Territory will be the area within a radius of 750 feet around the location approved for the Franchised Restaurant, and, for locations in suburban areas, the Territory will be the area within a radius of one mile around the location approved for the Franchised Restaurant.

During the term of the Franchise Agreement, we will not establish or operate, nor license any other person to establish or operate, a Cosi Restaurant in the Territory except as may be permitted under the Franchise Agreement and those exceptions are described below. There are no circumstances under which the Territory may be altered prior to expiration or termination of the Franchise Agreement. Your territorial protection is not dependent upon achievement of a certain sales volume, market penetration, or other factors, other than compliance with the Franchise Agreement. Because the word "exclusive" can convey different meanings to different people, we want to be clear in the language that we use. While we do provide you with a Territory that includes certain protections and territorial rights, as described in this Item 12, that Territory is not "exclusive." You will not receive an exclusive Territory under your 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. See below under "Our Reserved Rights under the Franchise Agreement and Development Agreement" for additional information.

As described further in Item 16, you may serve customers for their consumption at your Franchised Restaurant or for customer carry-out, and you may conduct off-Premises delivery and off-Premises catering activities within your Territory. You may not, unless you have our prior written approval, sell or distribute products or services at wholesale or to third parties for resale, or use alternate channels of distribution, such as the Internet, catalog sales, telemarketing, or direct marketing. Additionally, you may not use advertising or other methods for solicitation that are directed into areas occupied by other Cosi Restaurants, unless you obtain our prior written approval or the advertising is for the purpose of general brand awareness and does not attempt to solicit customers for a specific location.

You may not relocate your business without our prior written approval to relocate. You must submit materials and information for our evaluation, and we may require the following as conditions of our approval: you are not in default under any agreement with us; the new location and proposed lease (if any) comply with our then-current site selection criteria and lease requirements; you enter into our then-current form of Franchise Agreement (but no initial fee will be charged); and you must pay a relocation fee equal to 25% of our then-current initial franchise fee.

Area Development Agreement

If you sign an Area Development Agreement, the Development Agreement will specify the Development Area, within which you may locate potential sites for Cosi Restaurants, subject to our review of and no-objection to the proposed sites. The size and scope of the Development Area will be determined on a case-by-case basis, as we mutually agreed upon prior to signing the Development Agreement and will be specified in the Development Agreement. The factors that we consider in determining the size of a Development Area include current and projected market demand, demographics and population, traffic patterns, location of other Cosi Restaurants, your financial and other capabilities, the number of Cosi Restaurants you wish to develop, and our development plans. During the term of the Development Agreement, if you comply with the obligations under the Development Agreement, and all of the Franchise Agreements between you (and your affiliates) and us, we will not establish or operate, or license anyone other than you to establish or operate, a Cosi Restaurant in the Development Area. Except as described below, there are no circumstances under which the Development Agreement may be altered prior to expiration or termination of the Development Agreement. Your territorial protection is not dependent upon achievement of a certain sales volume, market penetration, or other factors, other than compliance with the Development Agreement and Development Schedule.

If you do not comply with a deadline under the Development Schedule (a "**Missed Deadline**"), you will be in default under the Development Agreement. For one Missed Deadline, we will provide you with an opportunity to cure your default, and we will determine and notify you of a new deadline for that one Missed Deadline (without changing the remainder of the Development Schedule). The new deadline that we establish will be not more than 60 days after the original Missed Deadline. If you fail to come into compliance by that new deadline, and/or upon the occurrence of a second Missed Deadline (for that Restaurant or any other Restaurant required by the Development Schedule), we may terminate your Development Agreement, or we may elect to take one or more of the following actions: (a) cease crediting the Area Development Fees paid towards the Franchise Fees for the Franchised Restaurants to be developed (see Item 5 for explanation of credits); (b) eliminate the limited exclusivity, or reduce the scope of protections, granted to you within the Development Area; (c) reduce the scope of the Development Area; (d) reduce the number of Franchised Restaurants for you to develop. Regardless of which remedy we select, we will retain all Area Development Fees paid to us, which are non-refundable and fully earned when paid. If we elect to take one or more of these actions, we will provide written notice of such action, and the Development Agreement will be amended to reflect the changes.

Our Reserved Rights under the Franchise Agreement and Development Agreement

Under both the Franchise Agreement and Development Agreement, we and our affiliates retain all the rights that we do not specifically grant to you and will have the right to engage in any business activity, under any name, at any location, without any obligation to you. For example, among the rights that we retain are the following (the following list is only for purposes of illustration and is not meant to limit our rights):

(1) We may own, acquire, establish, and/or operate, and license others to establish and operate businesses, including Cosi Restaurants, operating under the Proprietary Marks and the System selling the Products at any location outside your Territory or Development Area regardless of their proximity to, or potential impact on, your Territory or Development Area or Franchised Restaurant.

(2) We may own, acquire, establish and/or operate, and license others to establish and operate, non-restaurant businesses under the Proprietary Marks at any location within or outside the Territory or Development Area.

(3) We may own, acquire, establish and/or operate, and license others to establish and operate, businesses under proprietary marks other than the Proprietary Marks, whether such businesses are similar to or different from the Franchised Restaurant, at any location within or outside the Territory or Development Area notwithstanding their proximity to the Territory or Development Area or the Accepted Location or their actual or threatened impact on sales of the Franchised Restaurant

(4) We may own, acquire, establish, and/or operate and license others to establish and operate, Cosi Restaurants under the Proprietary Marks at Institutional Accounts (as defined below) at any location within or outside the Territory or Development Area. "**Institutional Accounts**" means outlets that serve primarily the customers located within the facility, such as captive audience facilities (examples include, but are not limited to, parks charging admission, stadiums, amusement parks and centers, theaters and art centers), limited purpose facilities (examples include, but are not limited to, airports, transportation centers, department stores, in-door shopping centers, business and industrial complexes, museums, educational facilities, hospitals, art centers, and recreational parks), limited access facilities (examples include, but are not limited to, military

complexes, buyer club businesses, educational facilities, and business and industrial complexes), and other types of institutional accounts.

(5) We may sell and distribute, directly or indirectly, or license others to sell and to distribute, directly or indirectly, any products (including the Products) through other channels of distribution, including through grocery or convenience stores or through outlets that are primarily retail in nature, or through mail order, toll free numbers, or the Internet, including those products bearing our Proprietary Marks, provided that distribution within the Territory or Development Area will not be from a Cosi Restaurant established under the System that is operated from within the Territory or Development Area (except from a Cosi Restaurant at an Institutional Account). We have no obligation to share with you the revenue from these types of sales.

Additionally, during the term of your Development Agreement and Franchise Agreement, we may (i) acquire one or more retail businesses that are the same as, or similar to, Cosi Restaurants then operating under the System (each an "**Acquired Business**"), which may be at any location within or outside the Territory or Development Area notwithstanding their proximity to the Territory or Development Area or the Accepted Location or their actual or threatened impact on sales of the Franchised Restaurant, and we may (ii) operate and/or license others to operate any Acquired Business under its existing name or as a Cosi Restaurant under the System. If we will operate and/or license others to operate any Acquired Business, then the following terms apply:

(1) If you are in compliance with your agreements with us, then for any Acquired Business that is both located within your Territory or Development Area and is purchased by us for operation by us or our affiliates, we will offer you the option to purchase and operate, as a Cosi Restaurant, those Acquired Business(es). We will provide you with written notice of our purchase of such Acquired Business(es), the terms and conditions applicable to your option to purchase such Acquired Business(es), and such other information that we deem necessary to include in the notice. The terms and conditions offered to you will include, without limitation, the following: (a) the purchase price for such Acquired Business will be determined using a ratio equal to the sales of such Acquired Business during the prior year, as compared to the total sales during such year of all Acquired Businesses that we purchased in the same transaction; and (b) the requirement that you enter into our then-current form of System franchise agreement for the Acquired Business, provided that you will not be required to pay an initial franchise fee for an Acquired Business. If you do not elect to purchase, or fail to complete the purchase of, an Acquired Business, we will have the right to operate our self, or through our affiliates or third-party licensees or franchisees, the Acquired Business under any trade name or trademarks including the Proprietary Marks.

(2) If an Acquired Business is part of a system of retail businesses that we acquire (an "**Acquired System**"), you will have no right to purchase, and we will not be obligated to offer you any option to purchase, any Acquired Business that is operated by a licensee or franchisee under the Acquired System. We may license such unit to be operated under any trade name or trademarks including the Proprietary Marks and may also license to the licensee or franchisee additional units of the Acquired System that the licensee or franchisee has the right to develop and operate within the Territory or Development Agreement.

* * *

Except as described above regarding Acquired Businesses within your Territory or Development Area, we do not grant you any options, rights of first refusal, or similar rights to acquire additional franchises under the Franchise Agreement or Development Agreement.

We and our affiliates do not presently intend to establish any franchises or company-owned or affiliate-owned outlets selling similar products or services under a different trade name or trademark, although we reserve the right to do so.

Neither we nor our affiliates have used alternate channels of distribution to sell products or services similar to those to be offered and sold by our franchisees but, as described above, we reserve the right to do so, whether under the Proprietary Marks or under different trademarks and trade names.

ITEM 13
TRADEMARKS

The Development Agreement does not allow you to use the Proprietary Marks. The Franchise Agreement will allow you to use the Proprietary Marks for your Franchised Restaurant.

Cosi, Inc. is the owner of the Proprietary Marks. We have entered into a trademark license agreement with Cosi, Inc. that licenses to us, among other things, the use of the Proprietary Marks (the "**Trademark License Agreement**"). Under the Trademark License Agreement, Cosi, Inc. granted us a non-exclusive right and license to use, and an exclusive right to license others to use, the Proprietary Marks in the United States for the purpose of operating and franchising *Cosi* restaurants and franchised businesses. The initial term of the Trademark License Agreement expires on May 31, 2037, with two options to renew for 10 years each. If the Trademark License Agreement is terminated, Cosi, Inc. has agreed to allow you to continue to use the Proprietary Marks under the same terms and conditions as in your Franchise Agreement.

The principal marks you will use and which are licensed to us under the Trademark License Agreement, are the following, which are registered on the Principal Register of the United States Patent and Trademark Office:

Mark	Registration Number	Registration Date
COSÌ	2,046,483	March 18, 1997
(SUN & MOON DESIGN)	3,672,809	August 25, 2009

To our knowledge, Cosi, Inc. has filed all required affidavits relating to the principal marks. There are currently no effective determinations of the Patent and Trademark Office, the Trademark Trial and Appeal Board, or the trademark authorities of any state or court concerning the Proprietary Marks. There is no pending material litigation involving the Proprietary Marks that may be relevant to their use in this state or in any other state. We do not know of any infringing uses that could materially affect your use of the Proprietary Marks in this state or elsewhere. Other than the Trademark License Agreement, to our knowledge, no agreement significantly limits our rights to use or license the Proprietary Marks in any state in a manner material to the franchise, and we know of no superior prior rights or infringing uses that could materially affect your use of the Proprietary Marks in any state.

You must promptly notify us of any unauthorized use of the Proprietary Marks, any challenge to the validity of the Proprietary Marks, or any challenge to our or Cosi, Inc.'s ownership of, right to use and to license others to use, or your right to use, the Proprietary Marks. We have the right to direct and control any administrative proceeding or litigation involving the Proprietary Marks, including any settlement. We have the right, but not the obligation, to take action against uses by others that may constitute infringement of the Proprietary Marks. We will defend you against any third-party claim, suit, or demand arising out of your use of the Proprietary Marks. However, if we determine that you have used the Proprietary Marks in accordance with the Franchise Agreement you have signed to operate the Franchised Restaurant, we will bear the cost of defense, including the cost of any judgment or settlement. If we determine that you have not used the Proprietary Marks in accordance with the Franchise Agreement you have signed to operate the Franchised Restaurant, you must bear the cost of defense, including the cost of any judgment or settlement. If there is any litigation relating to your use of the Proprietary Marks, you must sign all documents and do all things as may be necessary to carry out a defense or prosecution, including becoming a nominal party to any legal action. Unless litigation results from your use of the Proprietary Marks in a manner inconsistent with the terms of the Franchise Agreement, we will also reimburse you for your out-of-pocket costs.

We reserve the right to substitute different proprietary marks for use in identifying the System and the Cosi Restaurants operating under it if we, in our sole discretion, determine that substitution of different marks as Proprietary Marks will be beneficial to the System. You must promptly implement any substitution of new Proprietary Marks. We are not required to provide any compensation to you in connection with any modification or discontinuance of the Marks.

You must not use the Proprietary Marks (including our service marks) as part of your corporate, partnership, or other legal name, or to identify you or your Franchised Restaurant in any other legal activity, or as part of any e-mail address, domain name, or other identification of you or your Franchised Restaurant, in any electronic medium, or on any Website, unless agreed to in advance, in writing, by us. As necessary to conduct the business of your Franchised Restaurant and obtain business permits for the operation of your Franchised Restaurant, you may indicate that your Franchised Restaurant will be doing business under the trade name "Cosi" provided that you clearly identify yourself as the owner and operator of the Franchised Restaurant and properly identify the legal name under which you (or your business entity) will be acting.

ITEM 14
PATENTS, COPYRIGHTS AND PROPRIETARY INFORMATION

Patents

No patents are material to the operation of your Franchised Restaurant.

Copyrights

We claim copyright protection covering various materials used in our business and the development and operation of Cosi Restaurants, including the Manuals or otherwise in writing, advertising and promotional materials, and similar materials. We have not registered these materials with the United States Registrar of Copyrights, but we are not required to do so.

There are no currently effective determinations of the United States Copyright Office or any court, nor any pending litigation or other proceedings, regarding any copyrighted materials. No agreement limits our rights to use or allow franchisees to use the copyrighted materials. We do not know of any superior prior rights or infringing uses that could materially affect your use of the copyrighted materials. No agreement requires us to protect or defend our copyrights or to indemnify you for any expenses or damages you incur in any judicial or administrative proceedings involving the copyrighted materials. If we require, you must immediately modify or discontinue using the copyrighted materials. Neither we nor our affiliates will have any obligation to reimburse you for any expenditures you make because of any discontinuance or modification of the copyrighted materials.

All rights, title, and interest in advertising and promotional materials that you develop or prepare (or that are prepared by someone on your behalf) or that bear any Proprietary Marks will belong to us. You must sign any documents we reasonably deem necessary to evidence our right, title, and interest in and to any advertising and promotional materials. We will have the right to use these materials and to provide them to other franchisees and advertising funds and programs of the System, without compensation to you, regardless of how the materials were developed. Additionally, we may from time to time require that you sign a license agreement for the use of proprietary materials that we provide to you in an electronic format.

Confidential Information

Except for the purpose of operating the Franchised Restaurant under a Franchise Agreement and developing Franchised Restaurants under a Development Agreement, you may never (during the Franchise Agreement's term or later) communicate, disclose, or use for any person's benefit any of the confidential information, knowledge, or know-how concerning the development and operation of the Franchised Restaurant that may be communicated to you or that you may learn by virtue of your operation of a Cosi Restaurant. You may divulge confidential information only to those of your employees who must have access to it in order to operate the Franchised Restaurant. Any information, knowledge, know-how, and techniques that we designate as confidential will be deemed “confidential” for purposes of the Franchise Agreement and the Development Agreement. However, this will not include information that you can show came to your attention before we disclosed it to you; or that at any time became a part of the public domain, through publication or communication by others having the right to do so.

In addition, we may require you, your Designated Principal, other owners, managers, and your employees with access to confidential information to sign confidentiality and non-competition agreements. Each of these covenants must provide that the person signing will maintain the confidentiality of information that they receive in their employment or affiliation with you or the Franchised Restaurant. These agreements must be in a form that we find satisfactory, and must include, among other things, specific identification of our company as a third-party beneficiary with the independent right to enforce the covenants. Our current forms for this agreement are included in Exhibit F to the Franchise Agreement (which is included in this disclosure document).

Confidential Manuals

In order to protect our reputation and goodwill and to maintain high standards of operation under our Proprietary Marks, you must conduct your business in accordance with the Manuals or otherwise in writing. We will lend you one set of our Manuals for the term of the Franchise Agreement, which you must return to us at the expiration or termination of the Franchise Agreement. We have the right to provide the Manuals in any format we choose (including paper, CD, or online) and the Manuals may consist of multiple volumes of printed text, computer disks, other electronically stored data, videotapes, periodic updates or bulletins that we issue to franchisees and others operating under the System and otherwise in writing. You must treat the Manuals, all supplements and revisions to the Manuals, including bulletins and the information contained in them, as confidential, and must use best efforts to maintain this information (whether in written or electronic format) as secret and confidential. You must not reproduce these materials (except for the parts of the Manuals that are meant for you to copy, which we will clearly mark as such) or otherwise make them available to any unauthorized person. The Manuals and related materials will remain our sole property. You must keep them in a secure place on the Franchised Restaurant premises.

We may revise the contents of the Manuals, and you must comply with each new or changed standard. We will notify you in writing of revisions to the Manuals. You must ensure that the Manuals are kept current at all times. If there is a dispute as to the contents of the Manuals, the terms of the master copies that we maintain at our home office will control.

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

Under the Franchise Agreement, you (or if you are an entity, your Designated Principal) must be involved in the general oversight and management of the operations of the Franchised Restaurant. If, however, you or your Designated Principal will not assume full-time responsibility for the daily supervision and operation of your Franchised Restaurant, then you must employ a full-time general manager (the "**General Manager**"), with qualifications reasonably acceptable to us and who successfully completes (to our satisfaction) our initial training program. We will have the right to rely upon the Designated Principal or General Manager to have the responsibility and decision-making authority regarding your business and operations.

Under the Development Agreement, you (or if you are an entity, your Designated Principal) must be involved in the general oversight and development of the Franchised Restaurants, as well as the operations of the Franchised Restaurants that are developed under the

Development Agreement. We will have the right to rely upon the Designated Principal to have the responsibility and decision-making authority regarding your business and operations.

Under both a Franchise Agreement and Development Agreement, if you are other than an individual, we may require that your owners personally sign a guaranty (in the forms included as Exhibit E to the Franchise Agreement and Exhibit D to the Development Agreement), guarantying the legal entity's obligations under that agreement. We do not currently require that spouses of owners (who are not owners themselves) sign a personal guaranty. Additionally, you or your owners and your employees with access to confidential information who have received training, who have had access to confidential information, may be required to sign covenants to maintain confidentiality and not compete with businesses under the System (our current forms for this agreement are included in Exhibit F to the Franchise Agreement).

ITEM 16
RESTRICTIONS ON WHAT THE FRANCHISEE MAY SELL

You may sell and provide only products and services that we have approved in writing and which conform to our standards and specifications (see also Item 8 above). We have the right, without limit, to change the types of authorized products and services. You must carry and sell all Products that we approve and specify to be offered by all Cosi Restaurants, unless we otherwise provide our written approval. We have designed products and menus to include breakfast, lunch, dinner, coffee, snacks and desserts.

You may only sell to retail customers at the Accepted Location. All sales must be: (1) face-to-face, for customer consumption on the premises of the Franchised Restaurant; (2) face-to-face, for customer carry-out consumption; and (3) off-premises delivery or off-premises catering activities, provided that all such activities must be conducted only in accordance with the requirements of the Franchise Agreement and the procedures, policies, and conditions as we may establish from time to time, and all applicable laws. Additionally, you may not engage in any other type of sale, offer to sell, or distribution of Products, except with our prior written consent. For example, you may not sell products by catalog, mailing, toll free numbers, or by use of the Internet.

You must not use the Franchised Restaurant for any other business or operation or for any other purpose or activity at any time without first obtaining our prior written consent. You must keep the Franchised Restaurant open and in normal operation for the minimum hours and days as we may specify. All Cosi Restaurants offer our lunch menu, and unless we approve otherwise, Cosi Restaurants must also be open during, and offer our menus for, breakfast and evening service. Depending upon a variety of factors, including traffic patterns and the nature of the location, we may not require some Cosi Restaurants to serve breakfast or dinner. Prior to signing the Franchise Agreement, we will determine whether your Franchised Restaurant must offer breakfast, lunch, and dinner service. You must operate the Franchised Restaurant in strict conformity with the methods, standards, and specifications as we prescribe in the Manuals or otherwise in writing.

ITEM 17
RENEWAL, TERMINATION, TRANSFER AND DISPUTE RESOLUTION

THE FRANCHISE RELATIONSHIP

The following tables list certain important provisions of the franchise and related agreements. You should read these provisions in the agreements attached to this disclosure document.

Franchise Agreement

Provision	Section in Agreement	**Summary** (see notes 1-3)
(a) Length of the franchise term	Section 2.1	10 years
(b) Renewal or extension of the term	Section 2.2	We do not generally renew the same franchise agreement, but you have an option to renew your franchise rights under our then-current form of Franchise Agreement for up to two renewal terms of 5 years each unless: (a) we have announced a decision to stop franchising Cosi Restaurants; or (b) we decide to withdraw the Cosi Restaurants concept from the geographic market in which your Franchised Restaurant is located.
(c) Requirements for you to renew or extend	Section 2.2	Conditions to renew/extend franchise rights include: notice, satisfaction of monetary obligations, compliance with your expiring Franchise Agreement, mutual release, sign then-current form of Franchise Agreement, and others; see §§ 2.2.1 - 2.2.9 in Franchise Agreement. Our "then-current form of Franchise Agreement" refers to the form of franchise agreement we are generally offering at the time of your renewal(s). It may contain terms that are materially different from your expiring Franchise Agreement, such as different fee requirements, except that you will not be required to pay an initial franchise fee.
(d) Termination by you	Not applicable	Not applicable
(e) Termination by us without cause	Not applicable	Not applicable

Provision	Section in Agreement	**Summary** (see notes 1-3)
(f) Termination by us with cause	Section 16	Default under Franchise Agreement, bankruptcy, abandonment, and other grounds; see § 16 of the Franchise Agreement. Under the U.S. Bankruptcy Code, we may not be able to terminate the agreement merely because of a bankruptcy filing.
(g) "Cause" defined – curable defaults	Sections 16. 3 and 16.4	All other defaults not specified in §§ 16.1 and 16.2 of the Franchise Agreement
(h) "Cause" defined – non-curable defaults	Sections 16. 1 and 16.2	Bankruptcy, abandonment, conviction of felony, and others; see § 16.2. of the Franchise Agreement (Under the U.S. Bankruptcy Code, we may be unable to terminate the agreement merely because you make a bankruptcy filing.)
(i) Your obligations on termination/nonrenewal	Section 17	Cease operating the Franchised Restaurant, payment of amounts due, and others; see §§ 17.1 – 17.10 of the Franchise Agreement.
(j) Assignment of contract by us	Section 15.1	There are no limits on our right to assign the Franchise Agreement.
(k) "Transfer" by you-defined	Section 15.2	Includes transfer of any interest.
(l) Our approval of transfer by you	Section 15.2	We have the right to approve transfers and can apply standards to determine (for example) whether the proposed transferee meets our requirements for a new franchisee.
(m) Conditions for our approval of transfer by you	Sections 15. 3 and 15.4	Release, signing of new Franchise Agreement, payment of transfer fee, and others; see §§ 15.3.1 – 15.3.11 and 15.4 of the Franchise Agreement.
(n) Our right of first refusal to acquire your business	Section 15.6	We can match any offer.
(o) Our option to purchase your business	Not applicable	Not applicable
(p) Your death or disability	Sections 15. 7, 15.8, and 19.9	Your estate must transfer your interest in the Franchised Restaurant to a third party we have approved, within a year after death or six months after the onset of disability.
(q) Non-competition covenants during the term of the franchise	Sections 18. 2 and 18.5	Includes prohibition on engaging in any other business offering predominantly salads, sandwiches or coffee in a fast casual environment; and soliciting or diverting customers to other businesses; and others; see § 18.2 of the Franchise Agreement.

Provision	Section in Agreement	**Summary** (see notes 1-3)
(r) Non-competition covenants after the franchise is terminated or expires	Sections 18. 3 and 18.5	Includes a two-year prohibition similar to "q" (above), within the Territory, or within 750 feet of any Cosi Restaurant then-operating under the System in an urban area, or one mile of any Cosi Restaurant then-operating under the System in a suburban area.
(s) Modification of the agreement	Section 25	Must be in writing signed by both parties.
(t) Integration/merger clause	Section 25	Only the final written terms of the Franchise Agreement are binding, subject to state law. Any representation or promises outside of the disclosure document and Franchise Agreement may not be enforceable.
(u) Dispute resolution by arbitration or mediation	Section 27.2	Before bringing an action in court, the parties must first submit (except for injunctive relief) the dispute to non-binding mediation.
(v) Choice of forum	Section 27.3	If we ever litigate, you must do so in the state in which we are headquartered at that time (the "HQ State"), which is currently Massachusetts, subject to applicable state law.*
(w) Choice of law	Section 2641	The HQ State (currently, Massachusetts), subject to applicable state law.*

Development Agreement

Provision	Section in Agreement	**Summary** (see notes 1-3)
(a) Length of the franchise term	Attachment A of Development Agreement	Last date in Development Schedule
(b) Renewal or extension of the term	Not applicable	Not applicable
(c) Requirements for you to renew or extend	Not applicable	Not applicable
(d) Termination by you	Not applicable	Not applicable
(e) Termination by us without cause	Not applicable	Not applicable

Provision	Section in Agreement	**Summary** (see notes 1-3)
(f) Termination by us with cause	§ 6	We can terminate if you default.
(g) “Cause" defined – curable defaults	§§ 6.3 and 6.4	All other defaults not specified in §§ 6.1 and 6.2 of Development Agreement.
(h) “Cause" defined – non-curable defaults	§§ 6.1 and 6.2	Bankruptcy; repeated failures to meet requirements; or failure to cure a default under the Development Schedule; termination of any individual Franchise Agreement for a Franchised Restaurant operated by you or a person or entity affiliated with you.
(i) Your obligations on termination/nonrenewal	§ 6.6	Cease establishing or operating Franchised Restaurants under the System for which Franchise Agreements have not been signed at the time of termination and compliance with covenants.
(j) Assignment of contract by us	§ 7.1	There are no limits on our right to assign the Development Agreement.
(k) "Transfer" by you-defined	§ 7.2	Includes a transfer of an interest in the Development Agreement, developer entity, or any material asset of your business.
(l) Our approval of transfer by you	§ 7.2	We have the right to approve transfers.
(m) Conditions for our approval of transfer by you	§§ 7.2 and 7.3	Any of the conditions for transfer described in the Franchise Agreement attached to the Development Agreement that we deem applicable, and simultaneous transfer of Franchise Agreements executed pursuant to the Development Agreement.
(n) Our right of first refusal to acquire your business	Not applicable	Not applicable
(o) Our option to purchase your business	Not applicable	Not applicable
(p) Your death or disability	Not applicable	Not applicable
(q) Non-competition covenants during the term of the franchise	§ 8.2	Includes prohibition on engaging in any other business offering predominantly salads, sandwiches or coffee in a fast casual environment; and soliciting or diverting customers to other businesses; and others.

Provision	Section in Agreement	**Summary** (see notes 1-3)
(r) Non-competition covenants after the franchise is terminated or expires	§ 8.3	Includes a two-year prohibition similar to "q" (above), within the Development Area, or within 750 feet of any Cosi Restaurant then-operating under the System in an urban area, or one mile of any Cosi Restaurant then-operating under the System in a suburban area.
(s) Modification of the agreement	§ 15	Must be in a writing executed by both parties.
(t) Integration/merger clause	§ 15	Only the terms of the Development Agreement are binding, subject to state law. Any representation or promises outside of the disclosure document and Development Agreement may not be enforceable.
(u) Dispute resolution by arbitration or mediation	§ 16.2	Before bringing an action in court, the parties must first submit (except for injunctive relief) the dispute to non-binding mediation.*
(v) Choice of forum	§ 16.3	If we ever litigate, you must do so in the HQ State (currently, Massachusetts), subject to applicable state law.*
(w) Choice of law	§ 15	The HQ State (currently, Massachusetts), subject to applicable state law.*

*Notes:

1. In addition to the provisions noted in the chart above, the Franchise Agreement and Development Agreement contain a number of provisions that may affect your legal rights, including a waiver of a jury trial, waiver of punitive or exemplary damages, and limitations on when claims may be raised. See Franchise Agreement Section 27, and Development Agreement Section 16. We recommend that you carefully review all of these provisions, and the entire contracts, with a lawyer.

*2. If a state law requires any modification to these provisions of the Franchise Agreement or the Development Agreement (or other provisions described in this Item 17) or requires additional terms, those modifications will be found in the disclosure addenda and contractual amendments appended to this Disclosure document.

*3. If any of the provisions in the Franchise Agreement or Development Agreement, including those summarized above, are inconsistent with, or contrary to, applicable state law, the requirements of the applicable law or laws will be substituted for the inconsistent or contrary provisions in the agreements.

ITEM 18
PUBLIC FIGURES

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

ITEM 19
FINANCIAL PERFORMANCE REPRESENTATIONS

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

Table 1 – 2018 of Average Sales and Selected Costs – Company-owned Restaurants (52-Week Fiscal Year)

	All 49 Company-owned Restaurants					
Category	**Top 10 Average Sales (mean)**	**Average (all)**	**Bottom 10 Average Sales (mean)**	**High**	**Low**	**Median**
Net Sales	$1,682,658	$1,014,388	$517,447	$2,392,429	$274,850	$877,225
COGS	22.0%	24.3%	27.6%	17.5%	30.8%	24.6%
Hourly Labor %	17.0%	20.2%	24.1%	16.0%	27.1%	20.0%
Management Labor %	6.0%	9.8%	15.3%	4.2%	22.7%	9.4%
Franchise Fees						
Royalty	5%	5%	5%	5%	5%	5%
Ad Fund	1%	1%	1%	1%	1%	1%

The following notes are intended only to explain factors that you should consider as you read the tables and information in this Item 19. These notes are not meant to disclaim (and should not be read as disclaiming) any of the tables and information in this Item 19.

Notes to Table 1 – Company-owned Restaurants:

1. Table 1 reflects the results of the 49 Cosi Restaurants that our affiliate, Cosi, Inc., owns and operates ("**Company-owned**") and that were open during our 2018 fiscal year, which began on January 1, 2018 and ended on December 31, 2018 (our "**FYE 2018**"). These 49 Company-owned restaurants have been open, on average, approximately 167 months as of FYE

2018. A reconciliation of our total number of Company-owned restaurants for FY 2018 is as follow:

Company-owned Restaurants Open as of beginning FY 2018	51
Company-owned Restaurants Closed during FY 2018	(3)
Company-owned Restaurants Opened during FY 2018	+3
Company-owned Restaurants Refranchised during FY 2018	0
Company-owned Restaurants Open as of FYE 2018	51
Excluded Restaurants Opened During FY 2018	(2)**
Total Number of Restaurants Included in the Table above	49**

**One of the three Company-owned Restaurants that opened during 2018 began operations in January 2018 and has been included in Table 1. The two Company-owned Restaurants that began operating later in 2018 are not included in the Table 1.

2. All averages shown in the table are mean averages. The number (and percentage) of Company-owned Cosi Restaurants which exceeded the average sales reflected in the table is 20 (41.7%); the number of Company-owned Cosi Restaurants which had a lower percentage of the costs reflected in the table is 23 (47.9%) for cost of goods sold, 26 (54.2%) for hourly labor and 26 (54.2%) for management labor.

3. The medians (i.e., 50% above and below) are shown in column 7 in the table above for the categories shown in the table.

4. The cost of goods sold, expressed as a percentage of average sales, includes food, beverages and retail items, including catering.

5. Both management and hourly labor costs, expressed as a percentage of average sales, include wages and vacation pay, but exclude taxes, benefits, and bonuses.

6. This table reflects only three categories of costs (costs of goods sold, hourly labor and management labor), plus imputed royalty and ad fund fees. Your Franchised Restaurant will have numerous other fixed and variable operating costs, such as, among others, those listed in Item 7 of this disclosure document. In addition, this table does not include other expenses which franchisees will incur, such as debt service, income taxes, depreciation and amortization, franchisee-specific expenses such as investor draws and distributions, and others. These types of expenses vary among businesses and will be affected by many factors. We strongly encourage you to conduct an independent investigation, and among other things, we recommend that you consult with a qualified attorney, accountant, and other professional advisors before entering into a Franchise Agreement. We suggest that you develop and review with your own professional advisors a pro forma cash flow statement, balance sheet and statement of operations, and that you make your own financial projections regarding sales, costs, customer base, and business development for your own Cosi Restaurant.

7. This table was prepared from data compiled in the ordinary course of business by our employees. The results are unaudited.

8. As of April 27, 2019, 51 Cosi Restaurants are owned and operated by our affiliates and 17 Cosi Restaurants are owned and operated by our franchisees (including 9 in Costa Rica). The first franchised Cosi Restaurants opened in 2005.

9. All existing Company-owned Cosi Restaurants offer some catering and delivery activities, although the extent and volume of these activities varies. During the period covered by Table 1 above, the aggregate portion of gross sales derived from catering and delivery activities for the 49 restaurants referenced above was approximately 21.4%. See Items 1 and 16 for additional information regarding catering and delivery activities by franchisees.

Table 2 - 2018 Average Sales - Franchised Cosi Restaurants

Description	All Franchised Restaurants
Average Sales (mean)	$767,926
Number and % Meeting or Exceeding Average Sales (mean)	6 / 37.5%
High Sales	$1,857,945
Low Sales	$294,856
Median Sales	$604,174

Notes to Table 2 – Franchised Restaurants:

1. Table 2 reflects the results of the 16 Cosi restaurants that are owned and operated by franchisees ("**Franchised Restaurants**") and that were open during all of our FY 2018. These 16 restaurants have been open, on average, approximately 68 months as of FYE 2018. A reconciliation of the total number of franchised restaurants for our FY 2018 is as follow:

Franchised Restaurants Open as of beginning FY 2018	21
Franchised Restaurants Closed during FY 2018	(4)
Franchised Restaurants Converted to Company-owned Restaurants during FY2018	(0)
Franchised Restaurants Opened during FY 2018	+1
Franchised Restaurants Open as of FYE 2018	17
Excluded Franchised Restaurants Opened During FY 2018	(1)
Total Number of Franchised Restaurants Included in the Table above	16

The number of Franchised Restaurants open as of FYE 2018 and included in this reconciliation and in Table 2 above includes 9 Franchised Restaurants in Costa Rica, which were included because these restaurants perform very similar to the US Franchised Restaurants.

2. The average sales data is compiled by using the sales reports for each franchisee in the sample during our FY 2019, as reported by the franchisees to us. We have not audited or verified the reports, nor have franchisees confirmed that their reports are prepared in accordance with generally accepted accounting principles.

3. The sample includes only franchisees who were operating during all of 2018 and who were operating for at least 12 months.

4. Table 2 shows the mean average sales (second row), the number (and percentage) of franchised Cosi Restaurants which exceeded the mean average sales reflected for each category (third row), the highest, lowest and median (i.e., 50% above and below average) for the categories (fourth, fifth and sixth rows, respectively).

5. The data above does not reflect the costs of sales, costs of goods, operating expenses or other costs or expenses that must be deducted from gross revenue or gross sales to obtain a net income or net profit figure. Franchisees are not required to report this data to us, and we do not have these operating costs for franchisees. We strongly recommend that you conduct an independent investigation of the costs and expenses you will or may incur in operating a franchised Cosi Restaurant. Franchisees or former franchisees listed in this disclosure document may be one source of this information. Table 1 of this Item 19 includes certain cost data for our Company-owned Cosi Restaurants, and the notes following Table 1 above describe generally the types of costs and expenses that Company-owned Cosi Restaurant incurred. This information is relevant as Franchised Cosi Restaurants operate under the same System and with similar operating procedures and requirements, as that under which our Company-owned Restaurants operate. You should not, however, rely solely on those cost figures in preparing estimates for your operating costs and as described in Note 6 to Table 1, a franchised Cosi Restaurant will incur certain types of franchise-specific expenses (for example, royalty payments) that Company-owned Restaurants may not.

6. In addition to the points noted above, your results will be affected by factors such as prevailing economic or market area condition, demographics, geographic location, interest rates, your capitalization level, the amount and terms of any financing that you may secure, the property values and lease rates, your business and management skills, staff strengths and weaknesses, and the cost and effectiveness of your marketing activities.

* * *

Some outlets have earned these amounts. Your individual results may differ. There is no assurance that you'll earn as much.

Written substantiation for the data set forth in Table 1 and Table 2 will be made available by us upon reasonable request.

Other than the preceding financial performance representation, we do not make any financial performance representations. We also do not authorize our employees or representatives to make any such representations either orally or in writing. If you are purchasing an existing 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 Legal Department, Cosi, Inc. at 500 Rutherford Avenue, Suite 130, Charlestown, Massachusetts 02129, Attn: Vicki Baue at 312-310-1336, the Federal Trade Commission, and the appropriate state regulatory agencies.

ITEM 20
OUTLETS AND FRANCHISEE INFORMATION

Table No. 1

System wide Outlet Summary
For years 2016-2018

Outlet Type	Year	Outlets at the Start of the Year	Outlets at the End of the Year	Net Change
Franchised	2016	24	24	0
	2017	24	12	-12
	2018	12	8	-4
Company-Owned	2016	79	43	-36
	2017	43	51	8
	2018	51	51	0
Total Outlets	**2016**	**103**	**67**	-36
	2017	**67**	**63**	-4
	2018	**63**	**59**	-4

Table No. 2

Transfers of Outlets from Franchisees to New Owners (other than the Franchisor)
For years 2016 to 2018

State	Year	Number of Transfers
Delaware	2016	0
	2017	0
	2018	0
Total	**2016**	**0**
	2017	**0**
	2018	**0**

Table No. 3

Status of Franchised Outlets
For years 2016 to 2018

State	Year	Outlets at Start of Year	Outlets Opened	Termi-nations	Non-Renewals	Reacquired by Franchisor	Ceased Operations Other Reasons	Outlets at End of the Year
Delaware	2016	1	0	0	0	0	0	1
	2017	1	0	0	0	0	0	1
	2018	1	0	0	0	0	0	1
District of Columbia	2016	10	0	0	0	0	2	8
	2017	8	0	0	0	7	1	0
	2018	0	0	0	0	0	0	0
Indiana	2016	0	1	0	0	0	0	1
	2017	1	0	0	0	0	0	1
	2018	1	0	0	0	0	0	1
Kentucky	2016	3	0	0	0	0	0	3
	2017	3	0	0	0	0	0	3
	2018	3	0	0	0	0	3	0
New Jersey	2016	3	0	0	0	0	0	3
	2017	3	0	0	0	1	0	2
	2018	2	0	0	0	0	0	2
New York	2016	1	0	0	0	0	0	1
	2017	1	0	0	0	0	0	1
	2018	1	0	0	0	0	0	1
Ohio	2016	0	1	0	0	0	0	1
	2017	1	0	0	0	0	0	1
	2018	1	0	0	0	0	0	1
Pennsylvania	2016	2	0	0	0	0	0	2
	2017	2	0	0	0	1	0	1
	2018	1	0	0	0	0	0	1

State	Year	Outlets at Start of Year	Outlets Opened	Termi-nations	Non-Renewals	Reacquired by Franchisor	Ceased Operations Other Reasons	Outlets at End of the Year
Texas	2016	1	0	0	0	0	0	1
	2017	1	0	0	0	0	1	0
	2018	0	0	0	0	0	0	0
Virginia	2016	3	0	0	0	0	0	3
	2017	3	0	0	0	0	1	2
	2018	2	0	0	0	0	1	1
Totals	**2016**	**24**	**2**	**0**	**0**	**0**	**2**	**24**
	2017	**24**	**0**	**0**	**0**	**9**	**3**	**12**
	2018	**12**	**0**	**0**	**0**	**0**	**4**	**8**

Table No. 4

Status of Company-Owned Outlets
For years 2016 to 2018

State	Year	Outlets at Start of the Year	Outlets Opened	Outlets Reacquired From Franchisee	Outlets Closed	Outlets Sold to Franchisee	Outlets at End of the Year
Connecticut	2016	5	0	0	2	0	3
	2017	3	0	0	0	0	3
	2018	3	0	0	0	0	3
Delaware	2016	1	0	0	1	0	0
	2017	0	0	0	0	0	0
	2018	0	0	0	0	0	0
District of Columbia	2016	0	0	0	0	0	0
	2017	0	0	7	0	0	7
	2018	7	0	0	0	0	7
Illinois	2016	10	0	0	3	0	7
	2017	7	0	0	1	0	6
	2018	6	0	0	0	0	6

State	Year	Outlets at Start of the Year	Outlets Opened	Outlets Reacquired From Franchisee	Outlets Closed	Outlets Sold to Franchisee	Outlets at End of the Year
Maryland	2016	4	0	0	2	0	2
	2017	2	0	0	1	0	1
	2018	1	0	0	0	0	1
Massachusetts	2016	13	0	0	4	0	9
	2017	9	2	0	1	0	10
	2018	10	2	0	0	0	12
Michigan	2016	4	0	0	4	0	0
	2017	0	0	0	0	0	0
	2018	0	0	0	0	0	0
Minnesota	2016	1	0	0	1	0	0
	2017	0	0	0	0	0	0
	2018	0	0	0	0	0	0
New Jersey	2016	3	0	0	2	0	1
	2017	1	0	1	0	0	2
	2018	2	0	0	0	0	2
New York	2016	14	0	0	5	0	9
	2017	9	1	0	0	0	10
	2018	10	0	0	3	0	7
Ohio	2016	4	0	0	4	0	0
	2017	0	0	0	0	0	0
	2018	0	0	0	0	0	0
Pennsylvania	2016	12	0	0	5	0	7
	2017	7	0	1	1	0	7
	2018	7	1	0	0	0	8
Virginia	2016	6	0	0	2	0	4
	2017	4	0	0	0	0	4
	2018	4	0	0	0	0	4

State	Year	Outlets at Start of the Year	Outlets Opened	Outlets Reacquired From Franchisee	Outlets Closed	Outlets Sold to Franchisee	Outlets at End of the Year
Wisconsin	2016	2	0	0	1	0	1
	2017	1	0	0	0	0	1
	2018	1	0	0	0	0	1
Totals	**2016**	**79**	**0**	**0**	**36**	**0**	43
	2017	**43**	**3**	**9**	**4**	**0**	51
	2018	**51**	**3**	**0**	**3**	**0**	51

Table No. 5

Projected Openings As Of December 31, 2018 for 2019

State	Franchise Agreements Signed But Outlet Not Opened	Projected New Franchised Outlets To Be Opened In The Next Fiscal Year	Projected New Company-Owned Outlets To Be Opened In The Next Year
Florida	0	1	0
Massachusetts	0	0	3
New Jersey	0	0	2
Pennsylvania	0	0	1
Washington, DC	0	0	1
Total	**0**	**1**	**7**

Notes to Item 20:

1. For each Table in this Item 20, the information regarding outlets during 2016 and during 2017 up to May 10, 2017 is based on our predecessor franchisor since we did not have any operations until May 10, 2017. Our predecessor franchisor's fiscal years ended December 31, 2018 for fiscal year 2018, January 1, 2018 for fiscal year 2017, and January 2, 2017 for fiscal year 2016. States not listed had no units during the relevant period. The tables above do not include franchises outside of the United States. With respect to any "**Company-owned**" Outlets or "Company-owned Restaurants", as described in Item 1, these are our affiliate units that are owned and operated by Cosi, Inc. or another affiliate of Cosi, Inc.

2. The names, addresses, and telephone numbers of "Cosi" franchisees and developers as of December 31, 2018 are listed in Exhibit E of this disclosure document. The names, city and state, and current business telephone number or last known home number of franchisees and

developers that left the System in the previous year or who have not communicated with us within 10 weeks of the date of this disclosure document are listed in Exhibit E. If you buy this franchise, your contact information may be disclosed to other buyers when you leave the franchise system.

3. Except for the confidentiality provision of certain termination and settlement agreements, negotiated amendments, and purchase and sale agreements, no franchisees or developers have signed a confidentiality clause in a franchise agreement, settlement or other contract within the last three years that would restrict their ability to speak openly about their experience with us.

4. We do not currently have an active advisory council for our System.

5. There is currently no trademark-specific independent franchisee association that is incorporated or otherwise organized under state law and has asked to be included in this disclosure document.

ITEM 21
FINANCIAL STATEMENTS

Attached as Exhibit F to this disclosure document are the following financial statements for Cosi Franchise Holdings LLC: Audited balance sheets as of December 31, 2018 and January 1, 2018, and the related statements of income and member's equity and cash flows for the year ended December 31, 2018 and the period from May 10, 2017 (date of inception) to January 1, 2018; and our audited balance sheet as of May 10, 2017. Our fiscal years end on or about December 31 each year, based on 52 or 53 weeks per year, with each week starting on Tuesday and ending on Monday. Each fiscal month is comprised of four or five weeks (based on four fiscal quarters of three months each, with each month having four weeks, followed by five weeks, followed by four weeks).

As described in Item 1, we were formed on May 2, 2017, in anticipation of Cosi, Inc., the predecessor franchisor, emerging from bankruptcy on May 10, 2017. We began offering and selling franchises as of May 1, 2018, and we had not previously prepared audited financial statements. Therefore, we have no audited statements to provide other than those noted above.

ITEM 22
CONTRACTS

The following agreements are attached in to this disclosure document:

Exhibit A – Franchise Agreement, including the following agreements:

- ADA Certification (as Exhibit B)
- Authorization Agreement for Prearranged Payments (as Exhibit D)
- Guaranty (as Exhibit E)
- Confidentiality and Non-Compete Agreements (as Exhibits F-1 and F-2)
- Site Selection Addendum (as Exhibit G)

Exhibit B – Development Agreement, including the following agreements:

- Guaranty Indemnification and Acknowledgment (as Exhibit D)

Exhibit H – State Specific Disclosures and State-Specific Amendments to Agreements

Exhibit I – General Release

We also require that you fill out a Compliance Questionnaire before signing the Franchise Agreement or Development Agreement. The Compliance Questionnaire is in Exhibit J.

ITEM 23
RECEIPTS

Two copies of an acknowledgment of your receipt for this disclosure document appear as the last pages of the disclosure document. Please date and sign each of them as of the date you received this disclosure document, return one copy to us and keep the other with this disclosure document for your records.

Exhibit A

Cosi Franchise Holdings LLC Franchise Agreement

COSI FRANCHISE HOLDINGS LLC

FRANCHISE AGREEMENT

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FRANCHISE AGREEMENT

THIS FRANCHISE AGREEMENT (the "**Agreement**") is made and entered into on this ______day of _______________, 20____ (the "**Effective Date**"), by and between:

- Cosi Franchise Holdings LLC, a Delaware limited liability company whose principal place of business is 294 Washington Street, Suite 510, Boston, Massachusetts 02108 ("**Franchisor**"); and

- ____a [resident of] [corporation organized in] [limited liability company organized in] *[select one]*, having offices at ____ ______ ____ ____ ("**Franchisee**").

BACKGROUND:

A. Franchisor owns a format and system (the "**System**") relating to the establishment and operation of fast casual restaurants, which operate at retail locations that display Franchisor's interior and exterior trade dress and feature and operate under the Proprietary Marks (as defined below) (each a "**Cosi Restaurant**"). Cosi Restaurants are designed using Franchisor's interior trade dress to be welcoming and comfortable for customers, and offer menus specializing in Franchisor's signature flatbread, made-to-order sandwiches, freshly-tossed salads, fresh soups, Cosi® melts, bagels/Cosi® Squagels®, flatbread pizzas, bowls, breakfast wraps, Cosi® quiche, breakfast parfaits and other breakfast items, S'mores, and other snacks and desserts, gourmet coffee and handcrafted beverages and other food and beverage items using Franchisor's proprietary recipes, formulae and techniques ("**Proprietary Products**"), as well as other non-proprietary food, beverage, and other compatible items designated by Franchisor from time to time (collectively, "**Products**").

B. The distinguishing characteristics of the System include distinctive exterior and interior design, decor, color schemes, fixtures, and furnishings; recipes, standards and specifications for products, equipment, materials, and supplies; uniform standards, specifications, and procedures for operations; purchasing and sourcing procedures; procedures for inventory and management control; training and assistance; and, marketing and promotional programs; all of which may be changed, improved, and further developed by Franchisor from time to time.

C. The System is identified by means of certain trade names, service marks, trademarks, logos, emblems, and indicia of origin as are now designated and may hereafter be designated by Franchisor in writing for use in connection with the System, including the mark "Cosi" and other marks (the "**Proprietary Marks**").

D. Franchisee desires to enter into the business of operating a restaurant as a Cosi Restaurant under the System and using the Proprietary Marks, and wishes to enter into this agreement with Franchisor for that purpose, and to receive the training and other assistance provided by Franchisor in connection therewith.

E. Franchisee understands and acknowledges the importance of the high standards of Franchisor for quality, cleanliness, appearance, and service, and the necessity of operating the business franchised hereunder in conformity with the standards and specifications of Franchisor.

NOW, THEREFORE, the parties agree as follows:

1. GRANT

1.1 *Grant and Acceptance*. Franchisor grants to Franchisee the right, and Franchisee hereby undertakes the obligation, upon the terms and conditions set forth in this Agreement to: (a) establish and operate a Cosi Restaurant (the "**Franchised Restaurant**"), (b) use, only in connection therewith, the Proprietary Marks and the System, as they may be changed, improved, or further developed from time to time by Franchisor; and, (c) operate the Franchised Restaurant only at the Accepted Location (as defined in Section 1.2 below) in accordance with this Agreement.

1.2 *Accepted Location*. Franchisee shall develop and operate the Franchised Restaurant only at the site specified in Exhibit A to this Agreement as the "**Accepted Location**." Franchisee shall not relocate the Franchised Restaurant without Franchisor's prior written consent , as provided in Section 8.19 below. If, at the time of execution of this Agreement, a location for the Franchised Restaurant has not been obtained by Franchisee and accepted by Franchisor, Franchisee shall lease, sublease, or acquire a site for the Franchised Restaurant, subject to Franchisor's approval in accordance with the Site Selection Addendum attached as Exhibit G (the "**Site Selection Addendum**"). Franchisor shall have the right to grant or withhold approval of the Accepted Location under this Section 1.2 as set forth in the Site Selection Addendum. Franchisee acknowledges and agrees that Franchisor's no-objection letter to a site and agreement for a site to be the Accepted Location, under this Section 1.2 or pursuant to the Site Selection Addendum, does not constitute any assurance, representation, or warranty of Franchisor of any kind, as further described in Section 6 of the Site Selection Addendum.

1.3 *Limit on Sales*. Franchisee's rights hereunder shall be limited to offering and selling Products at the Franchised Restaurant, and only to retail customers of the Franchised Restaurant for (a) customer consumption on the premises of the Franchised Restaurant at the Accepted Location (the "**Premises**"); (b) for customer carry-out consumption of Products sold at the Franchised Restaurant; and (c) off-Premises delivery or off-Premises catering activities within the Territory (as defined below) provided that all such activities shall be conducted only in accordance with the requirements of this Agreement, such procedures, policies, and conditions as Franchisor may establish from time to time as set forth in the Manuals (as defined in Section 10 below), and all applicable laws. Franchisee shall not, without the prior written approval of Franchisor, engage in any other type of sale of, or offer to sell, or distribution, of Products, including, but not limited to: selling, distributing, or otherwise providing, any Products to third parties at wholesale, or for resale or distribution by any third party; and selling, distributing or otherwise providing any Products through catalogs, mail order, toll free numbers for delivery, or electronic means (e.g., the Internet).

1.4 *Territory and Reserved Rights*. Except as otherwise provided in this Agreement, during the term of this Agreement, Franchisor shall not establish or operate, nor license any other person to establish or operate, a Cosi Restaurant at any location within the territory specified in Exhibit A (the "**Territory**"). Franchisor retains the exclusive rights, among others, on any terms and conditions Franchisor deems advisable, and without granting Franchisee any rights therein:

1.4.1 To own, acquire, establish, and/or operate and license others to establish and operate, Cosi Restaurants under the System at any location outside the Territory notwithstanding their proximity to the Territory or the Accepted Location or their actual or threatened impact on sales of the Franchised Restaurant;

1.4.2 To own, acquire, establish, and/or operate and license others to establish and operate, non-restaurant businesses under the Proprietary Marks, at any location within or outside the Territory.

1.4.3 To own, acquire, establish, and/or operate, and license others to establish and operate, businesses under proprietary marks other than the Proprietary Marks, whether such businesses are similar to or different from the Franchised Restaurant, at any location within or outside the Territory notwithstanding their proximity to the Territory or the Accepted Location or their actual or threatened impact on sales of the Franchised Restaurant;

1.4.4 To own, acquire, establish, and/or operate, and license others to establish and operate, Cosi Restaurants under the Proprietary Marks at Institutional Accounts (as defined below) at any location within or outside the Territory. As used in this Agreement, "**Institutional Accounts**" shall mean outlets that serve primarily the customers located within the facility, such as captive audience facilities (examples include, but are not limited to, parks charging admission, stadiums, amusement parks and centers, theaters, and art centers), limited purpose facilities (examples include, but are not limited to, airports, transportation centers, department stores, in-door shopping centers, business and industrial complexes, museums, educational facilities, hospitals, art centers, and recreational parks), limited access facilities (examples include, but are not limited to, military complexes, buyer club businesses, educational facilities, and business and industrial complexes), and other types of institutional accounts.

1.4.5 To sell and to distribute, directly or indirectly, or to license others to sell and to distribute, directly or indirectly, any products (including the Products) through grocery or convenience stores or through outlets that are primarily retail in nature, or through mail order, toll free numbers, or the Internet, including those products bearing Franchisor's Proprietary Marks, provided that distribution within the Territory shall not be from a Cosi Restaurant established under the System that is operated from within the Territory (except from a Cosi Restaurant at an Institutional Account);

1.4.6 To (i) acquire one or more retail businesses that are the same as, or similar to, Cosi Restaurants then operating under the System (each an "**Acquired Business**"), which may be at any location within or outside the Territory notwithstanding their proximity to the Territory or the Accepted Location or their actual or threatened impact on sales of the Franchised Restaurant, and to (ii) operate and/or license others to operate any Acquired Business under its existing name or as a Cosi Restaurant under the System, subject to the following conditions that apply to each Acquired Business located within the Territory:

1.4.6.1 Except as provided in Section 1.4.6.2 below, and provided that Franchisee is in compliance with this Agreement and any other agreement with Franchisor, Franchisor shall offer to Franchisee the option to purchase and operate, as a Cosi Restaurant, an Acquired Business that is purchased by Franchisor for operation by Franchisor or its affiliates. Franchisor shall provide Franchisee with written notice of Franchisor's purchase of the Acquired Business(es), the terms and conditions applicable to the Franchisee's option to purchase such Acquired Business(es), and such other information that Franchisor deems necessary to include in the notice. The terms and conditions offered to Franchisee shall include, without limitation, the following: (a) the purchase price will be based on Franchisor's purchase price for such Acquired Business, and if the Acquired Business was part of an Acquired System (as defined below in Section 1.4.6.2), then Franchisee's purchase price for such Acquired Business shall be determined using a ratio equal to the sales during the prior year of such Acquired Business as compared to the total sales in such prior year of all Acquired Businesses purchased by Franchisor in the same transaction; and (b) the requirement that Franchisee enter into Franchisor's then-current form of System franchise agreement for the Acquired Business. If Franchisee does not elect to purchase, or fails to complete the purchase of, an Acquired Business, Franchisor shall have the right to operate itself, or through its affiliates or third party licensees or franchisees, the Acquired Business under any trade name or trademarks including the Proprietary Marks.

1.4.6.2 If an Acquired Business is part of a system of retail businesses that Franchisor acquires (an "**Acquired System**"), Franchisee shall have no right to purchase, and Franchisor shall not be obligated to offer Franchisee any option to purchase, any Acquired Business that is operated by a licensee or franchisee under the Acquired System. Franchisor may license such unit to be operated under any trade name or trademarks, including the Proprietary Marks, and may also license to the licensee or franchisee additional units of the Acquired System that the licensee or franchisee has the right to develop and operate within the Territory.

2. TERM AND RENEWAL

2.1 *Initial Term*. This Agreement shall be in effect upon its acceptance and execution by Franchisor and, except as otherwise provided herein, this Agreement shall expire ten (10) years from the Effective Date.

2.2 *Renewal*. Franchisee may apply to operate the Franchised Restaurant for two (2) additional consecutive terms of five (5) years unless: (a) Franchisor has announced a decision to stop franchising Cosi Restaurants; or (b) Franchisor decides to withdraw Cosi Restaurants from the geographic market in which the Accepted Location is located. Franchisor may require Franchisee satisfy any or all of the following at each such renewal as a condition of continuing the franchise relationship with Franchisor for such renewal term:

2.2.1 Franchisee shall give Franchisor written notice of Franchisee's election to renew at least six (6) months, but not more than twelve (12) months, prior to the end of the term of this Agreement;

2.2.2 Franchisee shall not have any past due monetary obligations or other outstanding obligations to Franchisor and its affiliates, the approved suppliers of the System, or the lessor of the Premises;

2.2.3 Franchisee shall not be in default of any provision of this Agreement, or successor hereto, or any other agreement between Franchisee and Franchisor or its affiliates, the approved suppliers of the System, or the lessor of the Premises; and, Franchisee shall have substantially complied with all the terms and conditions of such agreements during the terms thereof;

2.2.4 Franchisee and Franchisor shall execute a mutual general release, in a form prescribed by Franchisor, of any and all claims against Franchisor and its affiliates, and their respective officers, directors, agents, and employees;

2.2.5 Franchisee shall execute the then-current form of franchise agreement offered by Franchisor, which shall supersede this Agreement in all respects, and the terms of which may differ from the terms of this Agreement, including requirements to pay additional and/or higher fees, except that Franchisee shall not be required to pay any initial franchise fee;

2.2.6 Franchisee shall comply with the then-current qualification and training requirements of Franchisor;

2.2.7 Franchisee shall make or provide for, in a manner satisfactory to Franchisor, such renovation and modernization of the Premises as Franchisor may reasonably require, including installation of new equipment and renovation of signs, furnishings, fixtures, and decor to reflect the then-current standards and image of the System;

2.2.8 Franchisee shall present evidence satisfactory to Franchisor that Franchisee has the right to remain in possession of the Premises (or such other location acceptable to Franchisor) for the duration of the renewal term;

2.2.9 Franchisee shall not be required to pay an initial franchise fee, and instead shall pay Franchisor a renewal fee equal to Seven Thousand Five Hundred Dollars ($7,500); and

2.2.10 Franchisee, at the time of renewal, satisfies Franchisor's standards of financial responsibility and, if requested by Franchisor, Franchisee demonstrates to Franchisor that Franchisee has sufficient financial resources and means to continue to operate the Franchised Restaurant during the renewal term.

3. DUTIES OF FRANCHISOR

3.1 *Franchisor's Specifications and Plans*. Franchisor shall make available, at no charge to Franchisee, specifications or design plans for the construction of a Cosi Restaurant and for the exterior and interior design and layout, fixtures, furnishings, equipment, and signs. Franchisee acknowledges that such standard specifications and/or design plans shall not contain the requirements of any federal, state, or local law, code, or regulation (including, without limitation, those concerning the Americans with Disabilities Act (the "**ADA**") or similar rules governing public accommodations or commercial facilities for persons with disabilities), nor shall such specifications and/or plans contain the requirements of, or be used for, construction drawings or other documentation necessary to obtain permits or authorization to build a specific Cosi Restaurant, compliance with all of which shall be Franchisee's responsibility and at Franchisee's expense. Franchisee understands and acknowledges that Franchisor has the right to modify the specifications and design plans, and develop additional specifications and design plans, as Franchisor deems appropriate from time to time (however Franchisor will not modify the plans and specifications for the Franchised Restaurant developed pursuant to this Agreement once any such architectural plans and specifications have been given to Franchisee). Franchisee shall adapt the standard plans to the Franchised Restaurant's location, as provided in Section 5.1 hereof, subject to Franchisor's acceptance.

3.2 *Initial Management Training*. Franchisor shall provide its initial management training for operators and managers ("**Initial Training**"), as described in Section 6 of this Agreement, for up to four (4) trainees (unless this Agreement is for the third or subsequent Cosi Restaurant being developed pursuant to a Cosi Area Development Agreement between Franchisor and Franchisee (or an affiliate of Franchisee), in which event the terms set forth in Section 6.1.3 below shall apply with respect to the pre-opening management training of Franchisee, the Designated Principal, and any General Manager). Franchisor shall also provide such ongoing training as it may, from time to time, deem appropriate.

3.3 *Opening Training*. Franchisor will furnish to Franchisee, at Franchisee's premises and at Franchisor's expense, one (1) or more of Franchisor's representatives for the purpose of facilitating the opening of the Franchised Restaurant. During this training, such representative will also assist Franchisee in establishing and standardizing procedures and techniques essential to the operation of a Cosi Restaurant and shall assist in training personnel; however, Franchisee acknowledges that Franchisor shall not be responsible for training or offering guidance with respect to compliance with any laws, ordinances, or other legal matters. Prior to the arrival of Franchisor's representative(s), Franchisee shall have completed all training of Franchisee's initial staff of employees for the Franchised Restaurant, as shall be necessary for Franchisee to comply with its staffing obligations under Section 8.4 below. Should Franchisee request additional assistance from Franchisor in order to facilitate the opening of the Franchised Restaurant, and should Franchisor deem it necessary and appropriate to comply with the request, Franchisee shall pay Franchisor's per diem charges and Franchisor's out-of-pocket expenses in providing such additional assistance as set forth from time to time in the Manuals.

3.4 *Loan of Manuals*. Franchisor shall provide Franchisee, on loan, copies of the Franchisor's confidential operations manuals and other manuals, instructional materials, and written policies and correspondence (collectively, the "**Manuals**"), as more fully described in Section 10 hereof.

3.5 *Advertising Programs and Materials*. Franchisor shall review and shall have the right TO APPROVE OR DISAPPROVE ALL advertising and promotional materials that Franchisee proposes to use, pursuant to Section 13 below. Franchisor shall administer the System or Market Ad Funds, if such funds exist or are created, in the manner set forth in Section 13 below.

3.6 *Grand Opening Advertising*. Franchisor shall assist Franchisee in developing and conducting the Grand Opening Advertising Program (as described in Section 13.6 below), which program shall be conducted at Franchisee's expense.

3.7 *Guidance*. Franchisor may provide periodic advice or offer guidance to Franchisee in the marketing, management, and operation of the Franchised Restaurant as Franchisor determines at the time(s) and in the manner determined by Franchisor.

3.8 *Inspections*. Franchisor shall conduct, as it deems advisable, inspections of the operation of the Franchised Restaurant by Franchisee.

3.9 *List of Suppliers*. Franchisor shall, in the Manuals (or otherwise in writing as determined by Franchisor), provide Franchisee with a list of suppliers designated and/or approved by Franchisor to supply Products, equipment, signage, materials, and services to franchisees in the System.

3.10 *Delegation*. Franchisee acknowledges and agrees that any duty or obligation imposed upon Franchisor by this Agreement may be performed by any distributor, designee, employee, or agent of Franchisor, as Franchisor may direct.

3.11 *Fulfillment of Obligations*. In fulfilling its obligations pursuant to this Agreement, and in conducting any activities or exercising any rights pursuant to this Agreement, Franchisor (and its affiliates) shall have the right: (i) to take into account, as it sees fit, the effect on, and the interests of, other franchised businesses and systems and in which Franchisor has an interest and on Franchisor's (and its affiliates') own activities; (ii) to share market and product research, and other proprietary and non-proprietary business information, with other franchised businesses and systems in which Franchisor (or its affiliates) has an interest, or with Franchisor's affiliates; (iii) to introduce proprietary and non-proprietary items or operational equipment used by the System into other franchised systems in which Franchisor has an interest; and/or (iv) to allocate resources and new developments between and among systems, and/or Franchisor's affiliates, as Franchisor sees fit. Franchisee understands and agrees that all of Franchisor's obligations under this Agreement are subject to this Section 3.11, and that nothing in this Section 3.11 shall in any way affect Franchisee's obligations under this Agreement.

4. FEES

4.1 *Franchise Fee*. The initial franchise fee shall be the amount specified in Exhibit A (the "**Franchise Fee**"), which is paid as specified in Exhibit A in consideration of the franchise granted herein. The Franchise Fee (as reflected in Exhibit A) shall be Forty Thousand Dollars ($40,000), unless Franchisee (or an affiliate of Franchisee) is an existing franchisee under the System and is operating another Cosi Restaurant as of the Effective Date, in which event the initial franchise fee shall be Thirty Five Thousand Dollars ($35,000). The Franchise Fee shall be paid in full upon the execution of this Agreement (net, if applicable, of the development credit, if any, that may be applied from the remaining portion (if any) of the Area Development Fees that Franchisee previously paid to Franchisor if Franchisee signed a separate Cosi Area Development Agreement with Franchisor relating to the Franchised Restaurant).

4.2 *Refundability*. Payment of the Franchise Fee shall be non-refundable in consideration of administrative and other expenses incurred by Franchisor in granting this franchise and for Franchisor's lost or deferred opportunity to franchise others.

4.3 *Royalty Fees*. For each week during the term of this Agreement, Franchisee shall: (a) pay Franchisor a continuing royalty fee in an amount equal to five percent (5%) of the Net Sales of the Franchised Restaurant ("**Royalty Fees**"); and (b) report to Franchisor, in the manner specified by Franchisor its Net Sales (a "**Sales Report**"). As used in this Agreement, the following terms shall apply:

4.3.1 The term "**Week**" means the period starting with the commencement of business on Tuesday and concluding at the close of business on the following Monday (or, if the Franchised Restaurant is not open on a Monday, the immediately preceding business day); however, Franchisor shall have the right to designate in writing any other period of not less than seven (7) days to constitute a "Week" under this Agreement.

4.3.2 The term "**Net Sales**" means all revenue from the sale of all Products and all other income of every kind and nature related to, derived from, or originating from the Franchised Restaurant, whether at retail or wholesale (whether such sales are permitted or not), whether for cash, check, or credit, and regardless of collection in the case of check or credit; provided, however, that "Net Sales" excludes any customer refunds, coupon sales, and sales taxes, and/or other taxes collected from customers by Franchisee and actually transmitted to the appropriate taxing authorities.

4.3.3 If a state or local law in which the Franchised Restaurant is located prohibits or restricts in any way Franchisee's ability to pay and Franchisor's ability to collect Royalty Fees or other amounts based on Net Sales derived from the sale of alcoholic beverages at the Franchised Restaurant, then Franchisor and Franchisee shall increase the percentage rate for calculating Royalty Fees, and change the definition of Net Sales to exclude sales of alcoholic beverages, in a manner such that the Royalty Fees to be paid by Franchisee, and received by Franchisor, shall be equal to such amounts as Franchisee would have been required to pay, and Franchisor would have received, if sales from alcoholic beverages were included in Net Sales.

4.4 *Advertising Contributions*. Franchisee shall make weekly advertising contributions for marketing and promotion as Franchisor may direct pursuant to Section 13.1 based on the Net Sales of the Franchised Restaurant.

4.5 *When Payments Due*. All payments required by Sections 4.3 and 4.4 above based on the Net Sales for the preceding Week, and the Sales Report required by Section 4.3 for the Net Sales for the preceding Week, shall be paid and submitted so as to be received by Franchisor by the third (3rd) business day after the close of each Week. Franchisee shall deliver to Franchisor any and all reports, statements, and/or other information required under Section 12.2 below, at the time and in the format reasonably requested by Franchisor. Franchisee shall establish an arrangement for electronic funds transfer or deposit of any payments required under this Section. Franchisee shall execute Franchisor's current form of "Authorization Agreement for Prearranged Payments (Direct Debits)," a copy of which is attached to this Agreement as Exhibit D, and Franchisee shall comply with the payment and reporting procedures specified by Franchisor in the Manuals. Franchisee expressly acknowledges and agrees that Franchisee's obligations for the full and timely payment of Royalty Fees and Advertising Obligations (and all other amounts provided for in this Agreement) shall be absolute, unconditional, fully earned, and due upon Franchisee's generation and receipt of Net Sales. Franchisee shall not for any reason delay or withhold the payment of all or any part of those or any other payments due hereunder, put the same in escrow, or set-off same against any claims or alleged claims Franchisee may allege against Franchisor, the System Ad Fund, the Market Ad Fund, or others. Franchisee shall not, on grounds of any alleged non-performance by Franchisor or others, withhold payment of any fee, including, without limitation, Royalty Fees or advertising contributions, nor withhold or delay submission of any reports due hereunder, including, but not limited to, Sales Reports.

4.6 *Designated Accountants and Fees*. If required by Franchisor, Franchisee shall use a certified public accountant service designated or approved by Franchisor for bookkeeping and financial records management. Franchisee shall pay such service provider or Franchisor, as directed by Franchisor, a fee for these services for each month in such reasonable amount as the service provider or Franchisor may periodically designate.

4.7 *Additional Payments*. Franchisee shall pay to Franchisor, within fifteen (15) days of any written request by Franchisor which is accompanied by reasonable substantiating material, any monies which Franchisor has paid, or has become obligated to pay, on behalf of Franchisee by consent or otherwise under this Agreement.

4.8 *Overdue Payments and Reports*. Any payment, contribution, statement, or report not actually received by Franchisor on or before such date shall be overdue. If any contribution or payment is overdue, Franchisee shall pay Franchisor immediately upon demand, in addition to the overdue amount: (i) a late payment fee in an amount equal to five percent (5%) of the overdue amount, and (ii) interest on the overdue amount from the date it was due until paid, at the rate of one and one-half percent (1.5%) per month, or the maximum rate permitted by law, whichever is less. Entitlement to such interest shall be in addition to any other remedies Franchisor may have.

4.9 *No Subordination*. Franchisee shall not subordinate to any other obligation its obligation to pay Franchisor the royalties and/or any other fee or charge payable to Franchisor, whether under this Agreement or otherwise.

5. SITE, CONSTRUCTION AND OPENING OF BUSINESS

5.1 *Preparing a Location*. Before commencing any construction of the Franchised Restaurant, Franchisee, at its expense, shall comply, to Franchisor's satisfaction, with all of the following requirements:

5.1.1 Franchisee shall employ a qualified, licensed architect or engineer who has been approved or designated (as described below) by Franchisor to prepare, subject to Franchisor's approval, preliminary plans and specifications for site improvement and/or construction of the Franchised Restaurant based upon plans and/or specifications furnished by Franchisor, as described in Section 3.1 above. Franchisor shall have the right to designate one or more suppliers of design services and/or architecture services to supply such services to the System. If Franchisor designates a design firm and/or architecture firm prior to the time Franchisee commences to develop the Franchised Restaurant, Franchisee shall employ such designated supplier(s) to prepare all designs and plans for the Franchised Restaurant, unless Franchisee obtains Franchisor's prior written approval to use an alternative professional. If Franchisor has not designated a design firm or architecture firm, Franchisee shall be responsible for locating and employing a qualified design consultant and architect who is/are licensed in the jurisdiction in which the Franchised Restaurant will be located, and who is reputable and experienced in providing design and architecture services, and Franchisee must obtain Franchisor's prior written approval of such qualified design consultant and/or architect. Franchisee shall be solely responsible for payments for all design and architecture services. Franchisee acknowledges and agrees that Franchisor shall not be liable for the unsatisfactory performance of any contractor retained by Franchisee.

5.1.2 Franchisee shall comply with all federal, state and local laws, codes, and regulations, including the applicable provisions of the ADA, regarding the construction, design and operation of the Franchised Restaurant. In the event Franchisee receives any complaint, claim, or other notice alleging a failure to comply with the ADA, Franchisee shall provide Franchisor with a copy of such notice within five (5) days after receipt thereof.

5.1.3 Franchisee shall be responsible for obtaining all zoning classifications and clearances that may be required by state or local laws, ordinances, or regulations, or that may be necessary or advisable owing to any restrictive covenants relating to the Accepted Location. After having obtained such approvals and clearances, Franchisee shall submit to Franchisor, for Franchisor's approval, final plans for construction based upon the preliminary plans and specifications. Franchisor's review and approval of plans shall be limited to review of such plans to assess compliance with Franchisor's design standards for Cosi Restaurants, including such items as trade dress, presentation of Proprietary Marks, and the providing to the potential customer of certain products and services that are central to the functioning of Cosi Restaurants. Such review is not designed to assess compliance with federal, state, or local laws and regulations, including the ADA, as compliance with such laws is the sole responsibility of

Franchisee. Once approved by Franchisor, such final plans shall not thereafter be changed or modified without the prior written permission of Franchisor. Any such change made without Franchisor's prior written permission shall constitute a default and Franchisor may withhold its authorization to open the Franchised Restaurant until the unauthorized change is rectified (or reversed) to Franchisor's reasonable satisfaction. Prior to opening the Franchised Restaurant and prior to renovating the Franchised Restaurant after its initial opening, Franchisee shall execute an ADA Certification in the form attached to this Agreement as Exhibit B that certifies in writing to Franchisor that the Franchised Restaurant and any proposed renovations comply with the ADA.

5.1.4 Franchisee shall obtain all permits and certifications required for the lawful construction and operation of the Franchised Restaurant and shall certify in writing to Franchisor that all such permits and certifications have been obtained.

5.1.5 Franchisee shall employ a qualified, licensed general contractor who is acceptable to Franchisor to construct the Franchised Restaurant and to complete all improvements. Franchisee shall obtain and maintain in force during the entire period of construction the insurance required under Section 14 below.

5.1.6 Throughout the construction process, Franchisee shall comply with Franchisor's requirements and procedures for periodic inspections of the Premises, and shall fully cooperate with Franchisor's representatives in such inspections by rendering such assistance as they may reasonably request.

5.2 *Opening Date*. Unless delayed by the occurrence of events constituting "force majeure" as defined in Section 5.3 below, Franchisee shall construct, furnish, and open the Franchised Restaurant in accordance with this Agreement and shall open the Franchised Restaurant by not later than six (6) months after the later of (a) the Effective Date, or (b) if Franchisor and Franchisee enter into the Site Selection Addendum, the date the Accepted Location is identified pursuant to the Site Selection Addendum. Time is of the essence. Franchisee shall provide Franchisor with written notice of its specific intended opening date and Franchisee's request for Franchisor's approval to open on such date, by no later than thirty (30) days prior to such intended opening date. Additionally, Franchisee shall comply with all other of Franchisor's pre-opening requirements, conditions, and procedures (including, without limitation, those regarding pre-opening scheduling and communications), as set forth in this Agreement, the Manuals, and/or elsewhere in writing by Franchisor, and Franchisee shall obtain Franchisor's written approval prior to opening the Franchised Restaurant.

5.3 *Force Majeure*. As used in this Agreement, "**force majeure**" means an act of God, war, civil disturbance, act of terrorism, government action, fire, flood, accident, hurricane, earthquake, or other calamity, strike or other labor dispute, or any other cause beyond the reasonable control of Franchisee; provided, however, "force majeure" shall not include Franchisee's lack of adequate financing.

6. TRAINING

6.1 *Initial Training and Attendees*. Before opening the Franchised Restaurant, Franchisee shall have satisfied all initial training obligations required by Franchisor, which are as follows:

6.1.1 Franchisee (or, if Franchisee is other than an individual, the Designated Principal (defined in Section 8.3 below)), and, if applicable, the General Manager and up to two (2) additional managerial persons as Franchisor may require, shall attend and successfully complete, to Franchisor's satisfaction, the initial management training program offered by Franchisor at a location designated by Franchisor (unless this Agreement is for the third or subsequent Cosi Restaurant being developed pursuant to a Cosi Area Development Agreement between Franchisor and Franchisee (or an affiliate of Franchisee), in which event the requirements set forth in Section 6.1.3 below shall apply with respect to the pre-opening management training of Franchisee, the Designated Principal, and any General Manager). If any required attendee does not satisfactorily complete such training, Franchisor may require that a replacement person attend and successfully complete, to Franchisor's satisfaction, the initial management training program. Franchisee shall also be responsible for training all of Franchisee's employees, in accordance with Franchisor's requirements, prior to opening the Franchised Restaurant.

6.1.2 If Franchisee is other than an individual, Franchisor may require (in addition to the management training of the Designated Principal and General Manager) that any or all owners of beneficial interests in Franchisee (each a "**Principal**"), who are individuals and own at least a ten percent (10%) beneficial interests in Franchisee, attend and successfully complete, to Franchisor's satisfaction, such portions of the initial management training program as determined by Franchisor appropriate for Principals not involved in the day-to-day operations of the Franchised Restaurant.

6.1.3 If this Agreement is for the third or subsequent Cosi Restaurant being developed pursuant to a Cosi Area Development Agreement between Franchisor and Franchisee (or an affiliate of Franchisee), then Franchisee shall be responsible for conducting the initial management training of its Designated Principal, its General Manager (if applicable), and any other managerial personnel, in accordance with the requirements and conditions as Franchisor may from time to time establish for such training. Franchisor's requirements for initial management training shall be set forth in the Manuals or other written materials and shall include, but are not limited to, the requirement that all such training activities be conducted: (a) by the Principals or personnel of Franchisee (or an affiliate of Franchisee), who have completed Franchisor's initial management training program to the satisfaction of Franchisor, and who remain acceptable to Franchisor to provide initial management training; and (b) following the procedures and conditions established by Franchisor. If Franchisor determines that the management training provided by Franchisee does not satisfy Franchisor's standards and requirements, or that any newly trained individual is not trained to Franchisor's standards, then Franchisor may require that such newly trained individual(s) attend and complete an initial management training program provided by Franchisor prior to the opening of the Franchised Restaurant.

6.1.4 Franchisee must satisfy all pre-opening training requirements under this Section 6.1 by no later than thirty (30) days prior to the scheduled opening of the Franchised Restaurant.

6.2 *New or Replacement Designated Principal and Managers*. In the event that Franchisee's Designated Principal, or (if required) General Manager cease active employment in the Franchised Restaurant, Franchisee shall enroll a qualified replacement who is acceptable to Franchisor in Franchisor's management training program reasonably promptly following cessation of employment of said individual, provided that Franchisee may train replacement General Managers in accordance with Section 6.3 below. The replacement Designated Principal and any required managers shall complete the initial management training program as soon as is practicable and in no event later than any time periods as Franchisor may specify from time to time in the Manuals and otherwise in writing. Franchisor reserves the right to review any Franchisee trained personnel and require that such persons attend and complete, to the satisfaction of Franchisor, the initial training program offered by Franchisor at a location designated by Franchisor.

6.3 *Training by Franchisee of Additional or Replacement General Managers*. Franchisee shall have the option of training any General Manager (following the training of the first General Manager by Franchisor) at the Franchised Restaurant or other Cosi Restaurant operated by Franchisee or its affiliates, provided that the management training is conducted: (a) by the Designated Principal or other personnel who has completed Franchisor's initial management training program to the satisfaction of Franchisor (and who remains acceptable to Franchisor to provide such training); (b) in accordance with any requirements or standards as Franchisor may from time to time establish in writing for such training; and (c) Franchisee is in compliance with all agreements between Franchisee and Franchisor.

6.4 *Refresher Training*. Franchisor may also require that Franchisee or its Designated Principal and General Manager attend such refresher courses, seminars, and other training programs as Franchisor may reasonably require from time to time, provided that such training shall not exceed seven (7) days per person each year, and attendance for up to three (3) days per person each year at conventions, if any, conducted for Franchisor's franchisees.

6.5 *Training Costs*. The cost of all management training (instruction and required materials) shall be borne by Franchisor except as provided in Section 6.7 below. All other expenses incurred in connection with training, including, without limitation, the costs of transportation, lodging, meals, wages, and worker's compensation insurance, shall be borne by Franchisee.

6.6 *Location of Training*. All training programs shall be at such times as may be designated by Franchisor. Training programs shall be provided at Franchisor's headquarters and/or such other locations as Franchisor may designate.

6.7 *Additional On-site Training*. If Franchisee requests that Franchisor provide additional on-site training or that any other training programs offered or required by Franchisor be conducted for Franchisee at the Franchised Restaurant, and Franchisor does so, then

Franchisee agrees that it shall pay Franchisor's then-current per diem charges and out-of-pocket expenses, which shall be as set forth in the Manuals or otherwise in writing.

6.8 Employee Training. Franchisee shall also be responsible for training Franchisee's staff, and maintaining a fully trained staff, as set forth in Sections 3.3 and 8.4.

7. TECHNOLOGY

7.1 *Computer Systems and Required Software*. The following terms and conditions shall apply with respect to the Computer System and Required Software:

7.1.1 Franchisor shall have the right to specify or require that certain brands, types, makes, and/or models of communications, computer systems, and hardware to be used by, between, or among Cosi Restaurants, including without limitation: (a) back office and point of sale systems, data, audio, video, and voice storage, retrieval, and transmission systems for use at Cosi Restaurants, between or among Cosi Restaurants, and between and among the Franchised Restaurant and Franchisor and/or Franchisee; (b) Cash Register Systems (as defined in Section 7.1.2 below); (c) physical, electronic, and other security systems; (d) printers and other peripheral devices; (e) archival back-up systems; (f) on-line ordering software and hardware; and (g) internet access mode and speed (collectively, the "**Computer System**").

7.1.2 Franchisor shall have the right, but not the obligation, to develop or have developed for it, or to designate: (a) computer software programs and accounting system software that Franchisee must use in connection with the Computer System ("**Required Software**"), which Franchisee shall install; (b) updates, supplements, modifications, or enhancements to the Required Software, which Franchisee shall install; (c) the tangible media upon which such Franchisee shall record data; and (d) the database file structure of Franchisee's Computer System.

7.1.3 Franchisee shall record all sales on computer-based point of sale systems approved by Franchisor or on such other types of cash registers as may be designated by Franchisor in the Manuals or otherwise in writing ("**Cash Register Systems**"), which shall be deemed part of the Franchisee's Computer System.

7.1.4 Franchisee shall make, from time to time, such upgrades and other changes to the Computer System and Required Software as Franchisor may request in writing (collectively, "**Computer Upgrades**").

7.1.5 Franchisee shall comply with all specifications issued by Franchisor with respect to the Computer System and the Required Software, and with respect to Computer Upgrades. Franchisee shall also afford Franchisor unimpeded access to Franchisee's Computer System and Required Software as Franchisor may request, in the manner, form, and at the times requested by Franchisor.

7.2 *Data*. Franchisor may, from time-to-time, specify in the Manuals or otherwise in writing the information that Franchisee shall collect and maintain on the Computer System installed at the Franchised Restaurant, and Franchisee shall provide to Franchisor such reports as

Franchisor may reasonably request from the data so collected and maintained. All data pertaining to the Franchised Restaurant, and all data created, collected, or otherwise developed by Franchisee in connection with the System, and in connection with Franchisee's operation of the business (including, without limitation, data pertaining to or otherwise concerning the Franchised Restaurant's customers) or otherwise provided by Franchisee (including, without limitation, data uploaded to, or downloaded from, Franchisee's Computer System) is and will be owned exclusively by Franchisor, and Franchisor will have the right to access, download, and use such data in any manner that Franchisor deems appropriate without compensation to Franchisee. Franchisee agrees to transfer to us all data that Franchisor does not automatically collect upon Franchisor's request. Franchisor hereby licenses use of such data back to Franchisee for the term of this Agreement, at no additional cost, solely for Franchisee's use in connection with operating the business franchised under this Agreement. Franchisee acknowledges and agrees that except for the right to use the data under this clause, Franchisee will not develop or have any ownership rights in or to the data. Upon termination, expiration, and/or transfer of this Agreement and/or the Franchised Business, Franchisee agrees to provide Franchisor with all data (in the digital machine-readable format that Franchisor specifies, and/or printed copies, and/or originals) promptly upon Franchisor's request.

7.3 *Privacy*. Franchisee shall abide by all applicable laws pertaining to privacy and/or security of information collected or maintained regarding customers or other individuals ("**Privacy**"), and shall comply with Franchisor's standards and policies pertaining to Privacy. If there is a conflict between Franchisor's standards and policies pertaining to Privacy and applicable law, Franchisee shall: (a) comply with the requirements of applicable law; (b) immediately give Franchisor written notice of said conflict; and (c) promptly and fully cooperate with Franchisor and Franchisor's counsel as Franchisor may request to assist Franchisor in its determination regarding the most effective way, if any, to meet Franchisor's standards and policies pertaining to Privacy within the bounds of applicable law.

7.4 *Telecommunications*. Franchisee shall comply with Franchisor's requirements (as set forth in the Manuals or otherwise in writing) with respect to establishing and maintaining telecommunications connections between Franchisee's Computer System and Franchisor's Extranet (as defined below), if any, and/or such other computer systems as Franchisor may reasonably require.

7.5 *Extranet*. Franchisor may establish a website providing private and secure communications between Franchisor, Franchisee, franchisees, licensees, and other persons and entities as determined by Franchisor, in its sole discretion (an "**Extranet**"). Franchisee shall comply with Franchisor's requirements (as set forth in the Manuals or otherwise in writing) with respect to connecting to the Extranet, and utilizing the Extranet in connection with the operation of the Franchised Restaurant. The Extranet may include, without limitation, the Manuals, training, other assistance, materials, and management reporting solutions (both upstream and downstream, as Franchisor may direct). Franchisee shall purchase and maintain such computer software and hardware as may be required to connect to and utilize the Extranet.

7.6 *Online Sites*. As used in this Agreement, the term "**Online Site**" means one or more related documents, designs, pages, or other communications that can be accessed through electronic means, including, but not limited to, the Internet, World Wide Web, webpages, microsites, social networking sites (e.g., Facebook, Twitter, LinkedIn, You Tube, Google Plus, Pinterest, Instagram, etc.), blogs, vlogs, applications to be installed on mobile devices (e.g., iPhone, iPad or Droid apps), and other applications, etc. In connection with any Online Site, Franchisee agrees to the following:

7.6.1 Franchisor shall have the right, but not the obligation, to establish and maintain a website or other Online Site, which may, without limitation, promote the Proprietary Marks, any or all of the Products, Cosi Restaurants, the franchising of Cosi Restaurants, and/or the System. Franchisor shall have the sole right to control all aspects of the Online Site(s), including, without limitation, its design, content, functionality, links to the Online Sites of third parties, legal notices, and policies, and terms of usage. Franchisor shall also have the right to discontinue operation of any Online Sites.

7.6.2 Franchisor shall have the right, but not the obligation, to designate one or more web page(s) to describe Franchisee and/or the Franchised Restaurant, with such web page(s) to be located within Franchisor's Online Site. Franchisee shall comply with Franchisor's policies with respect to the creation, maintenance, and content of any such webpages; and, Franchisor shall have the right to refuse to post and/or discontinue posting any content and/or the operation of any webpage.

7.6.3 Franchisee shall not establish a separate Online Site without Franchisor's prior written approval (which Franchisor shall not be obligated to provide). If approved to establish an Online Site Franchisee shall comply with Franchisor's policies, standards, and specifications with respect to the creation, maintenance and content of any such Online Site. Franchisee specifically acknowledges and agrees that any Online Site owned or maintained by or for the benefit of Franchisee shall be deemed "advertising" under this Agreement, and will be subject to (among other things) Franchisor's approval under Section 13 below.

7.6.4 Franchisor shall have the right to require Franchisee to make Franchisor the sole administrator (or co-administrator) of any social networking pages that Franchisee maintains or that are maintained on Franchisee's behalf, and Franchisor will have the right (but not the obligation) to exercise all of the rights and privileges that an administrator may exercise.

7.6.5 Franchisor shall have the right to modify the provisions of this Section 7 relating to Online Site as Franchisor shall solely determine is necessary or appropriate.

7.7 *Online Use of Marks*. Franchisee shall not use the Proprietary Marks or any abbreviation or other name associated with Franchisor and/or the System as part of any e-mail address, domain name, and/or other identification of Franchisee in any electronic medium. Franchisee agrees not to transmit or cause any other party to transmit advertisements or solicitations by e-mail or other electronic media without Franchisor's prior written consent as to Franchisee's plan for transmitting such advertisements.

7.8 *No Outsourcing without Prior Written Approval*. Franchisee shall not hire third parties or outside vendors to perform any services or obligations in connection with the Computer System, Required Software, or any other of Franchisee's obligations without Franchisor's prior written approval. Franchisor's consideration of any proposed outsourcing vendor(s) may be conditioned upon, among other things, such third party or outside vendor's entry into a confidentiality agreement with Franchisor and Franchisee in a form that is reasonably provided by Franchisor.

7.9 *Changes to Technology*. Franchisee and Franchisor acknowledge and agree that changes to technology are dynamic and not predictable within the term of this Agreement. In order to provide for inevitable but unpredictable changes to technological needs and opportunities, Franchisee agrees that Franchisor shall have the right to establish, in writing, reasonable new standards for the implementation of technology in the System; and, Franchisee agrees that it shall abide by those reasonable new standards established by Franchisor as if this Section 7 were periodically revised by Franchisor for that purpose.

7.10 *Credit Card and Debit Cards*. Without limiting any other obligations of Franchisee under this Agreement, with respect to Franchisee's acceptance and processing of customer payments by credit and debit cards, Franchisee agrees to do all of the following:

7.10.1 Franchisee agrees to maintain, at all times, credit-card relationships with the credit- and debit-card issuers or sponsors, check or credit verification services, financial-center services, merchant service providers, and electronic-fund-transfer systems (together, "**Credit Card Vendors**") that Franchisor may periodically designate as mandatory. The term "Credit Card Vendors" includes, among other things, companies that provide services for electronic payment, such as near field communication vendors (for example, "Apple Pay" and "Google Wallet").

7.10.2 Franchisee agrees not to use any Credit Card Vendor for which Franchisor has not provided its prior written approval to Franchisee or as to which Franchisor has revoked its earlier approval.

7.10.3 Franchisor has the right to modify its requirements and designate additional approved or required methods of payment and vendors for processing such payments, and to revoke Franchisor's approval of any service provider.

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

7.10.5 Franchisee agrees to comply with Franchisor's requirements concerning data collection and protection, as specified in Section 7.2 above.

7.10.6 Franchisee agrees to comply with the then-current Payment Card Industry Data Security Standards as those standards may be revised and modified by the PCI

Security Standards Council, LLC (see www.pcisecuritystandards.org), or any successor organization or standards that Franchisor may reasonably specify. Among other things, Franchisee agrees to implement the enhancements, security requirements, and other standards that the PCI Security Standards Council (or its successor) requires of a merchant that accepts payment by credit and/or debit cards.

8. OTHER DUTIES OF FRANCHISEE

8.1 *Details of Operation*. Franchisee understands and acknowledges that every detail of the System and this Agreement is important to Franchisee, Franchisor, and other franchisees in order to develop and maintain high operating, quality, and service standards, to increase the demand for the Products sold by all operators, to protect Cosi Restaurants operating under the System, and to protect the reputation and goodwill of Franchisor.

8.2 *Comply with the Agreement, including the Manuals*. Franchisee shall operate the Franchised Restaurant in strict conformity with this Agreement and such standards and specifications as Franchisor may from time to time prescribe in the Manuals or otherwise in writing, and shall refrain from deviating from such standards, specifications, and procedures without the prior written consent of Franchisor.

8.3 *Management of Business & Designated Principal*. If Franchisee is other than an individual, prior to beginning training, Franchisee shall comply with the following:

8.3.1 Franchisee shall designate, subject to Franchisor's reasonable approval, one Principal who is both an individual person and owns at least a ten percent (10%) beneficial interest in Franchisee, and who shall be responsible for general oversight and management of the operations of the Franchised Restaurant on behalf of Franchisee (the "**Designated Principal**"). In the event the person designated as the Designated Principal dies, becomes incapacitated, transfers his/her interest in Franchisee, or otherwise ceases to supervise the operations of the Franchised Restaurant, Franchisee shall promptly designate a new Designated Principal, subject to Franchisor's reasonable approval.

8.3.2 Franchisee shall inform Franchisor in writing whether Franchisee (or, if Franchisee is other than an individual, the Designated Principal) will assume full-time responsibility for the daily supervision and operation of the Franchised Restaurant. If not, Franchisee shall employ a full-time unit manager (the "**General Manager**") whose qualifications shall be reasonably acceptable to Franchisor (including, but not limited to, the requirement that such individual possess sufficient experience in the management of a business) to assume full-time responsibility for the daily supervision and operation of the Franchised Restaurant.

8.3.3 Franchisee acknowledges and agrees that Franchisor shall have the right to rely upon either or both the Designated Principal or General Manager to have been given by Franchisee the responsibility and decision-making authority regarding the Franchised Restaurant's operation and Franchisee's business.

8.4 *Staffing*. Franchisee agrees to maintain a competent, conscientious staff (who are trained by Franchisee to Franchisor's standards and requirements) in numbers sufficient to promptly service customers and to take such steps as are necessary to ensure that its employees preserve good customer relations; render competent, prompt, courteous, and knowledgeable service; comply with such uniforms and/or dress code as Franchisor may prescribe; and meet such minimum standards as Franchisor may establish from time to time in the Manuals. In no way limiting the foregoing, Franchisee shall have on duty at all times at least one (1) manager and/or hourly employee trained in management activities who has completed all training and certifications required by Franchisor. Franchisee shall be solely responsible for all employment decisions and functions of the Franchised Restaurant, including those related to hiring, firing, wage and hour requirements, recordkeeping, supervision, and discipline of employees.

8.5 *Use of Premises*. Franchisee shall use the Premises solely for the operation of the Franchised Restaurant; shall keep the Franchised Restaurant open and in normal operation for such minimum hours and days as Franchisor may specify; shall refrain from using or permitting the use of the Premises for any other purpose or activity at any time without first obtaining the written consent of Franchisor. As described in Section 1.3 herein, Franchisee may engage in catering or delivery within the Territory provided that Franchisee complies with the terms and conditions specified in writing by Franchisor, including, without limitation, guidelines and requirements relating to insurance coverage and vehicle use in such activities.

8.6 *Conformity to Standards*. To insure that the highest degree of quality and service is maintained, Franchisee shall operate the Franchised Restaurant in strict conformity with such methods, standards, and specifications as Franchisor may from time to time prescribe in the Manuals or otherwise in writing. Without limitation, Franchisee agrees as follows:

8.6.1 Franchisee shall purchase and install prior to the opening of the Franchised Restaurant, and thereafter maintain, all fixtures, furnishings, equipment, decor, and signs, and maintain in sufficient supply supplies and materials, as Franchisor may prescribe in the Manuals or otherwise in writing. Franchisee shall refrain from deviating therefrom by the use of any unapproved item without the prior written consent of Franchisor.

8.6.2 Franchisee shall offer and sell only Products that Franchisor specifies from time to time, unless otherwise approved in writing by Franchisor; and, Franchisee shall offer and sell all Products as Franchisor may specify from time to time as required offerings at the Franchised Restaurant. In offering and selling the Products, Franchisee shall follow the standards and specifications as Franchisor may establish in the Manuals relating to manner in which such items are prepared, presented and sold to customers, including without limitation utilizing the ingredients and recipes and employing the preparation, presentation, and packaging standards and techniques as specified by Franchisor. Franchisee is prohibited from offering or selling any products or services at or from the Franchised Restaurant that have not previously been authorized by Franchisor, and shall discontinue selling and offering for sale any Products which Franchisor shall have the right to disapprove, in writing, at any time. If Franchisee wishes to offer or sell any products or services that have not previously been authorized by Franchisor or otherwise deviate from the standards and specifications issued by Franchisor for a Product, Franchisee must first make a written request to Franchisor, requesting authorization to offer or sell such products or services, or to modify a standards or specification regarding an authorized Product, in accordance with Section 8.7 below. Franchisor may deny such approval for any reason. Franchisor has the right to change the authorized items, products and services and may designate specific products or services as optional or mandatory. Franchisee acknowledges that Franchisor may approve some services, products, and other items for certain franchisees and not others based on legitimate business reasons. Franchisee must use menus that meet Franchisor's then-current specifications as to content, materials, finish, style, pattern, and design.

8.6.3 Franchisee shall permit Franchisor or its agents, at any reasonable time, to remove samples of Products, without payment therefor, in amounts reasonably necessary for testing by Franchisor or an independent laboratory to determine whether said samples meet Franchisor's then-current standards and specifications. In addition to any other remedies it may have under this Agreement, Franchisor may require Franchisee to bear the cost of such testing if the supplier of the item has not previously been approved by Franchisor or if the sample fails to conform to Franchisor's specifications.

8.6.4 Franchisee shall refrain from selling, offering to sell, or permitting any other party to sell, or offer to sell, beer, wine, or any form of liquor ("**Alcoholic Beverages**"), unless and until Franchisee provides Franchisor with advance written notice of its intent to offer and sell Alcoholic Beverages at the Franchised Restaurant. Franchisee acknowledges and agrees that Alcoholic Beverages are optional Products and, if Franchisee elects to offer and sell Alcoholic Beverages at the Franchised Restaurant, Franchisee shall: (i) be solely responsible for complying with all laws and regulations relating to alcoholic beverages and alcohol service or preparation; (ii) shall comply with Franchisor's standards, specifications, and terms of Franchisor regarding the offer, sale, and presentation of Alcoholic Beverages, as approved Products; and (iii) shall obtain and maintain such additional insurance coverage as Franchisor may require pursuant to Section 14 of this Agreement.

8.6.5 Franchisor may designate an independent evaluation service to conduct "mystery customer" quality control, customer satisfaction surveys, or any other quality control or evaluation programs with respect to Franchisor or affiliate-owned and/or franchised Cosi Restaurants. Franchisee agrees that the Franchised Restaurant will participate in such mystery shopper quality control, customer satisfaction survey, or other quality control or evaluation programs, as prescribed and required by Franchisor, provided that Franchisor-owned, affiliate-owned, and franchised Cosi Restaurants also will participate in such program to the extent Franchisor has the right to require such participation. Franchisor shall have the right to require Franchisee to pay the then-current charges imposed by such evaluation service with respect to inspections, surveys and evaluations of the Franchised Restaurant, and Franchisee agrees that it shall promptly pay such charges; provided, however, that such charges for the Franchised Restaurant shall not exceed Seven Hundred Fifty Dollars ($750) during each year of this Agreement.

8.6.6 In no way limiting Section 8.6.5 above, Franchisee shall participate in all customer surveys and satisfaction audits, which may require that Franchisee provide discount or complimentary Products, provided that such discounted or complimentary sales shall not be included in the Net Sales of the Franchised Restaurant. Additionally, Franchisee shall participate in any complaint resolution and other programs as Franchisor may reasonably establish for the System, which programs may include, without limitation, providing discounts or refunds to customers.

8.7 *Purchases and Approved Suppliers*. Franchisee shall purchase all equipment, fixtures, furnishings, signs, décor, supplies, services, and products (including the Products) required for the establishment and operation of the Franchised Restaurant from suppliers designated or approved in writing by Franchisor (as used in this Section 8.7 the term **"supplier"** shall include manufacturers, distributors, and other forms of suppliers). In determining whether it will approve any particular supplier, Franchisor shall consider various factors, including, but not limited to, whether the supplier can demonstrate, to Franchisor's continuing reasonable satisfaction, the ability to meet Franchisor's then-current standards and specifications for such items; who possess adequate quality controls and capacity to supply Franchisee's needs promptly and reliably; whose approval would enable the System, in Franchisor's sole opinion, to take advantage of marketplace efficiencies; and, who have been approved in writing by Franchisor prior to any purchases by Franchisee from any such supplier, and have not thereafter been disapproved. Franchisor reserves the right to designate, at any time and for any reason, a single supplier for any equipment, supplies, services, or products (including any Products) and to require Franchisee to purchase exclusively from such designated supplier, which exclusive designated supplier may be Franchisor or an affiliate of Franchisor.

8.7.1 Notwithstanding anything to the contrary in this Agreement, Franchisee shall purchase all of its requirements for Proprietary Products (which may include, but are not limited to, dressings, spreads, coffee, coffee beans, bread mixtures, meat ingredients, and potato chips) from Franchisor's designee(s), as set forth in Section 8.8 below (through such distributor or distributors as Franchisor may designate). Franchisor shall have the right to introduce additional, substitute new, or discontinue Proprietary Products from time to time.

8.7.2 If Franchisee desires to purchase any Products (except for Proprietary Products) or other items, equipment, supplies, or services from suppliers other than those previously designated or approved by Franchisor, Franchisee must first submit to Franchisor a written request for authorization to purchase such items. Franchisee shall not purchase from any supplier until, and unless, such supplier has been approved in writing by Franchisor. Franchisor may deny such approval for any reason, including its determination to limit the number of approved suppliers. Franchisee must submit to Franchisor such information and samples as Franchisor may reasonably require, and Franchisor shall have the right to require periodically that its representatives be permitted to inspect such items and/or supplier's facilities, and that samples from the proposed supplier, or of the proposed items, be delivered for evaluation and testing either to Franchisor or to an independent testing facility designated by Franchisor. Permission for such inspections shall be a condition of the initial and continued approval of such supplier. A charge not to exceed the reasonable cost of the evaluation and testing shall be paid by Franchisee. Franchisor may also require that the supplier comply with such other requirements as Franchisor may deem appropriate, including payment of reasonable continuing inspection fees and administrative costs, or other payment to Franchisor by the supplier on account of their dealings with Franchisee or other franchisees, for use, without restriction (unless otherwise instructed by the supplier), and for services that Franchisor may render to such suppliers.

8.7.3 Franchisor reserves the right, at its option, to reinspect from time to time the facilities and products of any such approved supplier and to revoke its approval upon the supplier's failure to continue to meet any of Franchisor's then-current criteria. Upon receipt of written notice of such revocation, Franchisee shall cease to sell or use any disapproved item, or Products, and/or cease to purchase from any disapproved supplier.

8.7.4 Nothing in the foregoing shall be construed to require Franchisor to approve any particular supplier, nor to require Franchisor to make available to prospective suppliers, standards and specifications for formulas, which Franchisor shall have the right to deem confidential.

8.7.5 Notwithstanding anything to the contrary contained in this Agreement, Franchisee acknowledges and agrees that, at Franchisor's sole option, Franchisor may establish one or more strategic alliances or preferred vendor programs with one or more nationally or regionally-known suppliers who are willing to supply all or some Cosi Restaurants with some or all of the products and/or services that Franchisor requires for use and/or sale in the development and/or operation of Cosi Restaurants. In this event, Franchisor may limit the number of approved suppliers with whom Franchisee may deal, designate sources that Franchisee must use for some or all Products and other products and services, and/or refuse any of Franchisee's requests if Franchisor believes that this action is in the best interests of the System or the franchised network of Cosi Restaurants. Franchisor shall have unlimited discretion to approve or disapprove of the suppliers who may be permitted to sell Products to Franchisee.

8.7.6 Franchisor and its affiliates may receive payments or other compensation from suppliers on account of such suppliers' dealings with Franchisee and other franchisees; and, Franchisor may use all amounts so received for any purpose Franchisor and its affiliates deem appropriate.

8.8 *Proprietary Products*. Franchisee acknowledges and agrees that the Proprietary Products offered and sold at Cosi Restaurants are manufactured in accordance with secret blends, standards, and specifications of Franchisor and/or Franchisor's affiliates, and are Proprietary Products of Franchisor and/or its affiliates. In order to maintain the high standards of quality, taste, and uniformity associated with Proprietary Products sold at all Cosi Restaurants in the System, Franchisee agrees to purchase Proprietary Products only from Franchisor, or its designee(s), and not to offer or sell any other items not approved by Franchisor at or from the Franchised Restaurant. In connection with the handling, storage, transport, and delivery of any Proprietary Products purchased from Franchisor, its affiliates or designee(s), Franchisee acknowledges that any action or inaction by any third party (e.g., an independent carrier) in connection with the handling, storage, transport, and delivery of the Proprietary Products shall not be attributable to, nor constitute, negligence of Franchisor. A request shall not be approved unless and until Franchisee receives written approval from Franchisor.

8.9 *Inspections*. Franchisee shall permit Franchisor and its agents to enter upon the Premises at any time during normal business hours for the purpose of conducting inspections of the Premises and the operations of Franchisee. Franchisee shall cooperate with representatives of Franchisor in such inspections by rendering such assistance as they may reasonably request; and, upon notice from Franchisor or its agents, and without limiting other rights of Franchisor under this Agreement, shall take such steps as may be necessary to correct immediately any deficiencies detected during any such inspection. Should Franchisee, for any reason, fail to correct such deficiencies within a reasonable time as determined by Franchisor, Franchisor shall have the right, but not the obligation, to correct any deficiencies which may be susceptible to correction by Franchisor and to charge Franchisee the actual expenses of Franchisor in so acting, which shall be payable by Franchisee upon demand. The foregoing shall be in addition to such other remedies Franchisor may have.

8.10 *Trademarked Items*. Franchisee shall ensure that all advertising and promotional materials, signs, decorations, paper goods (including wrapping and containers for products, napkins, menus and all forms and stationery used in the Franchised Restaurant), Products, and other items specified by Franchisor bear the Proprietary Marks in the form, color, location, and manner prescribed by Franchisor. Franchisee shall place and illuminate all signs in accordance with Franchisor's specifications.

8.11 *Participation in Promotions*. Franchisee shall participate in promotional programs developed by Franchisor for the System, in the manner directed by Franchisor in the Manuals or otherwise in writing, to the extent such promotional programs do not directly affect Franchisee's pricing freedom. In no way limiting the foregoing, Franchisee agrees that if required by Franchisor:

8.11.1 Franchisee shall participate in all programs and services for frequent customers, loyalty programs, discount or complimentary products, senior citizens, children, and other categories, which may include providing discounts or complimentary Products ("**Incentive Programs**").

8.11.2 Franchisee shall participate in any gift card programs that we specify and sell or otherwise issue gift cards or certificates (together "**Gift Cards**") that have been prepared utilizing the standard form of Gift Card provided or designated by Franchisor, and only in the manner specified by Franchisor in the Manuals or otherwise in writing. Franchisee shall fully honor all Gift Cards that are in the form provided or approved by Franchisor regardless of whether a Gift Card was issued by Franchisee or another Cosi Restaurant. Franchisee shall sell, issue, and redeem (without any offset against any Royalty Fees) Gift Cards in accordance with procedures and policies specified by Franchisor in the Manuals or otherwise in writing, including those relating to procedures by which Franchisee shall request reimbursement for Gift Cards issued by other Cosi Restaurants and for making timely payment to Franchisor, other operators of Cosi Restaurants, or a third-party service provider for Gift Cards issued from the Franchised Restaurant that are honored by Franchisor or other Cosi Restaurant operators.

8.11.3 Franchisee shall comply with all requirements of Franchisor or any third-party service provider designated by Franchisor to carry out any Incentive Program or program for Gift Cards, including, without limitation, payment of any fees (including without limitation, monthly and per-swipe transaction fees), purchase and use of additional equipment and services, which may include, without limitation, software, interface connection, and electronic funds transfer.

8.12 *Health/Standards*. Franchisee shall meet and maintain the highest health standards and ratings applicable to the operation of the Franchised Restaurant under the Manuals and applicable health ordinances. Franchisee shall also comply with the requirements set forth in the Manuals for submitting to Franchisor a copy of a violation or citation relating to Franchisee's failure to maintain any health or safety standards in the operation of the Franchised Restaurant.

8.13 *Maintenance of Premises*. Franchisee shall maintain the Franchised Restaurant and the Premises in a clean, orderly condition and in excellent repair; and, in connection therewith, Franchisee shall, at its expense, make such repairs and replacements thereto (but no others without prior written consent of Franchisor) as may be required for that purpose, including such periodic repainting or replacement of obsolete signs, furnishings, equipment, and decor as Franchisor may reasonably direct.

8.14 *Ongoing Upgrades and Refurbishments*. As set forth in Section 8.6.1, throughout the term of this Agreement, Franchisee shall maintain all fixtures, furnishings, equipment, decor, and signs as Franchisor may prescribe from time to time in the Manuals or otherwise in writing. Franchisee shall make such changes, upgrades, refurbishment, and replacements as Franchisor may periodically require, in the time frames specified by Franchisor.

8.15 *Five-Year Refurbishment and Renovations*. At the request of Franchisor, but not more often than once every five (5) years, unless sooner required by Franchisee's lease, Franchisee shall refurbish the Premises, at its expense, to conform to the restaurant design, trade dress, color schemes, and presentation of the Proprietary Marks in a manner consistent with the then-current image for new Cosi Restaurants. Such refurbishment may include structural changes, installation of new equipment and signs, remodeling, redecoration, and modifications to existing improvements, and, shall be completed pursuant to such standards, specifications, and deadlines as Franchisor may specify.

8.16 *Compliance with Lease*. Franchisee shall comply with all terms of its lease or sublease, its financing agreements (if any), and all other agreements affecting the operation of the Franchised Restaurant; shall undertake best efforts to maintain a good and positive working relationship with its landlord and/or lessor; and, shall not engage in any activity which may jeopardize Franchisee's right to remain in possession of, or to renew the lease or sublease for, the Premises.

8.17 *Obligations to Third Parties*. Franchisee must at all times pay its distributors, contractors, suppliers, trade creditors, employees, and other creditors promptly as the debts and obligations to such persons become due, and failure to do so shall constitute a breach of this Agreement.

8.18 *Notice of Legal Actions*. Franchisee shall notify Franchisor in writing within five (5) days of the commencement of any suit to foreclose any lien or mortgage, or any action, suit, or proceeding, and of the issuance of any order, writ, injunction, award, or decree of any court, agency, or other governmental instrumentality, including health agencies, which (i) relates to the operation of the Franchised Restaurant, (ii) may adversely affect the operation or financial condition of the Franchised Restaurant, or (iii) may adversely affect Franchisee's financial condition.

8.19 *No Relocation*. Franchisee shall not relocate the Franchised Restaurant from the Accepted Location without the prior written approval of Franchisor. If Franchisee desires to relocate the Franchised Restaurant, the following terms and conditions shall apply:

8.19.1 Franchisee shall submit such materials and information as Franchisor may request for the evaluation of the requested plan of relocation. Franchisor may, in its sole discretion, require any or all of the following as conditions of its approval for relocation: (i) Franchisee shall not be in default under any provision of this Agreement, or any other agreement between Franchisee and Franchisor; (ii) the proposed substitute location must meet Franchisor's then-current standards for Cosi Restaurants; (iii) the lease (if applicable) for the proposed substitute location must comply with Franchisor's then-current lease requirements for Cosi Restaurants (which may include the requirement that the lease contain certain terms and conditions, which may be different than, or in addition to, those terms Franchisor required as of the Effective Date with respect to the Accepted Location), and Franchisee must obtain Franchisor's approval of the proposed lease; (iv) Franchisee must possess the financial resources to meet the costs associated with relocating; (v) Franchisee must enter into Franchisor's then-current form of Franchise Agreement (which shall replace this Agreement), provided that Franchisee shall not be required to pay an initial franchise fee; and (vi) Franchisee must pay a relocation fee equal to twenty five percent (25%) of Franchisor's then-current initial franchise fee.

8.19.2 If, through no fault of Franchisee, the Premises are damaged or destroyed by an event such that repairs or reconstruction cannot be completed within sixty (60) days thereafter, then Franchisee shall have forty five (45) days after such event in which to apply for Franchisor's approval to relocate and/or reconstruct the Premises, which approval shall not be unreasonably withheld and, in such event, the relocation fee described in Section 8.19.1 above shall not apply.

8.20 *Franchisee Advisory Councils*. If Franchisor should, during the term of this Agreement, form or require the formation of a franchisee advisory council or association (hereinafter "**Advisory Council**") or such successor council or association to serve as an advisory council to Franchisor with respect to advertising, marketing, and other matters relating to franchised Cosi Restaurants, Franchisee shall become a member of the Advisory Council. In such event, Franchisee shall pay to the Advisory Council all dues and assessments authorized by the Advisory Council and shall otherwise abide by the rules and regulations of the Advisory Council and shall at all times maintain its membership in the Advisory Council in good standing.

8.21 *Changes to the System*. Franchisee acknowledges and agrees that from time to time hereafter Franchisor may change or modify the System presently identified by the Proprietary Marks as Franchisor deems appropriate, including, without limitation, to reflect the changing market and to meet new and changing consumer demands, and that variations and additions to the System may be required from time to time to preserve and enhance the public image of the System and operations of Cosi Restaurants. Changes to the System may include, without limitation, the adoption and use of new, modified, or substituted products, services, equipment and furnishings, and new techniques and methodologies, and (as described in Section 9 below) additional or substitute trademarks, service marks, and copyrighted materials. Franchisee shall, upon reasonable notice, accept, implement, use, and display in the operation of the Franchised Restaurant any such changes in the System, as if they were part of this Agreement at the time of execution hereof, at Franchisee's sole expense. Additionally, Franchisor reserves the right, in its sole discretion, to vary the standards throughout the System, as well as the services and assistance that Franchisor may provide to some franchisees, based upon the peculiarities of a particular site or circumstance, existing business practices, or other factors that Franchisor deems to be important to the operation of any Cosi Restaurant or the System. Franchisee shall have no recourse against Franchisor on account of any variation to any franchisee and shall not be entitled to require Franchisor to provide Franchisee with a like or similar variation hereunder.

8.22 *Modifications Proposed by Franchisee*. Franchisee shall not implement any change to the System (including the use of any product or supplies not already approved by Franchisor) without Franchisor's prior written consent. Franchisee acknowledges and agrees that, with respect to any change, amendment, or improvement in the System or use of additional product or supplies for which Franchisee requests Franchisor's approval: (i) Franchisor shall have the right to incorporate the proposed change into the System and shall thereupon obtain all right, title, and interest therein without compensation to Franchisee, (ii) Franchisor shall not be obligated to approve or accept any request to implement change, and (iii) Franchisor may from time to time revoke its approval of a particular change or amendment to the System, and upon receipt of written notice of such revocation, Franchisee shall modify its activities in the manner described by Franchisor.

9. PROPRIETARY MARKS

9.1 *Ownership*. Franchisor represents with respect to the Proprietary Marks that:

9.1.1 Franchisor is the owner of all right, title, and interest in and to the Proprietary Marks.

9.1.2 Franchisor will take all steps reasonably necessary to preserve and protect the ownership and validity in and to the Proprietary Marks.

9.2 *License to Franchisee*. Franchisee's right to use the Proprietary Marks is limited to such uses as are authorized under this Agreement, and any unauthorized use thereof shall constitute an infringement of the rights of Franchisor.

9.3 *Terms of Franchisee's Usage*. With respect to Franchisee's use of the Proprietary Marks, Franchisee agrees to:

9.3.1 Use only the Proprietary Marks designated by Franchisor, and to use them only in the manner authorized and permitted by Franchisor;

9.3.2 Franchisee shall use the Proprietary Marks only for the operation of the business franchised hereunder and only at the location authorized hereunder, or in Franchisor-approved advertising for the business conducted at or from that location;

9.3.3 Operate and advertise the Franchised Restaurant only under the name "Cosi®", and use the Proprietary Marks without prefix or suffix, unless otherwise authorized or required by Franchisor.

9.3.4 Franchisee shall not use the Proprietary Marks as part of its corporate or other legal name, or as part of any e-mail address, domain name, or other identification of Franchisee in any electronic medium. Franchisee may, as necessary to conduct the business of the Franchised Restaurant and to obtain governmental licenses and permits for the Franchised Restaurant, indicate that Franchisee shall be operating the Franchised Restaurant under the trade name "Cosi®", provided that Franchisee shall also clearly identify itself by Franchisee's legal name and as the owner and operator of the Franchised Restaurant;

9.3.5 Identify itself by Franchisee's legal name and as the owner of the Franchised Restaurant (in the manner required by Franchisor) in conjunction with any use of the Proprietary Marks, including on invoices, order forms, receipts, and business stationery, as well as at such conspicuous locations on the Premises as Franchisor may designate in writing;

9.3.6 Not to use the Proprietary Marks to incur any obligation or indebtedness on behalf of Franchisor;

9.3.7 Execute any documents deemed necessary by Franchisor to obtain protection for the Proprietary Marks or to maintain their continued validity and enforceability; and

9.3.8 Promptly notify Franchisor of any suspected unauthorized use of the Proprietary Marks, any challenge to the validity of the Proprietary Marks, or any challenge to Franchisor's ownership of, the right of Franchisor to use and to license others to use, or Franchisee's right to use, the Proprietary Marks. Franchisee acknowledges that Franchisor has the sole right to direct and control any administrative proceeding or litigation involving the Proprietary Marks, including any settlement thereof. Franchisor has the right, but not the obligation, to take action against uses by others that may constitute infringement of the Proprietary Marks. Franchisor shall defend Franchisee against any third-party claim, suit, or demand arising out of Franchisee's use of the Proprietary Marks. If Franchisor, in its sole discretion, determines that Franchisee has used the Proprietary Marks in accordance with this Agreement, the cost of such defense, including the cost of any judgment or settlement, shall be borne by Franchisor. If Franchisor, in its sole discretion, determines that Franchisee has not used the Proprietary Marks in accordance with this Agreement, the cost of such defense, including the cost of any judgment or settlement, shall be borne by Franchisee. In the event of any litigation relating to Franchisee's use of the Proprietary Marks, Franchisee shall execute any and all documents and do such acts as may, in the opinion of Franchisor, be necessary to carry out such defense or prosecution, including, but not limited to, becoming a nominal party to any legal action. Except to the extent that such litigation is the result of Franchisee's use of the Proprietary Marks in a manner inconsistent with the terms of this Agreement, Franchisor agrees to reimburse Franchisee for its out-of-pocket costs in doing such acts.

9.4 *Franchisee Acknowledgments*. Franchisee expressly understands and acknowledges that:

9.4.1 Franchisor is the owner of all right, title, and interest in and to the Proprietary Marks, and the goodwill associated with and symbolized by them, and that Franchisor has the sole right to use, and license others to use, the Proprietary Marks;

9.4.2 During the term of this Agreement and after its expiration or termination, Franchisee shall not directly or indirectly contest the validity of Franchisor's ownership of, or right to use and to license others to use, the Proprietary Marks;

9.4.3 Franchisee's use of the Proprietary Marks does not give Franchisee any ownership interest or other interest in or to the Proprietary Marks;

9.4.4 Any and all goodwill arising from Franchisee's use of the Proprietary Marks shall inure solely and exclusively to the benefit of Franchisor, and upon expiration or termination of this Agreement, no monetary amount shall be assigned as attributable to any goodwill associated with Franchisee's use of the System or the Proprietary Marks;

9.4.5 The right and license of the Proprietary Marks granted hereunder to Franchisee is nonexclusive, and Franchisor thus has and retains the rights, among others: (a) to use the Proprietary Marks itself in connection with selling the Products; (b) to grant other licenses for the Proprietary Marks; and (c) to develop and establish other systems using the Proprietary Marks, similar proprietary marks, or any other proprietary marks, and to grant licenses thereto, without providing any rights therein to Franchisee; and

9.4.6 Franchisor shall have the right to substitute different proprietary marks for use in identifying the System and the businesses operating thereunder at the sole discretion of Franchisor.

10. MANUALS

10.1 *The Manuals and Furnishings to Franchisee*. In order to protect the reputation and goodwill of Franchisor and to maintain high standards of operation under the System, Franchisee shall operate the Franchised Restaurant in accordance with the standards, methods, policies, and procedures specified in the Manuals, which Franchisee shall receive on loan from Franchisor, via electronic access or otherwise, for the term of this Agreement upon completion by Franchisee of initial training. The Manuals may be set forth in several volumes, including such amendments thereto, as Franchisor may publish from time to time. Additionally, Franchisee acknowledges and agrees that Franchisor may provide a portion or all (including updates and amendments) of the Manuals, and other instructional information and materials in, or via, electronic media, including, without limitation, through the use of computer disks or the Internet.

10.2 *The Manuals are Proprietary and Confidential*. Franchisee shall treat the Manuals, any other materials created for or approved for use in the operation of the Franchised Restaurant, and the information contained therein, as confidential, and shall use all reasonable efforts to maintain such information (both in electronic and other formats) as proprietary and confidential. Franchisee shall not download, copy, duplicate, record, or otherwise reproduce the foregoing materials, in whole or in part, or otherwise make the same available to any unauthorized person.

10.3 *The Manuals Remain Franchisor's Property*. The Manuals shall remain the sole property of Franchisor and shall be accessible only from a secure place on the Premises, and shall be returned to Franchisor, as set forth in Section 17.8 below, upon the termination or expiration of this Agreement.

10.4 *Revisions to the Manuals*. Franchisor may from time to time revise the contents of the Manuals, and Franchisee expressly agrees to comply with each new or changed standard. Franchisee shall ensure that the Manuals are kept current at all times. In the event of any dispute as to the contents of the Manuals, the terms of the master copies maintained at the home office of Franchisor shall be controlling.

11. CONFIDENTIAL INFORMATION

11.1 *Agreement with respect to Confidentiality*. Franchisee acknowledges and agrees that it shall not, during the term of this Agreement or thereafter, communicate, divulge, or use for the benefit of any other person or entity any confidential information, knowledge, or know-how concerning Franchisor, the System, the Products and/or the marketing, management, or operations of the Franchised Restaurant that may be communicated to Franchisee or of which Franchisee may be apprised by virtue of Franchisee's operation under the terms of this Agreement. Franchisee shall divulge such confidential information only to such of its employees as must have access to it in order to operate the Franchised Restaurant. Any and all information, knowledge, know-how, and techniques which Franchisor designates as confidential shall be deemed confidential for purposes of this Agreement, except information which Franchisee can demonstrate came to its attention prior to disclosure thereof by Franchisor; or which, at or after the time of disclosure by Franchisor to Franchisee, had become or later becomes a part of the public domain, through lawful publication or lawful communication by others.

11.2 *Individual Covenants of Confidentiality*. At Franchisor's request, Franchisee shall require its manager and any personnel having access to any confidential information of Franchisor to execute covenants that they will maintain the confidentiality of information they receive in connection with their employment by Franchisee at the Franchised Restaurant. Such covenants shall be in a form satisfactory to Franchisor (the current forms of which are included in Exhibit F to this Agreement), which shall include specific identification of Franchisor as a third-party beneficiary of such covenants with the independent right to enforce them.

11.3 *Remedies for Breach*. Franchisee acknowledges that any failure to comply with the requirements of this Section 11 will cause Franchisor irreparable injury, and Franchisee agrees to pay all court costs and reasonable attorneys' fees incurred by Franchisor in obtaining specific performance of, or an injunction against violation of, the requirements of this Section 11.

11.4 *Grantback*. Franchisee agrees to disclose to Franchisor all ideas, concepts, methods, techniques, and products conceived or developed by Franchisee, its affiliates, owners or employees during the term of this Agreement relating to the development and/or operation of the Franchised Restaurant. Franchisee hereby grants to Franchisor and agrees to procure from its affiliates, owners, or employees a perpetual, non-exclusive, and worldwide right to use any such ideas, concepts, methods, techniques, and products in all restaurant businesses operated by Franchisor or its affiliates, franchisees, and designees. Franchisor shall have no obligation to make any payments to Franchisee with respect to any such ideas, concepts, methods, techniques, or products. Franchisee agrees that Franchisee will not use or allow any other person or entity to use any such concept, method, technique or product without obtaining Franchisor's prior written approval.

12. ACCOUNTING AND RECORDS

12.1 *Books and Records*. With respect to the operation and financial condition of the Franchised Restaurant, Franchisor may require that Franchisee adopt, until otherwise specified by Franchisor, a fiscal year that coincides with Franchisor's then-current fiscal year, as specified by Franchisor in the Manuals or otherwise in writing. Franchisee shall maintain for a period of not less than seven (7) years during the term of this Agreement, and, for not less than seven (7) years following the termination, expiration, or non-renewal of this Agreement, full, complete, and accurate books, records, and accounts in accordance with generally accepted accounting principles and in the form and manner prescribed by Franchisor from time to time in the Manuals or otherwise in writing, including, but not limited to: (i) daily transaction reports; (ii) cash receipts journal and general ledger; (iii) cash disbursements and weekly payroll journal and schedule; (iv) monthly bank statements, deposit slips, and cancelled checks; (v) all tax returns; (vi) supplier's invoices (paid and unpaid); (vii) dated daily and weekly transaction journal; (viii) semi-annual fiscal period balance sheets and fiscal period profit and loss statements; and (ix) such other records as Franchisor may from time to time request.

12.2 *Franchisee's Reports to Franchisor*. In addition to the Sales Reports required pursuant to Section 4.3 above, Franchisee shall:

12.2.1 Prepare by the twenty first (21^{st}) day of each calendar month a balance sheet and profit and loss statement and an activity report for the last preceding calendar month, which shall be in the form prescribed by Franchisor. Franchisee shall maintain and submit such statements and reports to Franchisor at the times as Franchisor may designate or otherwise request.

12.2.2 Submit to Franchisor within ninety (90) days after the end of each calendar year, unless Franchisor designates in writing a different due date, during the term of this Agreement, a profit and loss statement for such year and a balance sheet as of the last day of such year, prepared on an accrual basis in accordance with U.S. generally accepted accounting principles ("**GAAP**"), including, but not limited to, all adjustments necessary for fair presentation of the financial statements. Franchisee shall certify such financial statements to be true and correct. Additionally, Franchisor reserves the right to require Franchisee to prepare (or cause to be prepared) and provide to Franchisor annual financial statements (that include a fiscal year-end balance sheet, an income statement of the Franchised Restaurant for such fiscal year reflecting all year-end adjustments, and a statement of changes in cash flow of Franchisee), and to require that such statements be prepared on a review basis by an independent certified public accountant (who Franchisor may require to be retained in accordance with Section 4.6). Franchisee shall provide such additional information, if any, as Franchisor may reasonably require in order for Franchisor to meet its obligations under GAAP.

12.2.3 Franchisee shall maintain its books and records, and provide all statements and reports to Franchisor, using the standard statements, templates, categories, and chart of accounts that Franchisor provides to Franchisee.

12.2.4 Submit to Franchisor such other periodic reports, forms, and records as specified, and in the manner and at the time as specified in the Manuals or as Franchisor shall otherwise require in writing from time to time (including, without limitation, the requirement that Franchisee provide or make available to Franchisor certain sales and financial information in electronic format and/or by electronic means).

12.3 *Inspection and Audit*. Franchisor and its agents shall have the right at all reasonable times to examine and copy, at the expense of Franchisor, the books, records, accounts, and/or business tax returns of Franchisee. Franchisor shall also have the right, at any time, to have an independent audit made of the books of Franchisee. If an inspection should reveal that any contributions or payments have been understated in any statement or report to Franchisor, then Franchisee shall immediately pay to Franchisor the amount understated upon demand, in addition to interest from the date such amount was due until paid, at the rate of eighteen percent (18%) per annum, or the maximum rate permitted by law, whichever is less. If an inspection discloses an understatement in any statement or report of three percent (3%) or more, Franchisee shall, in addition to repayment of monies owed with interest, reimburse Franchisor for any and all costs and expenses connected with the inspection (including travel, lodging, and wages expenses, and reasonable accounting and legal costs). The foregoing remedies shall be in addition to any other remedies Franchisor may have.

13. MARKETING AND PROMOTION

13.1 *Franchisee's Advertising Obligations*. Recognizing the value of marketing and promotion, and the importance of the standardization of marketing and promotion programs to the furtherance of the goodwill and public image of the System, Franchisee and Franchisor agree as follows:

13.1.1 Franchisor reserves the right to require that Franchisee, during each Week (except for expenditures on local advertising and promotion, which shall be measured on an annual basis), spend and/or contribute on advertising and promotion amounts, which, in the aggregate, are equal up to five percent (5%) of Franchisee's Net Sales during the preceding Week to advertise and to promote the Franchised Restaurant (together, the "**Advertising Obligations**"); provided, however, that the Advertising Obligations may exceed such amount under the circumstances set forth in Section 13.1.4 below. The Advertising Obligations shall be in the form of the following, and in such proportions as may be designated by Franchisor in writing from time to time: (i) contributions paid to the System Ad Fund, pursuant to Section 13.2 below, (ii) contributions paid to any Market Ad Fund, as may be established pursuant to Section 13.3 below, and/or (iii) expenditures by Franchisee on "local advertising and promotion" pursuant to Section 13.4.

13.1.2 As of the Effective Date and until Franchisee receives written notice from Franchisor of new allocations, the allocation of the Advertising Obligations shall be as follows: one percent (1%) of Net Sales shall be contributed by Franchisee to the System Ad Fund, zero percent (0%) of Net Sales shall be contributed by Franchisee to a Market Ad Fund, and one percent (1%) of Net Sales shall be spent by Franchisee on local advertising and promotion.

13.1.3 The Advertising Obligation is the minimum requirement only, and that Franchisee may, and is encouraged to, expend additional funds for marketing and promotion. In addition to the Advertising Obligations, Franchisee shall undertake and complete the Grand Opening Advertising Program, as provided in Section 13.5 below.

13.1.4 Franchisee's aggregate Advertising Obligations may exceed five percent (5%) of Franchisee's Net Sales if the members of a Market Ad Fund, of which Franchisee is a member, approve (as described in Section 13.3.3 below) required contributions to the Market Ad Fund that, when aggregated with Franchisee's other requirements under this Section 13, would cause Franchisee's Advertising Obligations to exceed five percent (5%) of Franchisee's Net Sales.

13.2 *System Ad Fund*. Franchisor shall have the right at any time, in its sole discretion, to establish a fund for system-wide advertising and promotion of the System (the "**System Ad Fund**"). During the existence of the System Ad Fund, Franchisee shall contribute to the System Ad Fund in the manner specified in Section 4.5 above, such amounts as Franchisor may specify in accordance with Section 13.1 above. The System Ad Fund shall be maintained and administered by Franchisor as follows:

13.2.1 Franchisor shall direct all marketing programs, with sole discretion over the concepts, materials, and media used in such programs and the placement and allocation thereof. Franchisor is not obligated, in administering the System Ad Fund, to make expenditures for Franchisee which are equivalent or proportionate to Franchisee's contribution, or to ensure that any particular Franchisee benefits directly or pro rata from expenditures by the System Ad Fund.

13.2.2 The System Ad Fund, all contributions thereto, and any earnings thereon, shall be used exclusively to meet any and all costs of maintaining, administering, directing, conducting, and preparing marketing, advertising, public relations, and/or promotional programs and materials, and any other activities, including socially responsible activities, which Franchisor believes will enhance the image of the System, including, among other things, the costs of preparing and conducting media marketing campaigns; direct mail advertising; marketing surveys and other public relations activities; employing advertising and/or public relations agencies to assist therein; sponsorship of organizations and events; purchasing promotional items; conducting and administering in-store promotions; and, providing promotional and other marketing materials and services to the Cosi Restaurants operating under the System.

13.2.3 Franchisee shall contribute to the System Ad Fund by separate payment made payable (or as otherwise directed for payment) to Franchisor. All sums paid by Franchisee to the System Ad Fund shall be accounted for separately and shall not be used to defray any of the expenses of Franchisor, except for such reasonable costs, salaries and overhead, if any, as Franchisor may incur in activities reasonably related to the direction and implementation of the System Ad Fund and marketing programs for operators and the System, including costs of personnel for creating and implementing marketing, advertising, and promotional programs. The System Ad Fund and any earnings from it shall not otherwise inure to the benefit of Franchisor. Franchisor shall maintain separate bookkeeping accounts for the System Ad Fund.

13.2.4 Franchisor, upon request, shall provide Franchisee with an annual accounting of System Ad Fund receipts and disbursements.

13.2.5 Franchisor reserves the right, in its sole discretion, to discontinue the System Ad Fund upon written notice to Franchisee.

13.2.6 Franchisor may, but is not required to, make available to Franchisee from time to time, marketing plans and promotional materials, including newspaper mats, coupons, merchandising materials, sales aids, point-of-purchase materials, special promotions, direct mail materials, television or radio commercials, and similar marketing and promotional materials produced from contributions to the System Ad Fund. Franchisee acknowledges and agrees that it shall be reasonable for Franchisor to not provide any such materials to Franchisee during any period in which Franchisee is not in full compliance with its obligations to contribute to the System Ad Fund. Additionally, if monies of the System Ad Fund are used to produce point of sale materials, or other samples or other promotional materials and items, Franchisor may, on the behalf of the System Ad Fund, sell such items to franchisees in the System at a reasonable price, and any proceeds from the sale of such items or materials shall be contributed to the System Ad Fund.

13.3 *Market Ad Fund*. Franchisor shall have the right to designate any geographical area for purposes of establishing a regional or local market advertising fund ("**Market Ad Fund**"). If a Market Ad Fund is established for the geographic area in which the Franchised Restaurant is located, Franchisee shall become a member of such Market Ad Fund on or within the earlier to occur of thirty (30) days after the date on which the Market Ad Fund commences operation, or at the time the Franchisee commences operation hereunder. In no event shall Franchisee be required to be a member of more than one (1) Market Ad Fund. The following provisions shall apply to each such Market Ad Fund:

13.3.1 Each Market Ad Fund shall be organized and governed in a form and manner, and shall commence operations on a date, approved in advance by Franchisor in writing. Unless otherwise specified by Franchisor, the activities carried on by each Market Ad Fund shall be decided by a majority vote of its members. Any Cosi Restaurant that Franchisor operates in the region shall have the same voting rights as those owned by its franchisees. Each Cosi Restaurant owner shall be entitled to cast one (1) vote for each Cosi Restaurant its owns that belongs to the Market Ad Fund. Any disputes arising among or between Franchisee, other franchisees in the Market Ad Fund, and/or the Market Ad Fund, shall be resolved in accordance with the rules and procedures set forth in the Market Ad Fund's governing documents.

13.3.2 Each Market Ad Fund shall be organized for the exclusive purpose of administering regional or local advertising programs and developing, subject to Franchisor's approval, standardized promotional materials for use by the members in local advertising and promotion.

13.3.3 Franchisee shall contribute to the Market Ad Fund in the manner specified in Section 4.5 above, such amounts as Franchisor may specify pursuant to Section 13.1 above, unless the members of the Market Ad Fund, by a majority vote conducted in accordance with the rules, bylaws, or other governing documents of the Market Ad Fund, agree to an increase in the Market Ad Fund contribution to a rate in excess of the amount required by Franchisor.

13.3.4 Franchisee shall submit its required contributions to the Market Ad Fund at the time required by Franchisor, together with such statements or reports as may be required by Franchisor or by the Market Ad Fund with Franchisor's prior written approval. If so requested by Franchisor in writing, Franchisee shall submit its payments and reports to the Market Ad Fund directly to Franchisor for distribution to the Market Ad Fund.

13.3.5 Franchisor maintains the right to terminate any Market Ad Fund. A Market Ad Fund shall not be terminated, however, until either: (a) all monies in that Market Ad Fund have been expended for advertising and/or promotional purposes; or (b) Franchisor has transferred the unexpended monies to the System Ad Fund in the event there are no longer any Cosi Restaurants operating within the geographic area covered by such Market Ad Fund.

13.4 *Local Advertising*. Franchisee shall comply with the following with respect to "local advertising and promotion" for the Franchised Restaurant:

13.4.1 Franchisee shall spend on an annual basis such amounts as Franchisor may specify in accordance with Section 13.1 above. Franchisee shall account for such expenditures on a routine basis and shall prepare, in accordance with the schedule and procedures specified by Franchisor from time to time, detailed reports describing the amount of money expended on local advertising and promotion during such previous period. Franchisee shall maintain all such statements, reports, and records, and shall submit same to Franchisor as Franchisor may specify in the Manuals or otherwise request of Franchisee. Additionally, at the request of Franchisor, Franchisee shall submit bills, statements, invoices, or other documentation satisfactory to Franchisor to evidence Franchisee's advertising or marketing activities.

13.4.2 As used in this Agreement, the term "**local advertising and promotion**" shall refer to advertising and promotion related directly to the Franchised Restaurant, and shall, unless otherwise specified, consist only of the direct costs of purchasing advertising materials (including, but not limited to, camera-ready advertising and point of sale materials), media (space or time), promotion, direct out-of-pocket expenses related to costs of advertising and sales promotion (including, but not limited to, advertising agency fees and expenses, cash and "in-kind" promotional payments to landlords, postage, shipping, telephone, and photocopying), and such other activities and expenses as Franchisor, in its sole discretion, may specify. Franchisor may provide to Franchisee, in the Manuals or otherwise in writing information specifying the types of advertising and promotional activities and costs which shall not qualify as "local advertising and promotion," including, without limitation, the value of advertising coupons, and the costs of products provided for free or at a reduced charge for charities or other donations.

13.4.3 Upon written notice to Franchisee, Franchisor may require Franchisee to participate in mandatory promotions as Franchisor may develop and implement from time to time.

13.5 *Grand Opening Advertising*. In addition to the Advertising Obligations, Franchisee shall expend a minimum of Five Thousand Dollars ($5,000) for grand opening advertising and promotional programs in conjunction with the Franchised Restaurant's initial grand opening, pursuant to a grand opening marketing plan developed by Franchisor or developed by Franchisee and approved in writing by Franchisor (the "**Grand Opening Advertising Program**"). The Grand Opening Advertising Program shall be executed and completed within two (2) to three (3) months after the Franchised Restaurant commences operation. Franchisee shall submit to Franchisor, for Franchisor's prior written approval, a marketing plan and samples of all advertising and promotional material not prepared or previously approved by Franchisor. For the purpose of this Agreement, the Grand Opening Advertising Program shall be considered local advertising and promotion, as provided under Section 13.4 above. Franchisor reserves the right to require Franchisee to deposit with Franchisor the funds required under this Section 13.5 to distribute as may be necessary to conduct the Grand Opening Advertising Program.

13.6 *Standards for Advertising*. All advertising, marketing, and promotion to be used by Franchisee, the System Ad Fund, or any Market Ad Fund shall be in such media and of such type and format as Franchisor may approve, shall be conducted in a dignified manner, and shall conform to such standards and requirements as Franchisor may specify. Franchisee shall not use any marketing or promotional plans or materials that are not provided by Franchisor unless and until Franchisee has submitted the materials to Franchisor and they have been approved by Franchisor, pursuant to the procedures and terms set forth in Section 13.7 herein.

13.7 *Franchisor's Approval of Proposed Plans and Materials*. If Franchisee desires to use marketing and promotional plans and materials that have not been provided or previously approved by Franchisor, Franchisee shall submit samples of all such marketing and promotional plans and materials to Franchisor (as provided in Section 24 herein) with a description of the mode and means by which the proposed marketing would be used for Franchisor's prior approval (except with respect to prices to be charged). If written notice of disapproval is not received by Franchisee from Franchisor within five (5) business days of the date of receipt by Franchisor of such samples or materials, Franchisor shall be deemed to have accepted them. Franchisee will be solely responsible for complying with all applicable laws and regulations relating to any advertising by or for Franchisee. Franchisor's review of any proposed marketing and promotional plans and materials will be limited to reviewing the trademarks and the content of the proposed advertising from a branding and trademark protection perspective, and Franchisor will not evaluate proposed materials or plans for compliance with the potentially applicable legal requirements.

13.8 *Directory Listings*. Franchisee shall, at its expense and in addition to its expenditures for local advertising and promotion, obtain listings in the white and yellow pages of local telephone directories. Franchisee shall comply with Franchisor's specifications concerning such listings, including the form and size of such listings, and the number of directories in which such listings shall be placed. Additionally, Franchisee shall be required to obtain listings in and/or advertise with Franchisor and other franchisees in the System, on electronic yellow page directories and other on-line directories as Franchisor may designate. Franchisor reserves the right to place, and subsequently modify or remove, such on-line listings and advertisements on behalf of Franchisee. For any listings or advertisements posted by or on behalf of Franchisee, Franchisee shall promptly pay, upon demand by Franchisor, its pro-rata share of the costs. Additionally, these activities may be carried out through the use of the System Ad Fund.

13.9 *Ownership of Advertising Plans and Materials*. Franchisee acknowledges and agrees that any and all copyrights in and to advertising and promotional materials developed by or on behalf of Franchisee which bear the Proprietary Marks shall be the sole property of Franchisor, and Franchisee agrees to execute such documents (and, if necessary, require its independent contractors to execute such documents) as may be deemed reasonably necessary by Franchisor to give effect to this provision. Any advertising, marketing, promotional, public relations, or sales concepts, plans, programs, activities, or materials proposed or developed by Franchisee for the Franchised Restaurant or the System and approved by Franchisor may be used by Franchisor and other operators under the System of Franchisor without any compensation to Franchisee.

14. INSURANCE

14.1 *Insurance*. Franchisee shall procure at its expense and maintain in full force and effect during the term of this Agreement, an insurance policy or policies protecting Franchisee and Franchisor, and their officers, directors, partners and employees against any loss, liability, personal injury, death, or property damage or expense whatsoever arising or occurring upon or in connection with Franchisee's operations and the Franchised Restaurant, as Franchisor may reasonably require for their own and Franchisee's protection. Franchisor and such of its respective affiliates shall be named additional insureds in such policy or policies.

14.2 *Coverages*. Such policy or policies shall be written by an insurance company satisfactory to Franchisor in accordance with standards and specifications set forth in the Manuals or otherwise in writing; provided, however, that Franchisor shall have the right to designate from time to time, one or more insurance companies as the insurance carrier(s) for Cosi Restaurants, and if required by Franchisor, Franchisee shall obtain its insurance coverage from the designated insurance company (or companies). The policy or policies shall include, at a minimum (except as different coverages, umbrella coverages, and policy limits may reasonably be specified for all Franchisees from time to time by Franchisor in the Manuals or otherwise in writing) the following:

14.2.1 Builder's risk insurance that satisfies the standards and specifications set forth by Franchisor in the Manuals or otherwise in writing to cover any period(s) of renovation or construction at the Franchised Restaurant.

14.2.2 All risks coverage insurance on the Franchised Restaurant and all fixtures, equipment, supplies and other property used in the operation of the Franchised Restaurant, for full repair and replacement value of the equipment, improvements, and betterments, without any applicable co-insurance clause, except that an appropriate deductible clause shall be permitted.

14.2.3 Worker's compensation and employer's liability insurance as well as such other insurance as may be required by statute or rule of the state in which the Franchised Restaurant is located and operated. If Franchisee is permitted to and elects not to have worker's compensation insurance for its owners and officers, Franchisee shall have alternative coverages at all times for work-related injuries.

14.2.4 Comprehensive general liability insurance with limits of at least One Million Dollars ($1,000,000) per occurrence, and Two Million Dollars ($2,000,000) general aggregate, and product liability insurance with limits of at least Two Million Dollars ($2,000,000) general aggregate limit including the following coverages: personal injury (employee and contractual inclusion deleted); products/completed operation; and tenant's legal liability; insuring Franchisor and Franchisee against all claims, suits, obligations, liabilities and damages, including attorneys' fees, based upon or arising out of actual or alleged personal injuries or property damage resulting from, or occurring in the course of, or on or about or otherwise relating to, the Franchised Restaurant, provided that the required amounts herein may be modified from time to time by Franchisor to reflect inflation or future experience with claims.

14.2.5 Automobile liability insurance, and property damage liability, including owned, non-owned, and hired vehicle coverage, with at least One Million Dollars ($1,000,000) combined single limit, and Two Million Dollars ($2,000,000) general aggregate limit.

14.2.6 Host liquor liability (if Franchisee shall offer alcohol at the Franchised Restaurant) with at least One Million Dollars ($1,000,000) per occurrence.

14.2.7 Excess liability coverage over general liability, automobile liability, liquor liability, and employer's liability, with at least One Million Dollars ($1,000,000) per occurrence.

14.2.8 Such insurance and types of coverage as may be required by the terms of any lease for the Premises, or as may be required from time to time by Franchisor.

14.2.9 Business interruption insurance for actual losses sustained.

14.3 *Certificates of Insurance*. The insurance afforded by the policy or policies respecting liability shall not be limited in any way by reason of any insurance which may be maintained by Franchisor. Prior to commencing any renovations or construction at the Franchised Restaurant, Franchisee shall provide Franchisor with a Certificate of Insurance for the builder's risk insurance required under Section 14.2.1. At least thirty (30) days prior to the opening of the Franchised Restaurant, but in no event later than the date on which Franchisee acquires an interest in the real property on which it will develop and operate the Franchised Restaurant, and thereafter on an annual basis, Franchisee shall provide Franchisor with a Certificate of Insurance showing compliance with the foregoing requirements (except with respect to the builder's risk insurance, which shall have already been in effect pursuant to Section 14.2.1 above). Such certificate shall state that said policy or policies will not be canceled or altered without at least thirty (30) days' prior written notice to Franchisor and shall reflect proof of payment of premiums. Maintenance of such insurance and the performance by Franchisee of the obligations under this Section shall not relieve Franchisee of liability under the indemnity provision set forth in this Agreement. Franchisee acknowledges that minimum limits as required above may be modified by Franchisor in its sole discretion from time to time, by written notice to Franchisee.

14.4 *Franchisor's Right to Procure Insurance for Franchisee*. Should Franchisee, for any reason, not procure and maintain such insurance coverage as required by this Agreement, Franchisor shall have the right and authority (without, however, any obligation to do so) immediately to procure such insurance coverage and to charge same to Franchisee, which charges, together with a reasonable fee for expenses incurred by Franchisor in connection with such procurement, shall be payable by Franchisee immediately upon notice.

14.5 *Coverages are Minimums*. Franchisee acknowledges and agrees that the specifications and coverage requirements in this Section 14 are minimums, and that Franchisor recommends that Franchisee review these with its own insurance advisors to determine whether additional coverage is warranted in the operation of Franchisee's business.

15. TRANSFER OF INTEREST

15.1 *Franchisor's Rights to Transfer*. Franchisor shall have the right to transfer or assign this Agreement and all or any part of its rights or obligations herein to any person or legal entity, and any designated assignee of Franchisor shall become solely responsible for all obligations of Franchisor under this Agreement from the date of assignment. In addition, and without limitation to the foregoing, Franchisee expressly affirms and agrees that Franchisor may sell its assets, its Proprietary Marks, or its System; may sell its securities in a public offering or in a private placement; may merge or acquire other corporations, or be acquired by another corporation; and, may undertake a refinancing, recapitalization, leveraged buy-out, or other economic or financial restructuring.

15.2 *No Transfers Without Franchisor's Approval*. Franchisee understands and acknowledges that the rights and duties set forth in this Agreement are personal to Franchisee or the Principals of Franchisee if Franchisee is not an individual, and that Franchisor has granted this franchise in reliance upon Franchisee's or Franchisee's Principals' business skill, financial capacity, and personal character. Accordingly:

15.2.1 Franchisee shall not, without the prior written consent of Franchisor, transfer, pledge or otherwise encumber: (a) the rights and/or obligations of Franchisee under this Agreement; or (b) any material asset of Franchisee or the Franchised Restaurant, including, without limitation, any direct or indirect (and/or beneficial) ownership interest in Franchisee.

15.2.2 If Franchisee is a corporation or limited liability company, Franchisee shall not, without the prior written consent of Franchisor, issue any voting securities or securities convertible into voting securities, and the recipient of any such securities shall become a Principal under this Agreement, if so designated by Franchisor.

15.2.3 If Franchisee is a partnership or limited partnership, the partners of the partnership shall not, without the prior written consent of Franchisor, admit additional general partners, remove a general partner, or otherwise materially alter the powers of any general partner. Each general partner shall automatically be deemed a Principal of Franchisee.

15.2.4 A Principal shall not, without the prior written consent of Franchisor, transfer, pledge, or otherwise encumber any interest of the Principal in Franchisee, as such is identified in Exhibit C.

15.3 *Conditions on Transfer*. Franchisor shall not unreasonably withhold any consent required by Section 15.2 above; provided, that if the proposed transfer alone or together with other previous, simultaneous, or proposed transfers would have the effect of changing control of Franchisee, results in the assignment of the rights and obligations of Franchisee under this Agreement, or transfers the ownership interest in all or substantially all of the assets of the Franchised Restaurant or the business franchised hereunder, Franchisor shall have the right to require any or all of the following as conditions of its approval:

15.3.1 All of Franchisee's monetary obligations and all other outstanding obligations to Franchisor, its affiliates, and the approved suppliers of the System have been satisfied in full;

15.3.2 Franchisee shall not be in default under any provision of this Agreement, any other agreement between Franchisee and Franchisor or its affiliate, the approved suppliers of the System, or the lessor (or sublessor) for the Premises;

15.3.3 Each transferor (and, if the transferor is other than an individual, the transferor and such owners of beneficial interest in the transferor as Franchisor may request) shall have executed a general release in a form satisfactory to Franchisor of any and all claims against Franchisor and its affiliates and their respective officers, directors, agents, and employees;

15.3.4 The transferee of a Principal shall be designated as a Principal and each transferee who is designated a Principal shall enter into a written agreement, in a form satisfactory to Franchisor, agreeing to be bound as a Principal under the terms of this Agreement as long as such person or entity owns any interest in Franchisee. Additionally, the transferee and/or such owners of the transferee as Franchisor may request, shall guarantee the performance of the transferee's obligations in writing in a form satisfactory to Franchisor;

15.3.5 The transferee shall demonstrate to Franchisor's satisfaction that the terms of the proposed transfer do not place an unreasonable financial or operational burden on the transferee, and that the transferee (or, if the transferee is other than an individual, such owners of beneficial interest in the transferee as Franchisor may request) meets Franchisor's then-current application qualifications (which may include educational, managerial, socially responsible, and business standards, good moral character, business reputation, and credit rating); has the aptitude and ability to operate the Franchised Restaurant and absence of conflicting interests; and, has adequate financial resources and capital to operate the Franchised Restaurant;

15.3.6 At Franchisor's option, Franchisee shall execute the form of franchise agreement then being offered to new System franchisees, and such other ancillary agreements required by Franchisor for the business franchised hereunder, which agreements shall supersede this Agreement and its ancillary documents in all respects, and the terms of which may differ from the terms of this Agreement, including, without limitation, higher and/or additional fees;

15.3.7 If so requested by Franchisor, Franchisee, at its expense, shall upgrade the Franchised Restaurant, and other equipment to conform to the then-current standards and specifications of new Cosi Restaurants then being established in the System, and shall complete the upgrading and other requirements within the time specified by Franchisor.

15.3.8 The transferor shall remain liable for all of the obligations to Franchisor in connection with the Franchised Restaurant that arose prior to the effective date of the transfer and shall execute any and all instruments reasonably requested by Franchisor to evidence such liability;

15.3.9 The transferee (and, if the transferee is not an individual, such Principals of the transferee as Franchisor may request) and the transferee's manager (if applicable) shall, at the transferee's expense, successfully attend and successfully complete any training programs then in effect for operators and managers upon such terms and conditions as Franchisor may reasonably require;

15.3.10 Franchisee shall pay a transfer fee in an amount equal to fifty percent (50%) of Franchisor's then-current initial franchise fee to compensate Franchisor for its expenses incurred in connection with the transfer; and

15.3.11 The transferor(s), at the request of Franchisor, shall agree in writing to comply with the covenants set forth in Section 18 below.

15.4 *Additional Terms*. For any transfer not covered by Section 15.3, each transferee shall, in addition to the requirement of obtaining Franchisor's consent as provided in Section 15.2, be subject to the requirements of Section 15.3.1 (requiring that Franchisee have satisfied all monetary obligations), and Sections 15.3.3 and 15.3.4 above (with respect to execution of releases and personal guarantees).

15.5 *Security Interests*. Neither Franchisee nor any Principal shall grant a security interest in, or otherwise encumber, any of the assets or securities of Franchisee, including the Franchised Restaurant, unless Franchisee satisfies the requirements of Franchisor, which include, without limitation, execution of an agreement by the secured party in which it acknowledges the creditor's obligations under this Section 15, and agrees that in the event of any default by Franchisee under any documents related to the security interest, Franchisor shall have the right and option (but not the obligation) to be substituted as obligor to the secured party and to cure any default of Franchisee, and, in the event Franchisor exercises such option, any acceleration of indebtedness due to Franchisee's default shall be void.

15.6 *Right of First Refusal*. If Franchisee or any Principal desires to accept any *bona fide* offer from a third party to purchase Franchisee, any material asset of Franchisee, or any direct or indirect interest in Franchisee, Franchisee or such Principal shall promptly notify Franchisor, and shall provide such information and documentation relating to the offer as Franchisor may require. Franchisor shall have the right and option, exercisable within thirty (30) days after receipt of the written transfer request and the required information and documentation related to the offer (including any information that Franchisor may reasonably request to supplement or clarify information provided to Franchisor with the written transfer request), to send written notice to the seller that Franchisor intends to purchase the seller's interest on the same terms and conditions offered by the third party; provided, however, a spouse, domestic partner, parent or child of the seller shall not be considered a third party for purposes of this Section 15.6. If Franchisor elects to purchase the seller's interest, closing on such purchase shall occur within forty-five (45) days from the date of notice to the seller of the election to purchase by Franchisor, or, if longer, on the same timetable as contained in the *bona fide* offer.

15.6.1 Any material change thereafter in the terms of the offer from the third party or by Franchisee, or a change in the identity of the third party shall constitute a new offer subject to the same rights of first refusal by Franchisor as in the case of the third party's initial offer. Failure of Franchisor to exercise the option afforded by this Section 15.6 shall not constitute a waiver of any other provision of this Agreement, including all of the requirements of this Section 15, with respect to a proposed transfer.

15.6.2 If the consideration, terms, and/or conditions offered by a third party are such that Franchisor may not reasonably be required to furnish the same consideration, terms, and/or conditions, then Franchisor may purchase the interest proposed to be sold for the reasonable equivalent in cash. If the parties cannot agree within a reasonable time on the reasonable equivalent in cash of the consideration, terms, and/or conditions offered by the third party, Franchisor shall designate an independent appraiser to make a binding determination. The cost of any such appraisal shall be shared equally by Franchisor and Franchisee. If Franchisor elects to exercise its right under this Section 15.6, Franchisor shall have the right to set off all amounts due from Franchisee, and one-half (½) of the cost of the appraisal, if any, against any payment to the seller.

15.7 *Death of a Principal*. Upon the death of a Principal, the deceased's executor, administrator, or other personal representative shall transfer the deceased's interest to a third party approved by Franchisor within twelve (12) months after the death. If no personal representative is designated or appointed or no probate proceedings are instituted with respect to the deceased's estate, then the distributee of such interest must be approved by Franchisor. If the distributee is not approved by Franchisor, then the distributee shall transfer the deceased's interest to a third party approved by Franchisor within twelve (12) months after the deceased's death.

15.8 *Permanent Disability of Controlling Principal*. Upon the permanent disability of any Principal with a controlling interest in Franchisee, Franchisor shall have the right to require such interest to be transferred to a third party in accordance with the conditions described in this Section 15 within six (6) months after notice to Franchisee. "**Permanent disability**" shall mean any physical, emotional, or mental injury, illness, or incapacity that would prevent a person from performing the obligations set forth in this Agreement for at least six (6) consecutive months and from which condition recovery within six (6) consecutive months from the date of determination of disability is unlikely. Permanent disability shall be determined by a licensed practicing physician selected by Franchisor upon examination of such person or, if such person refuses to be examined, then such person shall automatically be deemed permanently disabled for the purposes of this Section 15.8 as of the date of refusal. Franchisor shall pay the cost of the required examination.

15.9 *Notice to Franchisor of Death or Permanent Disability*. Upon the death or permanent disability of any Principal of Franchisee, such person or his/her representative shall promptly notify Franchisor of such death or claim of permanent disability. Any transfer upon death or permanent disability shall be subject to the same terms and conditions as any *inter vivos* transfer.

15.10 *Limited Exceptions*. Notwithstanding anything to the contrary in this Section 15:

15.10.1 Franchisee shall not be required to pay the transfer fee due under Section 15.3.10 above, if the transferee: (a) is a spouse, domestic partner, parent, or direct lineal descendant or sibling of Franchisee or of a Principal of Franchisee (or more than one of such persons), provided that the transferee has been involved in, and is knowledgeable regarding, the operations of the Franchised Restaurant; (b) is a Principal of Franchisee; or (c); is a transferee under Sections 15.7 or 15.8 above.

15.10.2 If Franchisee is an individual and seeks to transfer this Agreement to a corporation, partnership, or limited liability company formed for the convenience of ownership, the conditions of Sections 15.3.6 (signing a new franchise agreement), 15.3.7 (upgrading the Franchised Restaurant), and 15.3.10 (transfer fee) shall not apply, and Franchisee may undertake such transfer, provided that Franchisee owns one hundred percent (100%) of the equity interest in the transferee entity, and the Franchisee personally guarantees, in a written guaranty satisfactory to Franchisor, the performance of the obligations of Franchisee under the Franchise Agreement.

15.11 *Securities Offerings*. All materials required for any offering of securities or partnership interests in Franchisee by federal or state law shall be submitted to Franchisor by the offeror for review prior to filing with any government agency; and any materials to be used in any exempt offering shall be submitted to Franchisor for review prior to their use. No offering shall imply, by use of the Proprietary Marks or otherwise, that Franchisor is participating in an underwriting, issuance, or offering of securities of either Franchisee or Franchisor; and review by Franchisor of any offering shall be limited solely to the subject of the relationship between Franchisee and Franchisor. At its option, Franchisor may require the offering materials to contain written statements or disclaimers prescribed by Franchisor, including, but not limited to, any limitations stated above in this paragraph. Franchisee and the other participants in the offering must fully indemnify Franchisor in connection with the offering. For each proposed offering, Franchisee shall reimburse Franchisor for its actual costs and expenses associated with reviewing the proposed offering materials, including legal and accounting fees. Franchisee shall give Franchisor written notice at least sixty (60) days prior to the date of commencement of any offering or other transaction covered by this Section 15.11. Any such offering shall be subject to prior written consent of Franchisor and Franchisor's right of first refusal as provided in Section 15.6.

15.12 *No Waiver*. The consent of Franchisor to any transfer pursuant to this Section 15 shall not constitute a waiver of any claims it may have against the transferring party, nor shall it be a waiver of the right of Franchisor to demand exact compliance with any of the terms of this Agreement by the transferor or transferee.

15.13 *Bankruptcy*. If Franchisee or any person holding any interest (direct or indirect) in Franchisee becomes a debtor in a proceeding under the U.S. Bankruptcy Code or any similar law in the U.S. or elsewhere, it is the parties' understanding and agreement that any transfer of the ownership of Franchisee, Franchisee's obligations and/or rights hereunder, and/or any material assets of Franchisee, shall be subject to all of the terms of this Section 15.

15.14 *No Transfers in Violation of Law*. Notwithstanding anything to the contrary in this Agreement, no transfer shall be made if the transferee, any of its affiliates, or the funding sources for either, is a person or entity designated with whom Franchisor, or any of its affiliates, are prohibited by law from transacting business.

16. DEFAULT AND TERMINATION

16.1 *Automatic Termination*. Franchisee shall be in default under this Agreement, and all rights granted to Franchisee herein shall automatically terminate without notice to Franchisee, if Franchisee shall become insolvent or make a general assignment for the benefit of creditors; if a petition in bankruptcy is filed by Franchisee or such a petition is filed against and not opposed by Franchisee; if Franchisee is adjudicated a bankrupt or insolvent; if a bill in equity or other proceeding for the appointment of a receiver of Franchisee or other custodian for Franchisee's business or assets is filed and consented to by Franchisee; if a receiver or other custodian (permanent or temporary) of Franchisee's assets or property, or any part thereof, is appointed by any court of competent jurisdiction; if proceedings for a composition with creditors under any state or federal law should be instituted by or against Franchisee; if a final judgment remains unsatisfied or of record for thirty (30) days or longer (unless a supersedeas bond is filed); if Franchisee is dissolved; if execution is levied against Franchisee's business or property; if suit to foreclose any lien or mortgage against the Premises or equipment is instituted against Franchisee and not dismissed within thirty (30) days; or, if the real or personal property of the Franchised Restaurant shall be sold after levy thereupon by any sheriff, marshal, or constable.

16.2 *Termination Upon Notice*. Franchisee shall be deemed to be in default and Franchisor may, at its option, terminate this Agreement and all rights granted hereunder, without affording Franchisee any opportunity to cure the default, effective immediately upon the provision of notice to Franchisee (in the manner provided under Section 24 hereof), upon the occurrence of any of the following events of default:

16.2.1 If Franchisee fails to complete all pre-opening obligations and to open the Franchised Restaurant within the time limits as provided in Section 5.2 above, or (if Franchisee and Franchisor enter into a Site Selection Addendum) if Franchisee fails to identify and/or secure an Accepted Location in accordance with the Site Selection Addendum;

16.2.2 If Franchisee or any of its Principals is convicted of a felony, a crime involving moral turpitude, or any other crime or offense that Franchisor believes is reasonably likely to have an adverse effect on the System, the Proprietary Marks, the Products, the goodwill associated therewith, or the interest of Franchisor therein;

16.2.3 If a threat or danger to public health or safety results from the construction, maintenance, or operation of the Franchised Restaurant;

16.2.4 If Franchisee's action or inaction, at any time, results in the loss of the right to possession of the Premises, or forfeiture of the right to do or transact business in the jurisdiction where the Franchised Restaurant is located;

16.2.5 If Franchisee or any Principal purports to transfer any rights or obligations under this Agreement or any interest to any third party in a manner that is contrary to the terms of Section 15 hereof;

16.2.6 If Franchisee knowingly maintains false books or records, or knowingly submits any false statements or reports to Franchisor;

16.2.7 If, contrary to the terms of Section 9 or 10 hereof, Franchisee discloses or divulges the contents of the Manuals or other confidential information provided to Franchisee by Franchisor;

16.2.8 If Franchisee fails to comply with the covenants in Section 18.3 below or fails to timely obtain execution of the covenants required under Section 18.6 below;

16.2.9 If Franchisee misuses or makes any unauthorized use of the Proprietary Marks or any other identifying characteristics of the System, or if Franchisee otherwise operates the Franchised Restaurant in a manner that materially impairs the reputation or goodwill associated with the System, Proprietary Marks, Products, or the rights of Franchisor therein;

16.2.10 If Franchisee, after curing a default pursuant to Sections 16.3 or 16.4 hereof, commits the same default again, whether or not cured after notice;

16.2.11 If Franchisee commits three (3) or more defaults under this Agreement in any twelve (12) month period, whether or not each such default has been cured after notice (this provision in no way limits Section 16.2.10 above);

16.2.12 If Franchisee at any time ceases to operate or otherwise abandons the Franchised Restaurant for a period of three (3) consecutive days unless such closure is approved in writing by Franchisor, or excused by *force majeure*; or

16.2.13 If Franchisee breaches any material provision of this Agreement which breach is not susceptible to cure.

16.3 *Notice and Opportunity to Cure - 7 Days*. Upon the occurrence of any of the following events of default, Franchisor may, at its option, terminate this Agreement by giving written notice of termination (in the manner set forth under Section 24 hereof) stating the nature of the default to Franchisee at least seven (7) days prior to the effective date of termination; provided, however, that Franchisee may avoid termination by immediately initiating a remedy to cure such default, curing it to the satisfaction of Franchisor, and by promptly providing proof thereof to Franchisor within the seven (7) day period. If any such default is not cured within the specified time, or such longer period as applicable law may require, this Agreement shall terminate without further notice to Franchisee, effective immediately upon the expiration of the seven (7) day period or such longer period as applicable law may require.

16.3.1 If Franchisee fails, refuses, or neglects promptly to pay any monies owing to Franchisor or its affiliates when due;

16.3.2 If Franchisee refuses to permit Franchisor to inspect the Premises, or the books, records, or accounts of Franchisee upon demand; or

16.3.3 If Franchisee fails to operate the Franchised Restaurant during such days and hours specified in the Manuals (this provision in no way limits Section 16.2.12).

16.4 *Notice and Opportunity to Cure -30 Days*. Except as otherwise provided in Sections 16.1, 16.2 and 16.3 of this Agreement, upon any other default by Franchisee, Franchisor may terminate this Agreement by giving written notice of termination (in the manner set forth under Section 24 hereof) stating the nature of the default to Franchisee at least thirty (30) days prior to the effective date of termination; provided, however, that Franchisee may avoid termination by immediately initiating a remedy to cure such default, curing it to the satisfaction of Franchisor, and by promptly providing proof thereof to Franchisor within the thirty (30) day period. If any such default is not cured within the specified time, or such longer period as applicable law may require, this Agreement shall terminate without further notice to Franchisee, effective immediately upon the expiration of the thirty (30) day period or such longer period as applicable law may require.

17. OBLIGATIONS UPON TERMINATION OR EXPIRATION

Upon termination or expiration of this Agreement, all rights granted hereunder to Franchisee shall terminate, and:

17.1 *Stop Operating*. Franchisee shall immediately cease to operate the Franchised Restaurant, and shall not thereafter, directly or indirectly, represent to the public or hold itself out as a present or former operator of Franchisor in connection with the promotion or operation of any other business.

17.2 *Stop Using the System*. Franchisee shall immediately and permanently cease to use, in any manner whatsoever, any confidential methods, procedures, and techniques associated with the System; the Proprietary Mark "COSI®" and all other Proprietary Marks and distinctive forms, slogans, signs, symbols, and devices associated with the System. In particular, Franchisee shall cease to use all signs, marketing materials, displays, stationery, forms, products, and any other articles which display the Proprietary Marks.

17.3 *Cancel Assumed Names*. Franchisee shall take such action as may be necessary to cancel any assumed name registration or equivalent registration obtained by Franchisee which contains the mark "COSI®" or any other Proprietary Marks, and Franchisee shall furnish Franchisor with evidence satisfactory to Franchisor of compliance with this obligation within five (5) days after termination or expiration of this Agreement.

17.4 *The Premises*. If Franchisee leased the Premises, Franchisee shall, at the option of Franchisor, assign to Franchisor any interest which Franchisee has in any lease or sublease for the Premises. If Franchisee owns the Premises, Franchisee shall, at the option of Franchisor, sell or lease the Premises to Franchisor at the then-current fair market value for, as applicable, the purchase or lease of the Premises. If the parties cannot agree on fair market value (for, as applicable, the purchase or lease of the premises) within a reasonable time, an independent appraiser acceptable to Franchisee shall be designated by Franchisor, and such appraiser's determination shall be binding. If Franchisor elects to exercise any option to lease or purchase herein provided, it shall have the right to set off all amounts due from Franchisee under this Agreement, and the costs of the appraisal, if any, against any payment(s) therefor. In the event Franchisor does not elect to exercise its option to acquire the Premises, by lease or purchase, Franchisee shall make such modifications or alterations to the Premises immediately upon termination or expiration of this Agreement as may be necessary to distinguish the appearance of the Premises from that of Cosi Restaurants under the System, and shall make such specific additional changes thereto as Franchisor may reasonably request for that purpose. In the event Franchisee fails or refuses to comply with the requirements of this Section 17.4, Franchisor shall have the right to enter upon the Premises, without being guilty of trespass or any other tort, for the purpose of making or causing to be made such changes as may be required, at the expense of Franchisee, which expense Franchisee agrees to pay upon demand. Additionally, if Franchisor does not elect to exercise the option to acquire the Premises by lease or purchase, Franchisee shall comply with Section 18.4 below regarding a Competitive Business (as defined in Section 18.3.2 below).

17.5 *Phone Numbers and Directory Listings*. In addition, Franchisee shall cease use of all telephone numbers and any domain names, Online Sites, e-mail addresses, and any other identifiers, whether or not authorized by Franchisor, used by Franchisee while operating the Franchised Restaurant, and shall promptly execute such documents or take such steps necessary to remove reference to the Franchised Restaurant from all trade or business telephone directories, including "yellow" and "white" pages, or at Franchisor's request transfer same to Franchisor. Franchisee hereby authorizes Franchisor to instruct issuers of any telephone and internet domain name services, and other providers to transfer any such telephone numbers, domain names, websites, addresses, and any other identifiers to Franchisor upon termination of this Agreement, without need for any further approval from Franchisee. Without limiting the foregoing, if requested by Franchisor, Franchisee shall provide, during the term or upon termination of this Agreement, written confirmation of Franchisor's rights under this Section 17.5. Franchisee agrees that it shall sign such documents and do such things (without cost to Franchisee) that may be reasonably requested by Franchisor in order to implement this Section 17.5.

17.6 *No Use of Proprietary Marks or Trade Dress in other Businesses*. Franchisee agrees, in the event it continues to operate or subsequently begins to operate any other business, not to use any reproduction, counterfeit, copy, or colorable imitation of the Proprietary Marks, either in connection with such other business or the promotion thereof, which, in the sole discretion of Franchisor, is likely to cause confusion, mistake, or deception, or which, in the sole discretion of Franchisor, is likely to dilute the rights of Franchisor in and to the Proprietary Marks. Franchisee further agrees not to utilize any designation of origin, description, or representation (including, but not limited to, reference to Franchisor, the System, or the Proprietary Marks) which, in the sole discretion of Franchisor, suggests or represents a present or former association or connection with Franchisor, the System, or the Proprietary Marks.

17.7 *Pay Franchisor All Amounts Due*. Franchisee shall promptly pay all sums owing to Franchisor and its affiliates. In the event of termination for any default of Franchisee, such sums shall include all damages, costs, and expenses, including reasonable attorneys' fees, incurred by Franchisor as a result of the default and termination, which obligation shall give rise to and remain, until paid-in-full, a lien in favor of Franchisor against any and all of the personal property, furnishings, equipment, signs, fixtures, and inventory owned by Franchisee and on the Premises at the time of default.

17.8 *Return Manuals and Confidential Information*. Franchisee shall, at its own expense, immediately deliver to Franchisor the Manuals and all other records, correspondence, and instructions containing confidential information relating to the operation of the Franchised Restaurant (and any copies thereof, even if such copies were made in violation of this Agreement), all of which are acknowledged to be the property of Franchisor.

17.9 *Franchisor's Option to Purchase Certain Assets*. Franchisor shall have the option, to be exercised within thirty (30) days after termination, to purchase from Franchisee any or all of the furnishings, equipment, signs, fixtures, supplies, or inventory of Franchisee related to the operation of the Franchised Restaurant, at the lesser of Franchisee's cost or fair market value. The cost for such items shall be determined based upon a five (5) year straight-line depreciation of original costs. For equipment that is five (5) or more years old, the parties agree that fair market value shall be deemed to be ten percent (10%) of the equipment's original cost. If Franchisor elects to exercise any option to purchase certain assets as herein provided, it shall have the right to set off all amounts due from Franchisee.

17.10 *Comply with Covenants*. Franchisee and Principals shall comply with the covenants contained in Section 18.4 of this Agreement.

18. COVENANTS

18.1 *Full Time and Best Efforts*. Franchisee covenants that, during the term of this Agreement, except as otherwise approved in writing by Franchisor, Franchisee (or, if Franchisee is not an individual, the Designated Principal) or Franchisee's fully-trained General Manager shall devote full time and best efforts to the management and operation of the Franchised Restaurant.

18.2 *Understandings*. Franchisee specifically acknowledges and agrees that, pursuant to this Agreement: (a) Franchisee will receive valuable, specialized training and confidential information, including information regarding the operational, sales, promotional, and marketing methods and techniques of Franchisor and the System; (b) the System and the opportunities, associations and experience Franchisor has established and that Franchisee will have access to under this Agreement are of substantial and material value; (c) in developing the System, Franchisor and its affiliates have made and continue to make substantial investments of time, technical and commercial research, and money; (d) Franchisor would be unable to adequately protect the System and its trade secrets and Confidential Information against unauthorized use or disclosure and would be unable to adequately encourage a free exchange of ideas and information among franchisees in our system if franchisees were permitted to hold interests in Competitive Businesses (as defined below); and (e) restrictions on Franchisee's right to hold interests in, or perform services for, Competitive Businesses will not unreasonably or unnecessarily hinder Franchisee's activities.

18.3 *During the Agreement Term*. Accordingly, Franchisee covenants and agrees that during the term of this Agreement, except as otherwise approved in writing by Franchisor, Franchisee shall not, either directly or indirectly, for itself, or through, on behalf of, or in conjunction with any person or legal entity:

18.3.1 Divert or attempt to divert any present or prospective business or customer of any Cosi Restaurant to any competitor, by direct or indirect inducement or otherwise, or do or perform, directly or indirectly, any other act injurious or prejudicial to the goodwill associated with the Proprietary Marks and the System; or

18.3.2 Own, maintain, operate, engage in, be employed by, provide any assistance to, or have any more than a one percent (1%) interest in (as owner or otherwise) any Competitive Business (as defined below). A "**Competitive Business**" shall be considered to be retail food businesses with menu offerings consisting predominantly of salads, sandwiches, or coffee offered in a premium convenience or fast casual environment. Furthermore, Franchisee acknowledges and agrees that Franchisee shall be considered in default under this Agreement and that this Agreement will be subject to termination as provided in Section 16.2.8 herein, in the event that a person in the immediate family (including spouse, domestic partner, parent or child) of Franchisee (or, if Franchisee is other than an individual, each Principal that is subject to these covenants) engages in a Competitive Business that would violate this Section 18.3.2 if such person was subject to the covenants of this Section 18.3.2.

18.4 *After the Agreement and After a Transfer*. Franchisee further covenants that, except as otherwise approved in writing by Franchisor, for a continuous uninterrupted period of two (2) years commencing upon the date of: (a) a transfer permitted under Section 15 of this Agreement; (b) expiration of this Agreement; (c) termination of this Agreement (regardless of the cause for termination); (d) a final order of a duly authorized arbitrator, panel of arbitrators, or a court of competent jurisdiction (after all appeals have been taken) with respect to any of the foregoing or with respect to enforcement of this Section 18.4; or (e) any or all of the foregoing:

18.4.1 Franchisee shall not, either directly or indirectly, for itself, or through, on behalf of, or in conjunction with any person or legal entity, own, maintain, operate, engage in, be employed by, provide assistance to, or have any interest in (as owner or otherwise) any Competitive Business that is, or is intended to be, located at the Accepted Location, within the Territory, within a radius of seven hundred fifty (750) feet of any other Cosi Restaurant located in an urban area, or within a radius of one (1) mile of any other Cosi Restaurant located in an suburban area; provided, however, that this provision shall not apply to the operation by Franchisee of any business under the System under a franchise agreement with Franchisor; or

18.4.2 Franchisee shall not sublease, assign, or sell Franchisee's interest in any lease, sublease, or ownership of the Premises or assets of the Franchised Restaurant to a third party for the operation of a Competitive Business, or otherwise arrange or assist in arranging for the operation by a third party of a Competitive Business.

18.4.3 If, at any time during the two-year period described above in this Section 18, Franchisee fails to comply with its obligations under this Section 18.4, that period of noncompliance will not be credited toward Franchisee's satisfaction of the two-year obligation.

18.5 *Exception for Ownership in Public Entities*. Sections 18.3.2 and 18.4 shall not apply to ownership by Franchisee of a less than five percent (5%) beneficial interest in the outstanding equity securities of any corporation which has securities registered under the Securities Exchange Act of 1934.

18.6 *Personal Covenants*. At the request of Franchisor, Franchisee shall obtain and furnish to Franchisor executed covenants similar in substance to those set forth in this Section 18 (including covenants applicable upon the termination of a person's relationship with Franchisee) and the provisions of Sections 10 and 15 of this Agreement (as modified to apply to an individual) from any or all of the following persons: (a) the Designated Principal, (b) all managers and other personnel employed by Franchisee who have received or will receive training and/or other confidential information; (c) all officers, directors, and Principals who have or will receive training or access to confidential information, or who are or may be involved in the management and operation of the Franchised Restaurant. Every covenant required by this Section 18.6 shall be in a form approved by Franchisor, including specific identification of Franchisor as a third-party beneficiary of such covenants with the independent right to enforce them.

18.7 *Covenants as Independent Clauses*. The parties agree that each of the foregoing covenants shall be construed as independent of any other covenant or provision of this Agreement. If all or any portion of a covenant in this Section 18 is held unreasonable or unenforceable by a court or agency having valid jurisdiction in an unappealed final decision to which Franchisor is a party, Franchisee expressly agrees to be bound by any lesser covenant subsumed within the terms of such covenant that imposes the maximum duty permitted by law, as if the resulting covenant were separately stated in and made a part of this Section 18.

18.8 *Franchisor's Right to Reduce Scope of the Covenants*. Franchisee understands and acknowledges that Franchisor shall have the right, in its sole discretion, to reduce the scope of any covenant set forth in this Section 18, or any portion thereof, without Franchisee's consent, effective immediately upon receipt by Franchisee of written notice thereof; and Franchisee agrees that it shall comply forthwith with any covenant as so modified, which shall be fully enforceable notwithstanding the provisions of Section 25 hereof.

18.9 *Covenants Survive Claims*. Franchisee expressly agrees that the existence of any claims it may have against Franchisor, whether or not arising from this Agreement, shall not constitute a defense to the enforcement by Franchisor of the covenants in this Section 18; provided, however, any claims Franchisee may have against Franchisor may be brought in a separate proceeding. Franchisee agrees to pay all costs and expenses (including reasonable attorneys' fees) incurred by Franchisor in connection with the enforcement of this Section 18.

18.10 *Defaults*. You acknowledge that your violation of the terms of this Section 18 would result in irreparable injury to us for which no adequate remedy at law may be available, and you accordingly consent to the issuance of an injunction prohibiting any conduct in violation of the terms of this Section 18.

19. CORPORATE, LIMITED LIABILITY COMPANY, OR PARTNERSHIP FRANCHISEE

19.1 *List of Principals*. If Franchisee is a corporation, limited liability company, or partnership, each Principal of Franchisee, and the interest of each Principal in Franchisee, shall be identified in Exhibit C hereto. Franchisee shall maintain a list of all Principals and immediately furnish Franchisor with an update to the information contained in Exhibit C upon any change, which shall be made only in compliance with Section 15 above.

19.2 *Guaranties*. Such Principals as Franchisor may request shall execute a guaranty, indemnification, and acknowledgment of Franchisee's obligations under this Agreement in the form attached hereto as Exhibit E. As set forth in Section 8.3, the Designated Principal shall at all times have at least a ten percent (10%) interest in Franchisee.

19.3 *Corporations and Limited Liability Companies*. If Franchisee is a corporation or limited liability company, Franchisee shall comply with the following requirements:

19.3.1 Franchisee shall be newly organized and its governing documents shall at all times provide that its activities are confined exclusively to operating the Franchised Restaurant.

19.3.2 Franchisee shall, upon request of Franchisor, promptly furnish to Franchisor copies of Franchisee's articles of incorporation, bylaws, articles of organization, operating agreement and/or other governing documents, and any amendments thereto, including the resolution of the Board of Directors or members authorizing entry into this Agreement.

19.3.3 Franchisee shall maintain stop-transfer instructions against the transfer on its records of any equity securities; and each stock certificate or issued securities of Franchisee shall conspicuously endorse upon its face a statement, in a form satisfactory to Franchisor, which references the transfer restrictions imposed by this Agreement; provided, however, that the requirements of this Section 19.2.3 shall not apply to a publicly-held corporation.

19.4 *Partnerships and Limited Liability Partnerships*. If Franchisee or any successor to or assignee of Franchisee is a partnership or limited liability partnership, Franchisee shall comply with the following requirements:

19.4.1 Franchisee shall be newly organized and its partnership agreement shall at all times provide that its activities are confined exclusively to operating the Franchised Restaurant.

19.4.2 Franchise shall furnish Franchisor with a copy of its partnership agreement as well as such other documents as Franchisor may reasonably request, and any amendments thereto.

19.4.3 The partners of the partnership shall not, without the prior written consent of Franchisor, admit additional general partners, remove a general partner, or otherwise materially alter the powers of any general partner.

20. TAXES, PERMITS, AND INDEBTEDNESS

20.1 *Taxes*. Franchisee shall promptly pay when due all taxes levied or assessed, including unemployment and sales taxes, and all accounts and other indebtedness of every kind incurred by Franchisee in the operation of the Franchised Restaurant. Franchisee shall pay to Franchisor an amount equal to any sales tax, gross receipts tax, or similar tax (other than income tax) imposed on Franchisor with respect to any payments to Franchisor required under this Agreement, unless the tax is credited against income tax otherwise payable by Franchisor.

20.2 *Dispute About Taxes*. In the event of any bona fide dispute as to Franchisee's liability for taxes assessed or other indebtedness, Franchisee may contest the validity or the amount of the tax or indebtedness in accordance with procedures of the taxing authority or applicable law, but in no event shall Franchisee permit a tax sale or seizure by levy or execution or similar writ or warrant, or attachment by a creditor, to occur against the Premises of the Franchised Restaurant, or any improvements thereon.

20.3 *Compliance with Laws*. Franchisee shall comply with all federal, state, and local laws, rules, and regulations, and shall timely obtain any and all permits, certificates, or licenses necessary for the full and proper conduct of the Franchised Restaurant, including licenses to do business, fictitious name registrations, sales tax permits, and fire clearances.

21. INDEPENDENT CONTRACTOR AND INDEMNIFICATION

21.1 *Independent Contractor Relationship*. The parties acknowledge and agree that Franchisee is an independent contractor. Franchisor and Franchisee are completely separate entities and are not fiduciaries, partners, joint venturers, or agents of the other in any sense and neither shall have the power to bind the other. Franchisee is the only party that is in day-to-day control of Franchisee's franchised business, even though Franchisor will share the brand and Proprietary Marks as specified in this Agreement, and neither this Agreement nor any of the systems, guidance, processes, or requirements under which Franchisee operates alter that basic fact. Franchisee shall be solely responsible for compliance with all federal, state, and local laws, rules and regulations, and for Franchisee's policies, practices, and decisions, relating to the operation of the Franchised Restaurant.

21.2 *Public Notice*. During the term of this Agreement, Franchisee shall hold itself out to the public as an independent contractor operating the Franchised Restaurant pursuant to a franchise agreement from Franchisor. Franchisee agrees to take such action as may be necessary to do so, including exhibiting a notice of that fact in a conspicuous place at the Premises, the content of which Franchisor reserves the right to specify.

21.3 *No Assumption of Liability*. Nothing in this Agreement authorizes Franchisee to make any contract, agreement, warranty, or representation on behalf of Franchisor, or to incur any debt or other obligation in the name of Franchisor; and Franchisor shall in no event assume liability for, or be deemed liable hereunder as a result of, any such action; nor shall Franchisor be liable by reason of any act or omission of in its operation of the Franchised Restaurant or for any claim or judgment arising therefrom against Franchisee or Franchisor.

21.4 *Indemnification*. Franchisee shall indemnify and hold Franchisor, Franchisor's owners and affiliates, and their respective officers, directors, and employees (the "**Indemnitees**") harmless against any and all causes of action, claims, losses, costs, expenses, liabilities, litigation, damages, or other expenses (including, but not limited to, settlement costs and attorneys' fees) arising directly or indirectly from, as a result of, or in connection with the operation of the Franchised Restaurant and/or Franchisee's conduct under this Agreement (notwithstanding any claims that the Indemnitees are or were negligent). Franchisee agrees that with respect to any threatened or actual litigation, proceeding, or dispute which could directly or indirectly affect any of the Indemnitees, the Indemnitees shall have the right, but not the obligation, in their discretion, to: (i) choose counsel, (ii) direct, manage and/or control the handling of the matter; and (iii) settle on behalf of the Indemnitees, and/or Franchisee, any claim against the Indemnitees. All vouchers, canceled checks, receipts, receipted bills, or other evidence of payments for any such losses, liabilities, costs, damages, charges or expenses of whatsoever nature incurred by any Indemnitee shall be taken as prima facie evidence of Franchisee's obligation hereunder.

22. APPROVALS AND WAIVERS

22.1 *Approval Requests*. Whenever this Agreement requires the prior authorization, approval, acceptance, or consent of Franchisor, Franchisee shall make a timely written request to Franchisor therefor, and such authorization, approval, acceptance or consent must be obtained in writing.

22.2 *No Waivers*. No failure of Franchisor to exercise any power reserved to it hereunder, or to insist upon strict compliance by Franchisee with any obligation or condition hereunder, and no custom or practice of the parties in variance with the terms hereof, shall constitute a waiver of Franchisor's right to demand exact compliance with the terms hereof. Waiver by Franchisor of any particular default by Franchisee shall not be binding unless in writing and executed by the party sought to be charged and shall not affect or impair Franchisor's right with respect to any subsequent default of the same or of a different nature; nor shall any delay, waiver, forbearance, or omission of Franchisor to exercise any power or rights arising out of any breach or default by Franchisee of any of the terms, provisions, or covenants hereof, affect or impair Franchisor's rights nor shall such constitute a waiver by Franchisor of any right hereunder or of the right to declare any subsequent breach or default. Subsequent acceptance by Franchisor of any payment(s) due to it hereunder shall not be deemed to be a waiver by Franchisor of any preceding breach by Franchisee of any terms, covenants or conditions of this Agreement. No course of dealings or course of conduct will be effective to amend the terms of this Agreement.

23. WARRANTIES OF OPERATOR

23.1 *Reliance by Franchisor*. Franchisor entered into this Agreement in reliance upon the statements and information submitted to Franchisor by Franchisee in connection with this Agreement. Franchisee represents and warrants that all such statements and information submitted by Franchisee in connection with this Agreement are true, correct and complete in all material respects. Franchisee agrees to promptly advise Franchisor of any material changes in the information or statements submitted.

23.2 *Compliance with Laws*. Franchisee represents and warrants to Franchisor that neither Franchisee (including, without limitation, any and all of its employees, directors, officers and other representatives), nor any of its affiliates or the funding sources for either, is a person or entity designated with whom Franchisor, or any of its affiliates, are prohibited by law from transacting business.

24. NOTICES

Any and all notices required or permitted under this Agreement shall be in writing and shall be personally delivered, sent by registered mail, or by other means which affords the sender evidence of delivery, or of rejected delivery, to the respective parties at the addresses shown on the signature page of this Agreement, unless and until a different address has been designated by written notice to the other party. Any notice by a means which affords the sender evidence of delivery, or rejected delivery, or delivery not possible because the recipient has moved and left no forwarding address, shall be deemed to have been given at the date and time of receipt or rejected delivery.

25. ENTIRE AGREEMENT AND AMENDMENT

25.1 *Entire Agreement*. This Agreement, the exhibits and documents referred to in this Agreement constitute the entire Agreement between Franchisor and Franchisee concerning the subject matter hereof, and supercede all any prior understandings or agreements reached, or any representations made, before this Agreement. The parties confirm (a) they were not induced by (nor did they rely upon) any other representation other than the words of this Agreement (and the FDD) before deciding whether to sign this Agreement, and (b) they relied only on the words printed in this Agreement and any exhibits to this Agreement in reaching the decision of whether to enter into this Agreement. However, and notwithstanding the foregoing, nothing in this Agreement is intended, or shall be interpreted, to disclaim any representations made by Franchisor in Franchisor's Franchise Disclosure Document ("**FDD**") that Franchisor provided to Franchisee).

25.2 *Amendment*. Except for those permitted to be made unilaterally by Franchisor hereunder, no amendment, change, or variance from this Agreement shall be binding on either party unless mutually agreed to by the parties and executed by their authorized officers or agents in writing.

26. SEVERABILITY AND CONSTRUCTION

26.1 *Severable Parts*. Except as expressly provided to the contrary herein, each portion, section, part, term, and/or provision of this Agreement shall be considered severable; and if, for any reason, any section, part, term, and/or provision herein is determined to be invalid and contrary to, or in conflict with, any existing or future law or regulation by a court or agency having valid jurisdiction, such shall not impair the operation of, or have any other effect upon, such other portions, sections, parts, terms, and/or provisions of this Agreement as may remain otherwise intelligible; and the latter shall continue to be given full force and effect and bind the parties hereto; and said invalid portions, sections, parts, terms, and/or provisions shall be deemed not to be a part of this Agreement.

26.2 *Terms Surviving this Agreement*. Any provision or covenant in this Agreement which expressly or by its nature imposes obligations beyond the expiration, termination, or assignment of this Agreement (regardless of cause for termination), or assignment shall survive such expiration, termination, or assignment.

26.3 *No Rights on Third Parties*. Except as expressly provided to the contrary herein, nothing in this Agreement is intended, nor shall be deemed, to confer upon any person or legal entity other than Franchisee, Franchisor, officers, directors, shareholders, agents, and employees of Franchisor, and such successors and assigns of Franchisor as may be contemplated by Section 15 hereof, any rights or remedies under or by reason of this Agreement.

26.4 *Full Scope of Terms*. Franchisee expressly agrees to be bound by any promise or covenant imposing the maximum duty permitted by law which is subsumed within the terms of any provision hereof, as though it were separately articulated in and made a part of this Agreement, that may result from striking from any of the provisions hereof any portion or portions which a court or agency having valid jurisdiction may hold to be unreasonable and unenforceable in an unappealed final decision to which Franchisor is a party, or from reducing the scope of any promise or covenant to the extent required to comply with such a court or agency order.

26.5 *Franchisor's Application of its Rights*. Franchisor shall have the right to operate, develop, and change the System in any manner that is not specifically precluded by this Agreement. Whenever Franchisor has reserved in this Agreement a right to take or withhold an action, or is deemed to have a right and/or discretion to take or withhold an action, or to grant or decline to grant Franchisee a right to take or omit an action, except as otherwise expressly and specifically provided in this Agreement, Franchisor may make its decision or exercise its rights, on the basis of the information readily available to Franchisor, and its judgment of what is in its best interests and/or in the best interests of the Franchisor's franchise network, at the time its decision is made, without regard to whether: (i) other reasonable or even arguably preferable alternative decisions could have been made by Franchisor; (ii) the decision or action of Franchisor will promote its financial or other individual interest; (iii) Franchisor's decision or the action it takes applies differently to Franchisee and one or more other franchisees or Franchisor's company-owned operations; or (iv) Franchisor's decision or the exercise of its right or discretion is adverse to Franchisee's interests. In the absence of an applicable statute, Franchisor will have no liability to Franchisee for any such decision or action. Franchisor and Franchisee intend that the exercise of Franchisor's right or discretion will not be subject to limitation or review. If applicable law implies a covenant of good faith and fair dealing in this Agreement, Franchisor and Franchisee agree that such covenant shall not imply any rights or obligations that are inconsistent with a fair construction of the terms of this Agreement and that this Agreement grants Franchisor the right to make decisions, take actions and/or refrain from taking actions not inconsistent with Franchisee's rights and obligations hereunder.

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

27. APPLICABLE LAW AND DISPUTE RESOLUTION

27.1 *Governing Law*. This Agreement takes effect upon its acceptance and execution by Franchisor, and shall be interpreted and construed under the laws of the state in which Franchisor has its headquarters at the time the action is commenced (the "**HQ State**"); provided, however, that nothing in this Section 27.1 is intended by the parties to subject this Agreement to any franchise or similar law, rule, or regulation of the HQ State or of any other state to which it would not otherwise be subject. In the event of any conflict of law, the laws of the HQ State shall prevail, without regard to, and without giving effect to, the HQ State's application of its conflicts of law rules.

27.2 *Non-Binding Mediation*. Before any party may bring an action in court against the other, the parties must first meet to mediate the dispute (except as otherwise provided below). Any such mediation shall be non-binding and shall be conducted by the American Arbitration Association in accordance with its then-current rules for mediation of commercial disputes. Notwithstanding anything to the contrary, this Section 27.2 shall not bar either party from obtaining injunctive relief against threatened conduct that will cause it loss or damages, under the usual equity rules, including the applicable rules for obtaining restraining orders and preliminary injunctions, without having to engage in mediation. Mediation hereunder shall be concluded within forty five (45) days of Franchisee's receipt of the notice specifying the designated mediator or such longer period as may be agreed upon by the parties in writing. All aspects of the mediation process shall be treated as confidential, shall not be disclosed to others, and shall not be offered or admissible in any other proceeding or legal action whatsoever. Franchisor and Franchisee shall each bear its own costs of mediation, and each shall bear one-half the cost of the mediator or mediation service.

27.3 *Litigation*. Any legal action brought by Franchisee against Franchisor in any forum or court, whether federal or state, shall be brought only within the HQ State. Any legal action brought by Franchisor against Franchisee in any forum or court, whether federal or state, may be brought within the HQ State or in the state in which Franchisee is located. Franchisee hereby waives all questions of personal jurisdiction or venue for the purpose of carrying out this provision.

27.4 *No Rights Exclusive of Other Rights*. No right or remedy conferred upon or reserved to Franchisor or Franchisee by this Agreement is intended to be, nor shall be deemed, exclusive of any other right or remedy provided herein or permitted by law or equity, but each shall be cumulative of every other right or remedy.

27.5 ***WAIVER OF JURY TRIAL*. FRANCHISOR AND FRANCHISEE IRREVOCABLY WAIVE TRIAL BY JURY IN ANY ACTION, PROCEEDING, OR COUNTERCLAIM, WHETHER AT LAW OR IN EQUITY, BROUGHT BY EITHER OF THEM AGAINST THE OTHER.**

27.6 *Period for Claims*. Any and all claims and actions arising out of or relating to this Agreement, the relationship of Franchisee and Franchisor, or Franchisee's operation of the Franchised Restaurant, brought by either party hereto against the other, whether in mediation, or a legal action, shall be commenced within two (2) years from the occurrence of the facts giving rise to such claim or action, or such claim or action shall be barred.

27.7 *Waiver of Punitive Damages*. Franchisor and Franchisee hereby waive to the fullest extent permitted by law any right to or claim of any punitive or exemplary damages against the other.

27.8 *Injunctive Relief*. Nothing herein contained shall bar the right of Franchisor to obtain injunctive relief against threatened conduct that will cause it loss or damages, including violations of the terms of Sections 9, 10, 11, 15, and 18 under the usual equity rules, including the applicable rules for obtaining restraining orders and preliminary injunctions.

28. ACKNOWLEDGMENTS

28.1 *Franchisee's Investigation of the Business Possibilities*. Franchisee acknowledges that it has conducted an independent investigation of the business of operating a Cosi Restaurant, and recognizes that the business venture contemplated by this Agreement involves business risks, and that its success will be largely dependent upon the ability of Franchisee (or, if Franchisee is a corporation, partnership or limited liability company, the ability of its principals) as (an) independent businessperson(s). Franchisor expressly disclaims the making of, and Franchisee acknowledges that it has not received, any warranty or guarantee, express or implied, as to the potential volume, profits, or success of the business venture contemplated by this Agreement.

28.2 *Receipt of Franchise Disclosure Document*. Franchisee acknowledges that it received the disclosure document required by the Trade Regulation Rule of the Federal Trade Commission entitled "Disclosure Requirements and Prohibitions Concerning Franchising and Business Opportunity Ventures" at least fourteen (14) calendar days prior to the date on which this Agreement was executed or any payment by Franchisee for the franchise rights granted under this Agreement.

28.3 *Franchisee Read the Agreement and Franchisee's Advisors*. Franchisee acknowledges and agrees that (a) it has read and understands this Agreement, the attachments hereto, and the agreements relating hereto and thereto, and (b) Franchisor has recommended that Franchisee seek advice from advisors of Franchisee's own choosing about the potential benefits and risks of entering into this Agreement, and that Franchisee has had sufficient time and opportunity to consult with those advisors.

28.4 *Franchisee's Responsibility for Operation of Business*. Although Franchisor retains the right to establish and periodically modify System standards, which Franchisee has agreed to maintain in the operation of the Franchised Restaurant, Franchisee retains the right and sole responsibility for the day-to-day management and operation of the Franchised Restaurant and the implementation and maintenance of system standards at the Franchised Restaurant.

28.5 *No Conflicting Obligations*. Each party represents and warrants to the others that there are no other agreements, court orders, or any other legal obligations that would preclude or in any manner restrict such party from: (a) negotiating and entering into this Agreement; (b) exercising its rights under this Agreement; and/or (c) fulfilling its responsibilities under this Agreement.

28.6 *Different Franchise Offerings to Others*. Franchisee acknowledges and agrees that Franchisor may modify the offer of its franchises to other franchisees in any manner and at any time, which offers and agreements have or may have terms, conditions, and obligations that may differ from the terms, conditions, and obligations in this Agreement.

28.7 *Success Depends on Franchisee*. Franchisee acknowledges that the success of the business venture contemplated under this Agreement is speculative and depends, to a large extent, upon Franchisee's ability as an independent businessperson, his/her active participation in the daily affairs of the business, market conditions, area competition, availability of products, and quality of services provided, as well as other factors. Franchisor does not make any representation or warranty, express or implied, as to the potential success of the business venture contemplated hereby.

28.8 *No Guarantees*. Franchisor expressly disclaims the making of, and Franchisee acknowledges that it has not received, nor relied upon, any warranty or guaranty, express or implied, as to the revenues, profits, or success of the business venture contemplated by this Agreement.

28.9 *Franchisee's Independence. Franchisee acknowledges and agrees that:*

28.9.1 Franchisee is the only party that employs its employees (even though Franchisor may provide Franchisee with advice, guidance, and training);

28.9.2 Franchisor is not the employer of any of Franchisee's employees, and Franchisor will not play any role in decisions regarding their employment (including but not limited to matters such as recruitment, hiring, compensation, scheduling, employee relations, labor matters, review, discipline, and/or dismissal);

28.9.3 the guidance that Franchisor provides and requirements under which Franchisee will operate are intended to promote and protect the value of the brand and the Proprietary Marks;

28.9.4 when forming and in operating Franchisee's business, Franchisee would have to adopt standards to operate that business, and that instead of developing and implementing its own standards (or those of another party), Franchisee chose to adopt and implement Franchisor's standards for Franchisee's business (including but not limited to the System and the requirements under this Agreement); and

28.9.5 Franchisee has made and (will remain responsible at all times) all of the organizational and basic decisions about establishing and forming Franchisee's entity, operating he business (including but not limited to adopting Franchisor's standards as Franchisee's standards), and hiring employees and employment matters employment (including but not limited to matters such as recruitment, hiring, compensation, scheduling, employee relations, labor matters, review, discipline, and/or *dismissal*) engaging professional advisors, and all other facets of Franchisee's operation.

IN WITNESS WHEREOF, the parties hereto have duly executed this Agreement in duplicate on the date first above written.

COSI FRANCHISE HOLDINGS LLC Franchisor	________________________________ Franchisee
By:______________________________	By:______________________________
Name:____________________________	Name:____________________________
Title:____________________________	Title:____________________________
Address for Notices:	Address for Notices:
Cosi Franchise Holdings LLC 294 Washington Street, Suite 510 Boston, Massachusetts 02108 Telephone: (857) 415-5000 Attn: Franchise Department	________________________________ ________________________________ ________________________________ Telephone:________________________ Fax:______________________________ Attn:_____________________________

With copy to:

Cosi Franchise Holdings LLC
294 Washington Street, Suite 510
Boston, Massachusetts 02108
Telephone: (857) 415-5000
Attn: Legal Department

COSI FRANCHISE HOLDINGS LLC
FRANCHISE AGREEMENT
EXHIBIT A
DATA SHEET

1. **Accepted Location**. The Accepted Location for the Franchised Restaurant shall be ____ ____(See Section 1.2).

2. Territory. The Territory shall be (subject to the terms of the Agreement, including but not limited to Section 1.4 of the Agreement) as follows, and which Territory is reflected on the map attached to this Exhibit A, if applicable: *(check the appropriate box)*

   ☐ The Franchised Restaurant is an urban location, and the Territory shall be the area within a radius of seven hundred fifty (750) feet of the Accepted Location.

   ☐ The Franchised Restaurant is a suburban location, and the Territory shall be the area within a radius of one (1) mile of the Accepted Location.

3. **Franchise Fee**. The initial franchise fee shall be $__________ (See Section 4.1). The initial franchise fee is determined and payable as follows *(check the appropriate set of boxes)*:

   ☐ If this Agreement is the first agreement executed by Franchisee and Franchisor relating to the Franchised Restaurant (i.e., no Area Development Agreement relating to the Franchised Restaurant was signed):

      ☐ $40,000 paid upon execution of this Agreement if Franchisee was **not** an existing franchisee under the System prior to executing this Agreement; or

      ☐ $35,000.00, paid upon execution of this Agreement, if Franchisee was an existing franchisee under the System prior to executing this Agreement.

   ☐ If this Agreement is executed pursuant to an Area Development Agreement, and is:

      ☐ For Franchisee's first Cosi Restaurant, then $40,000 was paid upon execution of the Area Development Agreement as part of an area development fee and such amount is credited as full payment of initial franchise fee.

      ☐ For Franchisee's second or later Cosi Restaurant, then $17,500 was paid as part of an area development fee and such amount is credited towards the initial franchise fee this Agreement, and $17,500 was paid upon the execution of this Agreement.

Initial: ____________ Date: __________
Franchisee

Initial: ____________ Date: __________
Cosi Franchise Holdings LLC

COSI FRANCHISE HOLDINGS LLC
FRANCHISE AGREEMENT
EXHIBIT B
ADA CERTIFICATION

Cosi Franchise Holdings LLC ("**Franchisor**") and ______________________ ("**Franchisee**") are parties to a franchise agreement dated _____________________ for the operation of a Cosi Restaurant at _____________________________ (the "**Franchised Restaurant**"). In accordance with Section 5.3 of the Franchise Agreement, Franchisee certifies to Franchisor that, to the best of Franchisee's knowledge, the Franchised Restaurant and its adjacent areas, as currently developed do comply, and that any further development will comply, with all applicable federal, state and local accessibility laws, statutes, codes, rules, regulations and standards, including but not limited to the Americans with Disabilities Act. Franchisee acknowledges that it is an independent contractor and the requirement of this certification by Franchisor does not constitute ownership, control, leasing, or operation of the Franchised Restaurant. Franchisee acknowledges that Franchisor has relied on the information contained in this certification. Furthermore, Franchisee acknowledge its obligation under this Franchise Agreement to indemnify Franchisor and the officers, directors, and employees of Franchisor in connection with any and all claims, losses, costs, expenses, liabilities, compliance costs, and damages incurred by the indemnified party(ies) as a result of any matters associated with Franchisee's compliance with the Americans with Disabilities Act, as well as the costs, including attorneys' fees, related to the same.

Franchisee:___________________________

By:__________________________________

Name:_______________________________

Title:________________________________

COSI FRANCHISE HOLDINGS LLC
FRANCHISE AGREEMENT
EXHIBIT C
LIST OF PRINCIPALS AND DESIGNATED PRINCIPAL

The following identifies all of Franchisee's Principals (as defined in Section 6.1 of the Franchise Agreement:

Name of Principal	**Address**	**Interest (%) with description**
		Total: 100%

FRANCHISEE'S DESIGNATED PRINCIPAL

The following identifies Franchisee's Designated Principal (as defined in Section 8.3 of the Franchise Agreement:

Name and Title	**Address, telephone number, and e-mail address**	**Interest (%) (with description) (not less than 10%)**

COSI FRANCHISE HOLDINGS LLC
FRANCHISE AGREEMENT
EXHIBIT D
AUTHORIZATION AGREEMENT FOR PREARRANGED PAYMENTS

____ (Name of Person or Legal Entity)
____(ID Number)

The undersigned depositor ("**Depositor**") hereby authorizes Cosi Franchise Holdings LLC ("**Franchisor**") to initiate debit entries and/or credit correction entries to the undersigned's checking and/or savings account(s) indicated below and the depository designated below ("**Depository**") ("**Bank**") to debit or credit such account(s) pursuant to Franchisor's instructions.

Depository	Branch	
City	State	Zip Code
Bank Transit/ABA Number	Account Number	

This authorization is to remain in full and force and effect until sixty (60) days after Franchisor has received written notification from Franchisee of its termination.

____
Depositor

By:________________________________

Name:______________________________

Title:_______________________________

Date:_______________________________

COSI FRANCHISE HOLDINGS LLC
FRANCHISE AGREEMENT
EXHIBIT E
GUARANTEE, INDEMNIFICATION, AND ACKNOWLEDGMENT

As an inducement to Cosi Franchise Holdings LLC ("**Franchisor**") to enter into the Cosi Franchise Holdings LLC Franchise Agreement between Franchisor and ____________________ ______________________________ ("**Franchisee**"), dated ___________, 20____ (the "**Agreement**"), the undersigned, jointly and severally, hereby unconditionally guarantee to Franchisor and Franchisor's successors and assigns that all of Franchisee's monetary obligations under the Agreement will be punctually paid and performed and that all monetary obligations will be punctually paid and performed.

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

The undersigned each hereby jointly and severally agree to defend, indemnify, and hold Franchisor harmless against any and all losses, damages, liabilities, costs, and expenses (including, but not limited to, reasonable attorneys' fees, reasonable costs of financial and other investigation, court costs, and fees and expenses) resulting from, consisting of, or arising out of or in connection with any failure by Franchisee to perform any obligation of Franchisee under the Agreement, any amendment thereto, or any other agreement executed by Franchisee referred to therein.

The undersigned each hereby jointly and severally acknowledge and expressly agree to be individually bound by all of the covenants contained in Sections 11, 15, 17, and 18 of the Agreement, and acknowledge and agree that this Guarantee does not grant the undersigned any right to use the "Cosi" marks or system licensed to Franchisee under the Agreement.

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

Guarantor represents and warrants to Franchisor that neither Guarantor (including, without limitation, any and all of its employees, directors, officers and other representatives), nor any of its affiliates or the funding sources for either is a person or entity designated with whom Franchisor, or any of its affiliates, are prohibited by law from transacting business.

Any and all notices required or permitted under this Guarantee shall be in writing and shall be personally delivered, in the manner provided under Section 24 of this Agreement.

Unless specifically stated otherwise, the terms used in this Guarantee shall have the same meaning as in the Agreement, and shall be interpreted and construed in accordance with Section 27 of the Agreement. This Guarantee shall be interpreted and construed under the laws of the State of Delaware. In the event of any conflict of law, the laws of the State of Delaware shall prevail (without regard to, and without giving effect to, the application of Delaware conflicts of law rules).

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

GUARANTOR(S):

______________________________	______________________________
Name: ________________________	Name: ________________________
Address: ______________________	Address: ______________________
______________________________	______________________________
Tel: __________________________	Tel: __________________________
Cell: _________________________	Cell: _________________________
Email: ________________________	Email: ________________________
Fax: __________________________	Fax: __________________________

______________________________	______________________________
Name: ________________________	Name: ________________________
Address: ______________________	Address: ______________________
______________________________	______________________________
Tel: __________________________	Tel: __________________________
Cell: _________________________	Cell: _________________________
Email: ________________________	Email: ________________________
Fax: __________________________	Fax: __________________________

COSI FRANCHISE HOLDINGS LLC
FRANCHISE AGREEMENT
EXHIBIT F - 1
CONFIDENTIALITY AND NON-COMPETITION AGREEMENT
FOR FRANCHISEE'S PRINCIPALS AND EXECUTIVES

THIS CONFIDENTIALITY AND NON-COMPETITION AGREEMENT ("Agreement") is made this _____ day of _________, 20___, by and between ____________________________ ("**us**" "**we**" "**our**" or the "**Franchisee**"), and ____________________________, who is a Principal, member, partner, or officer of Franchisee ("**you**" or the "**Member**").

Introduction

*Cosi Franchise Holdings LLC ("**Franchisor**") and its affiliates developed and own a format and system (the "**System**") for establishing, operating, and licensing premium convenience (also referred to as fast casual) restaurants that specialize in Franchisor's signature flatbread, made-to-order sandwiches, fresh soups, freshly-tossed salads, Cosi® melts, Cosi® Squagels, flatbread pizzas, breakfast wraps, Cosi®quiche, oatmeal, breakfast parfaits and other breakfast items, S'mores, bread pudding and other snacks and desserts, gourmet coffee and specialty beverages, and other food and beverage items. These businesses use Franchisor's trade dress, System, and operate under the name "Cosi®" and marks (each is referred to as a "**Cosi Restaurant**").*

*Franchisor and Franchisee have executed a Franchise Agreement ("**Franchise Agreement**") granting Franchisee the right to operate a Cosi Restaurant (the "**Franchised Restaurant**") under the terms and conditions of the Franchise Agreement.*

In connection with your ownership and position with Franchisee, you will be will be trained by us and/or you will learn of Franchisor's confidential information and know-how concerning the methods of operation of a Cosi Restaurant and the System.

Now, therefore, it is agreed that as a consideration of your relationship with Franchisee and the rights granted to Franchisee under the Franchise Agreement, you acknowledge and agree that you will comply with all of the following obligations:

1. <u>Cosi Confidential Information</u>. You agree that you will not, at any time (whether during or after the term of the Franchise Agreement or the time of your relationship with Franchisee), communicate or divulge Cosi Confidential Information to any Person, and that you will not use Cosi Confidential Information for your own benefit or for the benefit of any other Person.

2. <u>Definitions</u>. As used in this Agreement, the following terms are agreed to have the following meanings:

a. The term "**Cosi Confidential Information**" means any information, knowledge, or know-how concerning the methods of operation of the Franchised Restaurant and the System that you may learn of or that otherwise becomes known to you during the term of the Franchise Agreement or the time of your relationship with Franchisee (whether or not Franchisor or we have specifically designated that information as "confidential"). Cosi Confidential Information may include, among other things, operational, sales, promotional, marketing, and administrative methods, procedures, and techniques. However, Cosi Confidential Information does not include information that you can show came to your attention before it was disclosed to you by us or Franchisor; and Cosi Confidential Information also does not include information that, at or after the time when we or Franchisor disclosed it to you, is a part of the public domain through no act on your part or through publication or communication by other Persons who are lawfully entitled to publish or communicate that information.

b. The term "**Person**" means any person, persons, partnership, entity, association, or corporation (other than Franchisor or Franchisee).

c. The term "**Post-Term Period**" means a continuous uninterrupted period of two (2) years from the date of: (a) a transfer permitted under Section 15 of the Franchise Agreement; (b) expiration or termination of the Franchise Agreement (regardless of the cause for termination); (c) termination of your relationship with Franchisee for any reason; and/or (d) a final order of a court of competent jurisdiction enforcing this Agreement.

3. Covenants Not to Compete.

a. You understand and acknowledge that, due to your relationship with us, you will receive valuable specialized training and access to Cosi Confidential Information.

b. You covenant and agree that during the term of the Franchise Agreement, unless Franchisor gives you prior written approval, you shall not, either directly or indirectly, for yourself, or through, on behalf of, or in conjunction with any Person:

i. Divert or attempt to divert any current or potential business account or customer of the Franchised Restaurant (or of any Cosi Restaurant) to any Person, whether by direct or indirect suggestion, referral, inducement, or otherwise;

ii. Do or perform, directly or indirectly, any act that might injure or be harmful to the goodwill associated with Franchisor and the System; and/or

iii. Directly or indirectly for yourself or on behalf of, or in conjunction with any Person, own, maintain, operate, engage in, or have any interest in any business that is the same as or similar to the Franchised Restaurant.

c. You covenant and agree that, during the Post-Term Period, unless Franchisor gives you its prior written approval, you shall not, either directly or indirectly, for yourself, or through, on behalf of, or in conjunction with any Person, own, maintain, operate, engage in, or have any interest in any business that is the same as or similar to the Franchised Restaurant, if that business is located (or if it is intended to be located) within the Territory or within a radius of seven hundred fifty (750) feet of any other Cosi Restaurant located in an urban area, or within a radius of one (1) mile of any other Cosi Restaurant located in an suburban area at that time.

4. **Legal and Equitable Remedies**. You understand, acknowledge, and agree that if you do not comply with the requirements of this Agreement, you will cause irreparable injury to Franchisor, and that:

a. We will have the right to enforce this Agreement and any of its provisions by going to a court and obtaining an injunction, specific performance, or other equitable relief, without prejudice to any other rights and remedies that we may have for breach of this Agreement;

b. You will not raise wrongful termination or other defenses to the enforcement of this Agreement (although you will have the right to raise those issues in a separate legal action); and

c. You must reimburse Franchisor for any court costs and reasonable attorneys' fees that Franchisor incurs as a result of your violation of this Agreement and having to go to court to seek enforcement.

5. **Severability**. Each of the provisions of this Agreement may be considered severable from the others. If a court should find that we or Franchisor may not enforce a clause in this Agreement as written, but the court would allow us or Franchisor to enforce that clause in a way that is less burdensome to you, then you agree that you will comply with the court's less-restrictive interpretation of that clause.

6. **Delay**. No delay or failure by us or Franchisor to exercise any right under this Agreement, and no partial or single exercise of that right, shall constitute a waiver of that right or any other right set out in this Agreement. No waiver of any violation of any terms and provisions of this Agreement shall be construed as a waiver of any succeeding violation of the same or any other provision of this Agreement.

7. **Third-Party Beneficiary**. You acknowledge and agree that Franchisor is an intended third-party beneficiary of this Agreement, with the right to enforce it, independently or jointly with Franchisee.

IN WITNESS WHEREOF, Member has read and understands the terms of this Agreement, and voluntarily signed this Agreement on the date first above written.

MEMBER

Signature:___________________________

Printed Name:________________________

COSI FRANCHISE HOLDINGS LLC
FRANCHISE AGREEMENT
EXHIBIT F - 2
CONFIDENTIALITY AND NON-COMPETE
FOR FRANCHISEE'S EMPLOYEES

THIS NON-DISCLOSURE AND NON-COMPETITION AGREEMENT ("Agreement") is made this _____ day of _________, 20___, by and between ____________ ("**us**" "**we**" "**our**" or the "**Franchisee**"), and ___________________________, an employee of Franchisee ("**you**" or the "**Employee**").

Introduction

*Cosi Franchise Holdings LLC ("**Franchisor**") and its affiliates developed and own a format and system (the "**System**") for establishing, operating, and licensing premium convenience (also referred to as fast casual) restaurants that specialize in Franchisor's signature flatbread, made-to-order sandwiches, fresh soups, freshly-tossed salads Cosi® melts, Cosi® Squagels, flatbread pizzas, breakfast wraps, Cosi® quiche, oatmeal, breakfast parfaits and other breakfast items, S'mores, bread pudding and other snacks and desserts, gourmet coffee and specialty beverage, and other food and beverage items. These businesses use Franchisor's trade dress, System, and operate under the name "Cosi®" and marks (each is referred to as a "**Cosi Restaurant**").*

*Franchisor and Franchisee have executed a Franchise Agreement ("**Franchise Agreement**") granting Franchisee the right to operate a Cosi Restaurant (the "**Franchised Restaurant**") under the terms and conditions of the Franchise Agreement.*

In connection with starting or continuing your employment with Franchisee, you will be will be trained by us and you will learn of Franchisor's confidential information and know-how concerning the methods of operation of a Cosi Restaurant and the System.

Now, therefore, it is agreed that as a consideration of starting or continuing your employment, as a condition to your employment and the compensation that we have paid to you (and/or will pay to you after today), you acknowledge and agree that you will comply with all of the following obligations:

1. Cosi Confidential Information. You agree that you will not, at any time (whether during or after your time of employment with us), communicate or divulge Cosi Confidential Information to any Person, and that you will not use Cosi Confidential Information for your own benefit or for the benefit of any other Person.

2. Definitions. As used in this Agreement, the following terms are agreed to have the following meanings:

a. The term "**Cosi Confidential Information**" means any information, knowledge, or know-how concerning the methods of operation of the Franchised Restaurant and the System that you may learn of or that otherwise becomes known to you during the time of your employment with us (whether or not the Franchisor or we have specifically designated that information as "confidential"). Cosi Confidential Information may include, among other things, operational, sales, promotional, marketing, and administrative methods, procedures, and techniques. However, Cosi Confidential Information does not include information that you can show came to your attention before it was disclosed to you by us or Franchisor; and Cosi Confidential Information also does not include information that, at or after the time when we disclosed it to you, is a part of the public domain through no act on your part or through publication or communication by other Persons who are lawfully entitled to publish or communicate that information.

b. The term "**Person**" means any person, persons, partnership, entity, association, or corporation (other than the Company or Franchisor).

c. The term "**Post-Term Period**" means a continuous uninterrupted period of (check as applicable) ☐ one (1) year if you are a manager or perform managerial responsibilities, or ☐ six (6) months if you are a non-managerial employee from the date of: (a) termination of your employment with us for any reason; and/or (b) a final order of a court of competent jurisdiction enforcing of this Agreement.

3. <u>Covenants Not to Compete</u>.

a. You understand and acknowledge that, due to your employment with us, you will receive valuable specialized training and access to Cosi Confidential Information.

b. You covenant and agree that, during the term of your employment, unless Franchisor gives you its prior written approval, you shall not, either directly or indirectly, for yourself, or through, on behalf of, or in conjunction with any Person:

i. Divert or attempt to divert any current or potential business account or customer of the Franchised Restaurant (or of any Cosi Restaurant) to any Person, whether by direct or indirect suggestion, referral, inducement, or otherwise;

ii. Do or perform, directly or indirectly, any act that might injure or be harmful to the goodwill associated with Franchisor and the System; and/or

iii. Directly or indirectly, for yourself or on behalf of, or in conjunction with any Person, own, maintain, operate, engage in, or have any interest in any business that is the same as or similar to the Franchised Restaurant.

c. You covenant and agree that, during the term Post-Term Period, unless Franchisor gives you its prior written approval, you shall not, either directly or indirectly, for yourself, or through, on behalf of, or in conjunction with any Person, own, maintain, operate, engage in, or have any interest in any business that is the same as or similar to the Franchised Restaurant, if that business is located (or if it is intended to be located) within a radius of seven hundred fifty (750) feet of any other Cosi Restaurant located in an urban area, or within a radius of one (1) mile of any other Cosi Restaurant located in an suburban area at that time.

4. Legal and Equitable Remedies. You understand, acknowledge, and agree that if you do not comply with the requirements of this Agreement, you will cause irreparable injury to Franchisor, and that:

a. We will have the right to enforce this Agreement and any of its provisions by going to a court and obtaining an injunction, specific performance, or other equitable relief, without prejudice to any other rights and remedies that we may have for breach of this Agreement;

b. You will not raise wrongful termination or other defenses to the enforcement of this Agreement (although you will have the right to raise those issues in a separate legal action); and

c. You must reimburse Franchisor for any court costs and reasonable attorneys' fees that Franchisor incurs as a result of your violation of this Agreement and having to go to court to seek enforcement.

5. Severability. Each of the provisions of this Agreement may be considered severable from the others. If a court should find that we or Franchisor may not enforce a clause in this Agreement as written, but the court would allow us or Franchisor to enforce that clause in a way that is less burdensome to you, then you agree that you will comply with the court's less-restrictive interpretation of that clause.

6. Delay. No delay or failure by us or Franchisor to exercise any right under this Agreement, and no partial or single exercise of that right, shall constitute a waiver of that right or any other right set out in this Agreement. No waiver of any violation of any terms and provisions of this Agreement shall be construed as a waiver of any succeeding violation of the same or any other provision of this Agreement.

7. Third-Party Beneficiary. You acknowledge and agree that Franchisor is an intended third-party beneficiary of this Agreement, with the right to enforce it, independently or jointly with us.

IN WITNESS WHEREOF, Employee has read and understands the terms of this Agreement, and voluntarily signed this Agreement on the date first above written.

EMPLOYEE

Signature:____________________________

Printed Name:_________________________

COSI FRANCHISE HOLDINGS LLC
FRANCHISE AGREEMENT
EXHIBIT G
SITE SELECTION ADDENDUM

Cosi Franchise Holdings LLC ("**Franchisor**") and ________________________________ ("**Franchisee**") have this ____ day of _____________, 20____ (the "**Effective Date**") entered into a Cosi Franchise Holdings LLC Franchise Agreement ("**Franchise Agreement**") and desire to supplement its terms as set out below in this Site Selection Addendum (the "**Addendum**"). The parties hereto agree as follows:

AGREEMENT

1. *Search Period and Area, Default and Termination*.

1.1 Within one hundred fifty days (150) days after the Effective Date (the "**Search Period**"), Franchisee shall acquire or lease/sublease, at Franchisee's expense, commercial real estate that is properly zoned for the use of the business to be conducted by Franchisee under the Franchise Agreement (a "**Franchised Restaurant**") at a site accepted by Franchisor as hereinafter provided. Such location shall be within the following area: __________
____ (the "**Search Area**"). The Site Selection Area is described solely for the purpose of selecting a site for the Franchised Restaurant. Franchisor shall not enter into franchise agreements for Cosi Restaurants with other parties in the Search Area until the earlier to occur of the following: (i) the Search Period expires; or (ii) Franchisor issues a no-objection letter for a site for a Franchised Restaurant with Franchisee within the Search Area. The Search Area is not, and will not be, the Territory (as defined in the Franchise Agreement) that will be granted to Franchisee under the Franchise Agreement. Once Franchisor has issued a no-objection letter for a site for the Franchised Restaurant, Franchisor, in its sole right, will determine the portion of the geographic area that will constitute the Territory under the Franchise Agreement.

1.2 Failure by Franchisee to acquire or lease a site for the Franchised Business within the Search Period shall constitute a default under Section 16.2.1 of the Franchise Agreement and under this Addendum, and Franchisor, in its sole discretion, may terminate the Franchise Agreement and this Addendum pursuant to the terms of Section 16.2.1 of the Franchise Agreement.

2. *Franchisor's Assistance*. Franchisor shall furnish to Franchisee the following:

2.1 Site selection guidelines, including Franchisor's minimum standards for a location for the Franchised Restaurant, and such site selection counseling and assistance as Franchisor may deem advisable.

2.2 Such on-site evaluations as Franchisor may deem advisable in response to Franchisee's requests for site review; provided, however, that Franchisor shall not provide on-site evaluation for any proposed site prior to Franchisee's submission to Franchisor of a completed site review package (a "**SRP**") for such site that Franchisee prepared pursuant to Section 3 below.

3. *Identifying and Securing a Site*. Franchisee shall be solely responsible for identifying, submitting for Franchisor's review, and securing a specific site within the Search Area for a Franchised Restaurant, as provided below.

3.1 Within sixty (60) days after the execution of the Franchise Agreement and this Addendum, Franchisee shall submit to Franchisor, in a form specified by Franchisor, a completed SRP, which shall include a site approval form prescribed by Franchisor, an option contract, letter of intent, or other evidence satisfactory to Franchisor which describes Franchisee's favorable prospects for obtaining such site, photographs of the site, demographic statistics, and such other information or materials as Franchisor may reasonably require. Franchisor shall have twenty (20) business days after receipt of the SRP from Franchisee to issue a no-objection letter or to disapprove, in its sole discretion, the proposed site for the Franchised Restaurant. In the event Franchisor does not issue a no-objection letter for a proposed site by written notice to Franchisee within said twenty (20) business days, such site shall be deemed disapproved by Franchisor.

3.2 Following Franchisor's delivery of a no-objection letter for a proposed site, Franchisee shall use its best efforts to secure such site, either through a lease/sublease that is acceptable to Franchisor, as provided in Section 4 of this Addendum, or a binding purchase agreement, and shall do so within seventy (75) days of receipt of Franchisor's no-objection letter for the site. Franchisee shall immediately notify Franchisor of the execution of the accepted lease or binding purchase agreement.

4. *Lease Terms*. If Franchisee will occupy the premises from which the Franchised Restaurant shall be conducted under a lease or sublease, Franchisee shall, prior to the execution thereof, submit such lease to Franchisor for its written approval; provided, however, if pre-submission to Franchisor is not possible, then Franchisee may sign the lease only on the condition, agreed to in writing by the lessor, that the lease shall become null and void if Franchisor does not approve such lease. Franchisor's approval of the lease or sublease may be conditioned upon the inclusion of such provisions as Franchisor may reasonably require, including, without limitation, the terms and conditions set forth by Franchisor in the Manuals or otherwise in writing from time to time, a current list of which is included in Attachment 1 of this Addendum.

5. *The Accepted Location*. Provided that Franchisor delivers a no-objection letter for a site within the Search Area for the Franchised Restaurant and the site is leased or acquired by Franchisee pursuant to Sections 3 and 4 above, then the site reviewed and secured pursuant to this Addendum shall be specified as the "Accepted Location" in Exhibit A of the Franchise Agreement. Franchisee shall comply with all requirements set forth in the Franchise Agreement relating to preparation of the site to operate the Franchised Restaurant as a Cosi Restaurant.

6. *No Assurances, Representation or Warranty*. Franchisee hereby acknowledges and agrees that Franchisor's no objection letter for a site does not constitute an assurance,

representation or warranty of any kind, express or implied, as to the suitability of the site for the Franchised Restaurant or for any other purpose. Franchisor's no objection letter for a site indicates only that Franchisor believes the site complies with acceptable minimum criteria established by Franchisor solely for its purposes as of the time of the evaluation. Both Franchisee and Franchisor acknowledge that application of criteria that have been effective with respect to other sites and premises may not be predictive of potential for all sites and that, subsequent to Franchisor's no objection letter for a site, demographic and/or economic factors, such as competition from other similar businesses, included in or excluded from criteria used by Franchisor could change, thereby altering the potential of a site. Such factors are unpredictable and are beyond the control of Franchisor. Franchisor shall not be responsible for the failure of a site to meet Franchisee's expectations as to revenue or operational criteria. Franchisee further acknowledges and agrees that its acceptance of a franchise for the operation of the Franchised Restaurant at the site is based on its own independent investigation of the suitability of the site. Franchisee acknowledges and agrees that Franchisor shall have no responsibility for, or liability to Franchisee for, any site review, analysis, evaluation, or recommended undertaken by or on behalf of any real estate broker or advisor used or retained by Franchisee, even if such broker or advisor is approved or recommended by Franchisor.

IN WITNESS WHEREOF, each party hereto has caused its duly authorized representative to duly execute and deliver this Addendum on the date first above written.

COSI FRANCHISE HOLDINGS LLC Franchisor	______________________________ Franchisee
By:__________________________	By:__________________________
Name:________________________	Name:________________________
Title:_________________________	Title:_________________________

COSI FRANCHISE HOLDINGS LLC
SITE SELECTION ADDENDUM (EXHIBIT G)
ATTACHMENT 1
LEASE TERMS

In accordance with Section 4 of this Site Selection Addendum, Franchisee's lease or sublease for the premises of the Franchised Restaurant shall contain terms acceptable to Franchisor, which may include (but are not limited to) the following:

1. The initial term of the lease, or initial term together with renewal terms, will be for not less than ten (10) years.

2. A provision stating that the lessor consents to Franchisee's use and to display of the Proprietary Marks and signage as Franchisor may prescribe from time to time for the Franchised Restaurant, subject only to the provisions of applicable law.

3. A provision that Franchisee shall have the right to alter, renovate, add, remodel, modify, and/or change the Premises and/or other improvements upon the Premises as Franchisee may deem desirable, provided that if any such alterations, renovations, additions, modifications, remodeling and/or changes to the Premises and/or improvements upon the Premises affect the exterior, structural elements or foundation of the Premises, Franchise shall first obtain the consent of the lessor, which consent shall not be unreasonably withheld, conditioned or delayed.

4. A provision that the Premises be used solely for the operation of a Franchised Restaurant, which is currently: a counter service restaurant/café/coffee bar offering for sale various types of food, beverages and related products for both on and off premises consumption, such products may include without limitation the following: coffee, tea, espresso, other coffee and tea based drinks, coffee based drinks including alcohol, salads, pizza, pasta, grilled entree items, sandwiches, soups, Cosi® melts, Cosi® Squagels and other breakfast items, S'mores and other snacks and desserts, beverages (which may include the sale of alcoholic beverages, provided that alcoholic beverages will be for on-premises consumption only) and promotional items such as shirts, hats and other items displaying the "COSI®" logo, all as may be permitted under the relevant franchise agreement signed for the Restaurant. Additionally, the lessor consents to the Franchisee's use of (i) a gas or electric oven, and (ii) café style windows on the premises, if applicable.

5. A provision that requires the lessor to concurrently provide Franchisor with a copy of any written notice of deficiency under the lease sent to Franchisee, and that the lessor will provide Franchisor with written notice specifying deficiencies that Franchisee did not cure.

6. A provision that grants to Franchisor, in its sole discretion, the right (but not obligation) to cure any deficiency under the lease within thirty (30) business days after the expiration of the period in which Franchisee had to cure any such default should Franchisee fail to do so.

7. A provision acknowledging that, in the event the Franchise Agreement expires or is terminated: (a) Franchisee is obligated under the Franchise Agreement to take certain steps to de-

identify the location as a Cosi Restaurant operated by Franchisee; and (b) the lessor will cooperate fully with Franchisor in enforcing such provisions of the Franchise Agreement against the Franchisee, including allowing Franchisor, its employees and agents to enter and remove signs, decor and materials bearing or displaying any Proprietary Marks, designs, or logos of Franchisor, provided that the lessor shall not be required to bear any expense thereof.

8. A provision that expressly states that any default under the lease shall constitute a default under the Franchise Agreement, and that the termination of the Franchise Agreement shall constitute a default under the lease.

9. A provision reserving to Franchisor the right, at Franchisor's election, to receive an assignment of the leasehold interest upon termination or expiration of the franchise grant.

10. A provision that expressly requires that, if required by Franchisor, the lessor of the premises will provide Franchisor all sales and other information lessor may have related to the operation of the Franchised Restaurant.

11. Franchisee is restricted from accepting any requirement under the lease that seeks to impose any restrictions (territorial or otherwise) on the development or operation of other Cosi Restaurants by Franchisee, Franchisor, or any other person or entity.

12. A provision that the lessor agrees that Franchisee may not assign the lease or sublease all or any part of its occupancy rights thereunder without Franchisor's prior written consent.

13. A provision that the lessor's consent to an assignment of the lease or subletting of the Premises will not be required in connection with an assignment or subletting Franchisor, or any parent, subsidiary or affiliated corporation of Franchisor or Franchisee, or another operator that has been approved by Franchisor to be the franchisee for the Restaurant.

14. A provision that prohibits the lessor from selling or leasing, or allowing the sublease of, space in the building, or on the property, to any person or entity for a retail food business that will consist predominantly of salads, sandwiches, or coffee offered in a fast-casual environment. Additionally, the lessor shall not sell and shall prohibit any other tenant or subtenant in the building, or on the property, from engaging in activities predominantly related to the sale of sandwiches and salads. In the event lessor does not comply with these restrictions, Franchisee will have the right to seek an injunction prohibiting the occupancy by the new competing business or against the existing tenant, as the case may be.

Exhibit B

Cosi Franchise Holdings LLC Area Development Agreement

COSI FRANCHISE HOLDINGS LLC

AREA DEVELOPMENT AGREEMENT

____
Area Developer Name

____
Development Area

____
Date

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AREA DEVELOPMENT AGREEMENT

THIS AREA DEVELOPMENT AGREEMENT (this "**Agreement**") is made and entered into as of the _______day of _____________, 20___ (the "**Effective Date**"), by and between:

- Cosi Franchise Holdings LLC, a Delaware limited liability company whose principal place of business is 294 Washington Street, Suite 510, Boston, Massachusetts 02108 ("**Franchisor**"); and

- ____a [resident of] [corporation organized in] [limited liability company organized in] *[select one]*, having offices at ____
____
____ ("**Area Developer**").

BACKGROUND

A. Franchisor owns a format and system (the "**System**") relating to the establishment and operation of fast casual restaurants, which operate at retail locations that display Franchisor's interior and exterior trade dress and feature and operate under the Proprietary Marks (as defined below) (each a "**Cosi Restaurant**"). Cosi Restaurants offer menus specializing in Franchisor's signature flatbread, made-to-order sandwiches, fresh soups, freshly-tossed salads, Cosi® melts, bagel, Cosi® Squagels, flatbread pizzas, bowls, breakfast wraps, Cosi® quiche, oatmeal, breakfast parfaits and other breakfast items, S'mores, and other snacks and desserts, gourmet coffee and handcrafted beverages, and other food and beverage items using Franchisor's proprietary recipes, formulae and techniques, as well as other non-proprietary food, beverages, and other compatible items designated by Franchisor from time to time (collectively, "**Products**").

B. The distinguishing characteristics of the System include distinctive exterior and interior design, decor, color schemes, fixtures, and furnishings; recipes, standards and specifications for products, equipment, materials, and supplies; uniform standards, specifications, and procedures for operations; purchasing and sourcing procedures; procedures for inventory and management control; training and assistance; and marketing and promotional programs; all of which may be changed, improved, and further developed by Franchisor from time to time.

C. The System is identified by means of certain trade names, service marks, trademarks, logos, emblems, and indicia of origin as are now designated and may hereafter be designated by Franchisor in writing for use in connection with the System, including the mark "Cosi" and other marks (the "**Proprietary Marks**").

D. Area Developer desires to obtain certain development rights to open and operate Cosi Restaurants under the System and the Proprietary Marks, as well as to receive other assistance provided by Franchisor in connection therewith.

NOW THEREFORE, the parties agree as follows:

1. GRANT

1.1 *Grant and Acceptance*. Franchisor grants development rights to Area Developer, and Area Developer undertakes the obligation, pursuant to the terms and conditions of this Agreement, to develop no less than the number of Cosi Restaurants (the "**Franchised Restaurants**") as set forth in Exhibit A to this Agreement. In this regard, the parties further agree that:

1.1.1 Each Franchised Restaurant developed hereunder shall be operated pursuant to a separate Cosi Franchise Holdings LLC Franchise Agreement (a "**Franchise Agreement**") that shall be executed as provided in Section 3.4 below.

1.1.2 For each Franchised Restaurant to be developed under this Agreement, Area Developer shall execute the Franchise Agreement for such Franchised Restaurant in accordance with the deadlines set forth in the development schedule specified in Paragraph 1 of Exhibit A to this Agreement (the "**Development Schedule**").

1.1.3 Each Franchised Restaurant developed hereunder shall be at a specific location, which shall be designated in the Franchise Agreement, that is within in the area described in Paragraph 2 of Exhibit A to this Agreement (the "**Development Area**").

1.2 *Development Area*. Except as otherwise set forth herein (including, without limitation, the rights retained by Franchisor as described in Section 1.3), during the term of this Agreement, and so long as Area Developer is in compliance with its obligations under this Agreement and all of the Franchise Agreements between Area Developer (including any affiliate of Area Developer), Franchisor shall not establish or operate, or license anyone other than Area Developer to establish or operate, a Cosi Restaurant under the Proprietary Marks and System at any location that is within the Development Area.

1.3 *Franchisor's Reserved Rights*. Notwithstanding anything to the contrary, Franchisor retains the exclusive rights, among others, on any terms and conditions Franchisor deems advisable, and without granting Area Developer any rights therein:

1.3.1 To own, acquire, establish, and/or operate and license others to establish and operate, Cosi Restaurants under the System at any location outside the Development Area notwithstanding their proximity to the Development Area or their actual or threatened impact on sales or development of any of the Franchised Restaurants;

1.3.2 To own, acquire, establish and/or operate and license others to establish and operate, non-restaurant businesses under the Proprietary Marks, at any location within or outside the Development Area.

1.3.3 To own, acquire, establish and/or operate, and license others to establish and operate, businesses under proprietary marks other than the Proprietary Marks, whether such businesses are similar to or different from Cosi Restaurants, at any location within or outside the

Development Area notwithstanding their proximity to the Development Area or their actual or threatened impact on sales or development of any of the Franchised Restaurants;

1.3.4 To own, acquire, establish, and/or operate, and license others to establish and operate, Cosi Restaurants under the Proprietary Marks at Institutional Accounts (as defined below) at any location within or outside the Development Area. As used in this Agreement, "**Institutional Accounts**" shall mean outlets that serve primarily the customers located within the facility, such as captive audience facilities (examples include, but are not limited to, parks charging admission, stadiums, amusement parks and centers, theaters, and art centers), limited purpose facilities (examples include, but are not limited to, airports, transportation centers, department stores, in-door shopping centers, business and industrial complexes, museums, educational facilities, hospitals, art centers, and recreational parks), limited access facilities (examples include, but are not limited to, military complexes, buyer club businesses, educational facilities, business and industrial complexes), and other types of institutional accounts.

1.3.5 To sell and to distribute, directly or indirectly, or to license others to sell and to distribute, directly or indirectly, any products (including the Products) through grocery or convenience stores or through outlets that are primarily retail in nature, or through mail order, toll free numbers, or the Internet, including those products bearing Franchisor's Proprietary Marks, provided that distribution within the Development Area shall not be from a Cosi Restaurant established under the System that is operated from within the Development Area (except from a Cosi Restaurant at an Institutional Account);

1.3.6 To (i) acquire one or more retail businesses that are the same as, or similar to, Cosi Restaurants then operating under the System (each an "**Acquired Business**"), which may be at any location within or outside the Development Area notwithstanding their proximity to the Development Area or their actual or threatened impact on sales or development of any of the Franchised Restaurants, and to (ii) operate and/or license others to operate any Acquired Business under its existing name or as a Cosi Restaurant under the System, subject to the following conditions that apply to each Acquired Business located within the Development Area:

1.3.6.1 Except as provided in Section 1.3.6.2 below, and provided that Area Developer is in compliance with this Agreement and any other agreement with Franchisor, Franchisor shall offer to Area Developer the option to purchase and operate, as a Cosi Restaurant, an Acquired Business that is purchased by Franchisor for operation by Franchisor or its affiliates. In such event, Franchisor shall provide Area Developer with written notice of Franchisor's purchase of the Acquired Business(es), the terms and conditions applicable to the Area Developer's option to purchase such Acquired Business(es), and such other information that Franchisor deems necessary to include in the notice. The terms and conditions offered to Area Developer shall include, without limitation, the following: (a) the purchase price will be based on Franchisor's purchase price for such Acquired Business, and if the Acquired Business was part of an Acquired System (as defined below in Section 1.3.6.2), then Area Developer's purchase price for such Acquired Business shall be determined using a ratio equal to the sales during the prior year of such Acquired Business as compared to the total sales in such prior year of all Acquired Businesses purchased by Franchisor in the same transaction; and (b) the requirement that Area Developer enter into Franchisor's then-current form of System franchise agreement for the Acquired Business, provided. that Area Developer shall not be required to pay an initial franchise fee for an Acquired Business. If Area Developer does not elect to purchase, or fails to complete the purchase of, an Acquired Business, Franchisor shall have the right to operate itself, or through its affiliates or third party licensees or franchisees, the Acquired Business under any trade name or trademarks, including the Proprietary Marks.

1.3.6.2 If an Acquired Business is part of a system of retail businesses that Franchisor acquires (an "**Acquired System**"), Area Developer shall have no right to purchase, and Franchisor shall not be obligated to offer Area Developer any option to purchase, any Acquired Business that is operated by a licensee or franchisee under the Acquired System. Franchisor may license such unit to be operated under any trade name or trademarks including the Proprietary Marks, and may also license to the licensee or franchisee additional units of the Acquired System that the licensee or franchisee has the right to develop and operate within the Development Area.

1.4 *No Rights to Use the System*. This Agreement is not a Franchise Agreement, and does not grant to Area Developer any right to use the Proprietary Marks or the System or to sell or distribute any Products. Area Developer's rights to use the Proprietary Marks and System will be granted solely under the terms of the Franchise Agreement.

2. TERM

Unless sooner terminated in accordance with the provisions of this Agreement, this Agreement shall commence on the date hereof and shall expire on the last date set forth in the Development Schedule, as shown in Paragraph 1 of Exhibit A (the "**Expiration Date**").

3. DEVELOPMENT OBLIGATIONS

3.1 *Time is of the Essence*. Recognizing that time is of the essence, Area Developer shall comply strictly with the Development Schedule. Area Developer acknowledges and agrees that the Development Schedule requires that Area Developer have developed and have in operation (under a separate Franchise Agreement for each Franchised Restaurant) a cumulative number of Franchised Restaurants by the end of the time periods specified in Exhibit A.

3.2 *Identifying and Securing Sites*. Area Developer shall be solely responsible for identifying, submitting for Franchisor's review, and securing specific sites for each Franchised Restaurant. The following terms and conditions shall apply to each Franchised Restaurant to be developed hereunder:

3.2.1 Area Developer shall submit to Franchisor, in a form specified by Franchisor, a completed site review package, which shall include a site review form prescribed by Franchisor, an option contract, letter of intent, or other evidence satisfactory to Franchisor which describes Area Developer's favorable prospects for obtaining such site, photographs of the site, demographic statistics, and such other information or materials as Franchisor may reasonably require (collectively, the "**SRP**"). Franchisor shall have twenty (20) business days after receipt of the SRP from Area Developer to issue a no objection letter for, or disapprove, in its sole discretion, the proposed site for the Franchised Restaurant. In the event Franchisor does not issue a no objection letter for a proposed site by written notice to Area Developer within said twenty (20) business days, such site shall be deemed disapproved by Franchisor. No site shall be deemed accepted unless Franchisor has issued a no objection letter for the site

3.2.2 Following Franchisor's issuance of a no objection letter for a proposed site, Area Developer shall use its best efforts to secure such site, either through a lease/sublease that is acceptable to Franchisor, as provided in Section 3.3 below, or a binding purchase agreement, and shall do so within forty (40) business days of Franchisor's issuance of a no objection letter for the site by Franchisor. Area Developer shall immediately notify Franchisor of the execution of the accepted lease or binding purchase agreement. The site reviewed and secured pursuant to this Agreement shall be specified as the "Accepted Location" under the Franchise Agreement executed pursuant to Section 3.4 below.

3.2.3 Area Developer hereby acknowledges and agrees that Franchisor's no objection letter for a site does not constitute an assurance, representation, or warranty of any kind, express or implied, as to the suitability of the site for the Franchised Restaurant or for any other purpose. Franchisor's no objection letter for the site indicates only that Franchisor believes the site complies with acceptable minimum criteria established by Franchisor solely for its purposes as of the time of the evaluation. Both Area Developer and Franchisor acknowledge that application of criteria that have been effective with respect to other sites and premises may not be predictive of potential for all sites and that, subsequent to review and issuance of a no objection letter by Franchisor for a site, demographic and/or economic factors, such as competition from other similar businesses, included in or excluded from criteria used by Franchisor could change, thereby altering the potential of a site. Such factors are unpredictable and are beyond the control of Franchisor. Franchisor shall not be responsible for the failure of a site for which Franchisor issued a no objection letter to meet Area Developer's expectations as to revenue or operational criteria.

3.3 *Lease Terms*. For each Franchised Restaurant to be developed hereunder, if Area Developer will occupy the premises from which the Franchised Restaurant will be operated under a lease or sublease, Area Developer shall, prior to execution of such lease, submit the lease to Franchisor for its review and approval; provided, however, if pre-submission to Franchisor is not possible, then Area Developer may sign the lease only on the condition, agreed to in writing by the lessor, that the lease shall become null and void if Franchisor does not approve such lease. Franchisor's approval of the lease or sublease may be conditioned upon the inclusion of such provisions as Franchisor may reasonably require, including, without limitation, the terms and conditions set forth by Franchisor in the Manuals or otherwise in writing from time to time, a current list of which is included in Exhibit E to this Agreement.

3.4 *Franchise Agreements*. With respect to the Franchise Agreements to be executed for the Franchised Restaurants to be developed pursuant to this Agreement, the following terms and conditions shall apply:

3.4.1 The Franchise Agreement for the first Franchised Restaurant to be developed under this Agreement shall be the form of Franchise Agreement attached hereto in Exhibit C.

3.4.2 The Franchise Agreement for each subsequent Franchised Restaurant to be developed under this Agreement shall be Franchisor's then-current form of Franchise Agreement, the terms of which may differ from the terms of the Franchise Agreement attached hereto including, without limitation, a higher and/or additional fees; provided, however, so long as Area Developer is in compliance with this Agreement, the initial franchise fee shall be as set forth in Section 4.3 below, and if the royalty fee rate is higher for the then-current form of franchise agreement, the royalty fee rate under the Franchise Agreement that Area Developer executes shall be the same as the royalty fee rate set forth in the form of Franchise Agreement attached hereto in Exhibit C.

3.4.3 Franchisor shall permit one or more Franchise Agreements to be executed by entities other than Area Developer; provided that (a) each such franchisee entity is controlled by, or under common control with, Area Developer, and (b) the Area Developer and all Principals (as defined in Section 9.1 below) of Area Developer requested by Franchisor execute guarantees, guarantying to Franchisor the timely payment and performance of the franchisee's obligations under the Franchise Agreement.

3.4.4 Provided that Area Developer is in compliance with this Agreement, after Area Developer locates and secures a site pursuant to Sections 3.2 and 3.3 above, Area Developer (or an affiliate of Area Developer pursuant to Section 3.4.3 above) shall execute the Franchise Agreement for such Franchised Restaurant, as provided in this Section 3.4. Area Developer shall thereafter comply with all pre-opening and opening requirements set forth in the Franchise Agreement relating to the Franchised Restaurant.

3.5 *Force Majeure Events*. Area Developer shall not be responsible for non-performance or delay in performance occasioned by a "**force majeure**," which means an act of God, war, civil disturbance, act of terrorism, government action, fire, flood, accident, hurricane, earthquake, or other calamity, strike or other labor dispute, or any other cause beyond the reasonable control of Area Developer; provided, however, force majeure shall not include Area Developer's lack of adequate financing. If any delay occurs, any applicable time period hereunder shall be automatically extended for a period equal to the time lost; provided, however, that Area Developer shall make reasonable efforts to correct the reason for such delay and give Franchisor prompt written notice of any such delay.

4. DEVELOPMENT FEE, INITIAL FRANCHISE FEES, AND ROYALTIES

4.1 *Area Development Fee*. In consideration of the development rights granted herein, upon execution of this Agreement, Area Developer shall pay an area development fee ("**Area Development Fee**") that is equal to the Franchise Fee (as defined 4.3) for the first Franchised Restaurant and Seventeen Thousand Five Hundred Dollars ($17,500) for each additional Franchised Restaurant that Area Developer must develop in order to comply with the Development Schedule, the aggregate amount of which is specified in Paragraph 3 of Exhibit A to this Agreement. Receipt of the Area Development Fee is hereby acknowledged. The Area Developer acknowledges and agrees that the Area Development Fee is fully earned and nonrefundable in consideration of administrative and other expenses incurred by Franchisor and for the development opportunities lost or deferred as a result of the rights granted herein to Area

Developer, even if Area Developer does not enter into any Franchise Agreements pursuant to this Agreement.

4.2 *Credit Towards Franchise Fee*. If Area Developer is in compliance with its obligations under this Agreement and any other agreement with Franchisor, then upon execution of each Franchise Agreement, Franchisor will credit towards the Franchise Fee (which amounts are set forth in Section 4.3 below) for said Franchise Agreement, the portion of the Area Development Fee that was attributable to such Franchised Restaurant. In no circumstances will Franchisor grant credits in excess of the total Area Development Fee paid by Area Developer.

4.3 *Franchise Fees*. Notwithstanding anything to the contrary in any of the Franchise Agreements, the initial franchise fee (the "**Franchise Fee**") that shall be paid by Area Developer for each Franchised Restaurant to be developed pursuant to the Development Schedule shall be the following amounts, which shall be paid in full upon execution of each such Franchise Agreement, less any credit that may be applied pursuant to Section 4.2 above:

First Franchised Restaurant	$40,000
Second and each subsequent Restaurant	$35,000

5. DUTIES OF THE PARTIES

5.1 *Franchisor's Assistance*. Franchisor shall furnish to Area Developer the following:

5.1.1 Site selection guidelines, including Franchisor's minimum standards for Cosi Restaurant sites and sources regarding demographic information, and such site selection counseling and assistance as Franchisor may deem advisable.

5.1.2 Such on-site evaluation as Franchisor deems advisable in response to Area Developer's request for site review for each Franchised Restaurant; provided, however, that Franchisor shall not provide on-site evaluation for any proposed site prior to the receipt of a SRP for such site prepared by Area Developer pursuant to Section 3.2.

5.2 *Designated Principal*. If Area Developer is other than an individual, Area Developer shall designate, subject to Franchisor's reasonable approval, one Principal (as defined in Section 9.1) who is both an individual person and owns at least ten percent (10%) of Area Developer, and who shall be responsible for general oversight and management of the development of the Franchised Restaurants under this Agreement and the operations of all such Franchised Restaurants open and in operation on behalf of Area Developer (the "**Designated Principal**"). Area Developer acknowledges and agrees that Franchisor shall have the right to rely upon the Designated Principal to have been given, by Area Developer, the responsibility and decision-making authority regarding the Area Developer's business and operation. In the event the person designated as the Designated Principal, becomes incapacitated, leaves the employ of Area Developer, transfers his/her interest in Area Developer, or otherwise ceases to supervise the development of the Franchised Restaurants, Area Developer shall promptly designate a new Designated Principal, subject to Franchisor's reasonable approval.

5.3 *Records and Reports to Franchisor*. Area Developer shall, at Area Developer's expense, comply with the following requirements to prepare, and submit to Franchisor the following reports, financial statements, and other data, which shall be prepared in the form and using the standard statements and chart of accounts as Franchisor may prescribe from time to time:

5.3.1 No later than the twenty first (21st) day following the end of each quarter year (with the quarter periods concluding at the end of March, June, September and December), Area Developer shall have prepared a profit and loss statement reflecting all of Area Developer's operations during the preceding quarter period. Area Developer shall prepare profit and loss statements on an accrual basis and in accordance with generally accepted accounting principles. Area Developer shall submit such statements to Franchisor at such times as Franchisor may designate or as Franchisor may otherwise request.

5.3.2 No later than ninety (90) days following the end of Area Developer's fiscal year, a complete annual financial statement (prepared according to generally accepted accounting principles), on a compilation basis, and if required by Franchisor, such statements shall be prepared by an independent certified public accountant.

5.3.3 Such other forms, reports, records, information, and data as Franchisor may reasonably designate.

5.4 *Maintaining Records*. Area Developer shall maintain during the term of this Agreement, and shall preserve for at least seven (7) years from the dates of their preparation, and shall make available to Franchisor at Franchisor's request and at Area Developer's expense, full, complete, and accurate books, records, and accounts in accordance with generally accepted accounting principles.

5.5 *Area Developer to Provide Training*. Area Developer agrees that, notwithstanding anything to the contrary in any Franchise Agreement, Area Developer shall be responsible for conducting the initial training of all required trainees (including, without limitation, the owners and management personnel) for the third (3rd) and any subsequent Franchised Restaurants developed under this Agreement, in accordance with the requirements and conditions as Franchisor may from time to time establish for the initial training. By no later than the time Area Developer is seeking Franchisor's approval to develop the third (3rd) Franchised Restaurant under this Agreement, Area Developer shall have completed to Franchisor's satisfaction all requirements and conditions necessary to obtain Franchisor's approval for Area Developer to conduct such training.

6. DEFAULT AND TERMINATION

6.1 *Automatic Termination*. Area Developer shall be deemed to be in default under this Agreement, and all rights granted herein shall automatically terminate without notice to Area Developer, if Area Developer becomes insolvent or makes a general assignment for the benefit of creditors; if a petition in bankruptcy is filed by Area Developer or such a petition is filed against and not opposed by Area Developer; if Area Developer is adjudicated bankrupt or insolvent; if a bill in equity or other proceeding for the appointment of a receiver of Area

Developer or other custodian for Area Developer's business or assets is filed and consented to by Area Developer; if a receiver or other custodian (permanent or temporary) of Area Developer's assets or property, or any part thereof, is appointed by any court of competent jurisdiction; if proceedings for a composition with creditors under any state or federal law should be instituted by or against Area Developer; if final judgment remains unsatisfied or of record for thirty (30) days or longer (unless supersedeas bond is filed); if Area Developer is dissolved; if execution is levied against any asset of Area Developer or Area Developer's Franchised Restaurants; if suit to foreclose any lien or mortgage against any asset of Area Developer or Area Developer's Franchised Restaurants is instituted against Area Developer and not dismissed within sixty (60) days; or if any asset of Area Developer's or any Franchised Restaurant of Area Developer's shall be sold after levy thereupon by any sheriff, marshal, or constable.

6.2 *Termination Upon Notice*. Area Developer shall be deemed to be in default and Franchisor may, at its option, terminate this Agreement and all rights granted hereunder or take any of the actions described in Section 6.5 below, without affording Area Developer any opportunity to cure the default, effective immediately upon the provision of notice to Area Developer (in the manner provided under Section 10 hereof), upon the occurrence of any of the following events of default:

6.2.1 If the Franchise Agreement for any Franchised Restaurant operated by Area Developer (or an entity affiliated with Area Developer) is terminated.

6.2.2 If Area Developer (or an officer or director of, or a shareholder in, Area Developer (or an entity affiliated with Area Developer) if Area Developer is a corporation, or a general or limited partner of Area Developer, if Area Developer is a partnership) is convicted of a felony, a crime involving moral turpitude, or any other crime or action that Franchisor believes is reasonably likely to have an adverse effect on the System, the Proprietary Marks, the goodwill associated therewith, or Franchisor's interest therein.

6.2.3 If Area Developer or any Principal purports to transfer any rights or obligations under this Agreement or any the assets of Area Developer in a manner that is contrary to the terms of Section 7 of this Agreement.

6.3 *Notice and Opportunity to Cure – For a Missed Deadline*. Failure by Area Developer to meet a deadline under the Development Schedule (a "**Missed Deadline**") shall constitute a default under this Agreement. Franchisor shall, for one (1) Missed Deadline, provide Area Developer with a reasonable opportunity to cure such default by Franchisor, which shall not be required to be longer than sixty (60) days, notifying Area Developer in writing of a new date for the Missed Deadline (without change to any other deadline in the Development Schedule). If Area Developer fails to come into compliance with the Development Schedule by such new deadline, and/or upon the occurrence of another Missed Deadline, Franchisor, in its discretion, may terminate this Agreement and all rights granted hereunder without affording Area Developer any further opportunity to cure the default, effective immediately upon the delivery of written notice to Area Developer (in the manner set forth in Section 10 of this Agreement); or Franchisor, in its discretion, may elect, in lieu of terminating this Agreement, to take any of the actions described in Section 6.5 below.

6.4 *Notice and Opportunity to Cure Other Defaults*. Except as otherwise provided in Sections 6.1, 6.2 , and 6.3 above, if Area Developer fails to comply with any material term and condition of this Agreement, such action shall constitute a default under this Agreement and, upon the occurrence of any such default, Franchisor may terminate this Agreement by giving written notice of termination stating the nature of such default to Area Developer at least thirty (30) days prior to the effective date of termination; provided, however, that Area Developer may avoid termination by curing the default to Franchisor's satisfaction, and by promptly providing proof thereof to Franchisor within the 30-day period. If any such default is not cured within the specified time, or such longer period as applicable law may require, this Agreement and all rights granted hereunder (including, but not limited to, the right to develop new Franchised Restaurants) will terminate without further notice to Area Developer effective immediately upon the expiration of the thirty (30) day period or such longer period as applicable law may require.

6.5 *Franchisor's Other Options Upon Default*. Franchisor, in its discretion, may elect, in lieu of terminating this Agreement, to use other remedial measures for Area Developer's breach of this Agreement, which include, but are not limited to: (i) termination of the credit towards Franchise Fees granted in Section 4.2 hereof; (ii) loss of the limited exclusivity, or reduction in the scope of protections, granted to Area Developer under Section 1.2 herein for the Development Area; (iii) reduction in the scope of the Development Area; (iv) reduction in the number of Franchised Restaurants to be developed by Area Developer; and/or (v) Franchisor's retention of all area development fees paid, or owed, by Area Developer, which fees were fully-earned and non-refundable at the time paid to Franchisor. If Franchisor exercises said right, Franchisor shall not have waived its right to, in the case of future defaults, exercise all other rights, and invoke all other provisions, that are provided in law and/or set out under this Agreement.

6.6 *No Further Rights*. Upon termination or expiration of this Agreement, Area Developer shall have no right to establish or operate any Cosi Restaurant for which a Franchise Agreement has not been executed by Franchisor at the time of termination or expiration. Franchisor's remedies for Area Developer's breach of this Agreement shall include, without limitation, Area Developer's loss of its right to develop additional Franchised Restaurants under this Agreement, and Franchisor's retention of all area development fees paid, or owed, by Area Developer. Upon termination or expiration, Franchisor shall be entitled to establish, and to franchise others to establish, Cosi Restaurants in the Development Area, except as may be otherwise provided under any Franchise Agreement which has been executed between Franchisor and Area Developer or, as permitted under Section 3.4.3 of this Agreement, Area Developer's affiliates.

7. TRANSFER OF INTEREST

7.1 *Franchisor's Rights to Transfer*. Franchisor shall have the right to transfer or assign this Agreement and all or any part of its rights or obligations herein to any person or legal entity, and any designated assignee of Franchisor shall become solely responsible for all obligations of Franchisor under this Agreement from the date of assignment. In addition, and without limitation to the foregoing, Area Developer expressly affirms and agrees that Franchisor may sell its assets, its Proprietary Marks, or its System; may sell its securities in a public offering or in a private placement; may merge, acquire other corporations, or be acquired by another corporation; and may undertake a refinancing, recapitalization, leveraged buy-out, or other economic or financial restructuring.

7.2 *No Transfers Without Franchisor's Approval*. Area Developer understands and acknowledges that Franchisor has granted the rights hereunder in reliance on the business skill, financial capacity, and personal character of Area Developer or the Principals of Area Developer if Area Developer is not an individual. Accordingly, neither Area Developer nor any Principal shall sell, assign, transfer, pledge, or otherwise encumber any direct or indirect interest in the Area Developer (including any direct or indirect interest in a corporate or partnership Area Developer), the rights or obligations of Area Developer under this Agreement, or any material asset of Area Developer's business, without the prior written consent of Franchisor, which shall be subject to Sections 7.3 and 7.4 below and to all of the conditions and requirements for transfers set forth in the Franchise Agreement attached to this Agreement as Exhibit C that Franchisor deems applicable to a proposed transfer under this Agreement.

7.3 *Simultaneous Transfers*. Area Developer understands and acknowledges that any consent to a transfer of this Agreement shall, unless waived, be conditioned on, among other factors, the requirement that the proposed transfer of this Agreement is to be made in conjunction with a simultaneous transfer of all Franchise Agreements executed pursuant to this Agreement to the same approved transferee.

7.4 *Transfer Fee*. At the request of Franchisor, Area Developer shall pay a transfer fee of an amount equal to Ten Thousand Dollars ($10,000) for each Franchised Restaurant that remains to be developed and opened in order to satisfy the Development Schedule. Additionally, for any Franchise Agreements executed pursuant to this Agreement that are transferred, the transfer fee due under such Franchise Agreement(s) shall be paid to Franchisor pursuant to the terms of such Franchise Agreement(s).

7.5 *Transfer to Entity Formed by Area Developer*. Notwithstanding anything to the contrary in this Section 7, if Area Developer is an individual and seeks to transfer this Agreement to a corporation, partnership, or limited liability company formed for the convenience of ownership, the conditions of Sections 7.4 shall not apply, and Area Developer may undertake such transfer, provided that Area Developer owns one hundred percent (100%) of the equity interest in the transferee entity, and the Area Developer personally guarantees, in a written guaranty satisfactory to Franchisor, the performance of the obligations of the Area Developer under this Agreement.

8. COVENANTS

8.1 *Confidential Information*. Area Developer shall at all times preserve in confidence any and all materials and information furnished or disclosed to Area Developer by Franchisor, and shall disclose such information or materials only to such of Area Developer's employees or agents who must have access to it in connection with their employment. Area Developer shall not at any time, during the term of this Agreement or thereafter, without Franchisor's prior written consent, copy, duplicate, record, or otherwise reproduce such materials or information, in whole or in part, nor otherwise make the same available to any unauthorized person.

8.2 *Understandings*. Area Developer specifically acknowledges and agrees that, pursuant to this Agreement: (a) Area Developer will receive valuable specialized training and confidential information, which may include, without limitation, information regarding the selection of sites, operational, sales, advertising, and promotional methods and techniques of Franchisor and the System; (b) the System and the opportunities, associations and experience Franchisor has established and that Area Developer will have access to under this Agreement are of substantial and material value; (c) in developing the System, Franchisor and its affiliates have made and continue to make substantial investments of time, technical and commercial research, and money; (d) Franchisor would be unable to adequately protect the System and its trade secrets and Confidential Information against unauthorized use or disclosure and would be unable to adequately encourage a free exchange of ideas and information among area developer and franchisees in our system if area developer and franchisees were permitted to hold interests in Competitive Businesses (as defined below); and (e) restrictions on Area Developer's right to hold interests in, or perform services for, Competitive Businesses will not unreasonably or unnecessarily hinder Area Developer's activities.

8.3 *During the Term*. Accordingly, Area Developer specifically acknowledges that, pursuant to this Agreement, Area Developer will receive. Area Developer covenants that during the term of this Agreement, except as otherwise approved in writing by Franchisor, Area Developer shall not, either directly or indirectly, for itself, or through, on behalf of, or in conjunction with any person, persons, partnership, or corporation:

8.3.1 Divert or attempt to divert any business or customer of any Cosi Restaurant or of any unit under the System to any competitor, by direct or indirect inducement or otherwise, or do or perform, directly or indirectly, any other act injurious or prejudicial to the goodwill associated with the Proprietary Marks or the System.

8.3.2 Own, maintain, operate, engage in, be employed by, provide any assistance to, or have any more than a one percent (1%) interest in (as owner or otherwise) any Competitive Business (as defined below). A "**Competitive Business**" shall be consider to be retail food businesses with menu offerings consisting predominantly of salads, sandwiches, or coffee offered in a fast casual environment. Furthermore, Area Developer acknowledges and agrees that Area Developer shall be considered in default under this Agreement and that this Agreement will be subject to immediate termination as provided in Section 6.2 herein, in the event that a person in the immediate family (including spouse, domestic partner, parent or child) of Area Developer (or, if Area Developer is other than an individual, each Principal that is subject to these covenants) engages in a Competitive Business that would violate this Section 8.3.2 if such person was subject to the covenants of this Section 8.3.2.

8.4 *After the Agreement and After a Transfer*. Area Developer further covenants that, except as otherwise approved in writing by Franchisor, for a continuous uninterrupted period of two (2) years from the date of (a) a transfer permitted under Section 7 above, or (b) expiration of this Agreement ; (c) termination of this Agreement (regardless of the cause for termination); (d) a final order of a duly authorized arbitrator, panel of arbitrators, or a court of competent jurisdiction (after all appeals have been taken) with respect to any of the foregoing or with respect to enforcement of this Section 8.4; or (e) any or all of the foregoing, Area Developer shall not either directly or indirectly, for itself, or through, on behalf of, or in conjunction with any person, partnership, corporation, or other entity, own, maintain, operate, engage in, or have any interest in any Competitive Business, which is, or is intended to be (i) located within the Development Area (other than those Franchised Restaurants provided for in the Development Schedule), or makes offers and sales into the Development Area; or (ii) located within a radius of seven hundred fifty (750) feet any other Cosi Restaurant located in an urban area, or within a radius of one (1) mile of any other Cosi Restaurant located in an suburban area. Provided, however, that this provision shall not apply to the operation by Area Developer of any business under the System under a franchise agreement with Franchisor. If, at any time during the two-year period described above in this Section 8.4, Developer fails to comply with its obligations under this Section 8.4, that period of noncompliance will not be credited toward Developer's satisfaction of the two-year obligation.

8.5 *Exception for Ownership in Public Entities*. Sections 8.3 and 8.4 hereof shall not apply to ownership by Area Developer of less than a five percent (5%) beneficial interest in the outstanding equity securities of any publicly-held corporation. As used in this Agreement, the term "**publicly-held corporation**" refers to a corporation which has outstanding securities that have been registered under the federal Securities Exchange Act of 1934, as amended.

8.6 *Personal Covenants*. At the request of Franchisor, Area Developer shall obtain and furnish to Franchisor executed covenants similar in substance to those set forth in this Section 8 (including covenants applicable upon the termination of a person's relationship with Area Developer) and the provisions of Sections 6 and 7 of this Agreement (as modified to apply to an individual) from any or all of the following persons: (a) the Designated Principal, (b) all managers and other personnel employed by Area Developer who have received or will receive training and/or other confidential information; (c) all officers, directors, and Principals who have or will receive training or access to confidential information, or who are or may be involved in the operation or development of the Franchised Restaurants. Every covenant required by this Section 8.6 shall be in a form approved by Franchisor, including specific identification of Franchisor as a third-party beneficiary of such covenants with the independent right to enforce them.

8.7 *Covenants as Independent Clauses*. The parties agree that each of the foregoing covenants shall be construed as independent of any other covenant or provision of this Agreement. If all or any portion of a covenant in this Section 8 is held unreasonable or unenforceable by a court or agency having valid jurisdiction in an unappealed final decision to which Franchisor is a party, Area Developer expressly agrees to be bound by any lesser covenant subsumed within the terms of such covenant that imposes the maximum duty permitted by law, as if the resulting covenant were separately stated in and made a part of this Section 8.

8.8 *Franchisor's Right to Reduce Scope of the Covenants*. Area Developer understands and acknowledges that Franchisor shall have the right, in its sole discretion, to reduce the scope of any covenant set forth in Sections 8.3 and 8.4 in this Agreement, or any portion thereof, without Area Developer's consent, effective immediately upon receipt by Area Developer of written notice thereof; and Area Developer agrees that it shall comply forthwith with any covenant as so modified, which shall be fully enforceable notwithstanding the provisions of Section 15 hereof.

8.9 *Covenants Survive Claims*. Area Developer expressly agrees that the existence of any claims it may have against Franchisor, whether or not arising from this Agreement, shall not constitute a defense to the enforcement by Franchisor of the covenants in this Section 8. Area Developer agrees to pay all costs and expenses (including reasonable attorneys' fees) incurred by Franchisor in connection with the enforcement of this Section 8.

8.10 *Defaults*. You acknowledge that your violation of the terms of this Section 8 would result in irreparable injury to us for which no adequate remedy at law may be available, and you accordingly consent to the issuance of an injunction prohibiting any conduct in violation of the terms of this Section 8.

8.11 *Compliance with Laws*. Area Developer represents and warrants to Franchisor that neither Area Developer (including, without limitation, any and all of its employees, directors, officers and other representatives), nor any of its affiliates or the funding sources for either is a person or entity designated with whom Franchisor, or any of its affiliates, are prohibited by law from transacting business.

9. CORPORATE, LIMITED LIABILITY COMPANY, OR PARTNERSHIP AREA DEVELOPER

9.1 *List of Principals*. If Area Developer is a corporation, limited liability company, or partnership, each owner of beneficial interest in Area Developer (each a "**Principal**"), and the interest of each Principal in Area Developer, shall be identified in Exhibit B to the Agreement. Area Developer shall maintain a list of all Principals and immediately furnish Franchisor with an update to the information contained in Exhibit B upon any change, which shall be made only in compliance with Section 7 above.

9.2 *Guaranties*. Such Principals as Franchisor may request shall execute a guarantee, indemnification, and acknowledgment of Area Developer's obligations under this Agreement in the form attached hereto as Exhibit D. As set forth in Section 5.2 above, the Designated Principal shall at all times have at least a ten percent (10%) interest in Area Developer.

9.3 *Corporations and Limited Liability Companies*. If Area Developer is a corporation or limited liability company, Area Developer shall comply with the following requirements:

9.3.1 Area Developer shall be newly organized and its governing documents shall at all times provide that its activities are confined exclusively to developing and operating the Franchised Restaurants.

9.3.2 Area Developer shall, upon request of Franchisor, promptly furnished to Franchisor copies of Area Developer's articles of incorporation, bylaws, articles of organization, operating agreement and/or other governing documents, and any amendments thereto, including the resolution of the Board of Directors or members authorizing entry into this Agreement.

9.3.3 Area Developer shall maintain stop-transfer instructions against the transfer on its records of any equity securities; and each stock certificate or issued securities of Area Developer shall conspicuously endorse upon its face a statement, in a form satisfactory to

Franchisor, which references the transfer restrictions imposed by this Agreement; provided, however, that the requirements of this Section 9.3.3 shall not apply to a publicly-held corporation.

9.4 *Partnerships and Limited Liability Partnerships*. If Area Developer or any successor to or assignee of Area Developer is a partnership or limited liability partnership, Area Developer shall comply with the following requirements:

9.4.1 Area Developer shall be newly organized and its partnership agreement shall at all times provide that its activities are confined exclusively to developing and operating the Franchised Restaurants.

9.4.2 Area Developer shall furnish Franchisor with a copy of its partnership agreement as well as such other documents as Franchisor may reasonably request, and any amendments thereto.

9.4.3 The partners of the partnership shall not, without the prior written consent of Franchisor, admit additional general partners, remove a general partner, or otherwise materially alter the powers of any general partner.

10. NOTICES

Any and all notices required or permitted under this Agreement shall be in writing and shall be personally delivered, sent by registered mail, or by other means which affords the sender evidence of delivery, or of rejected delivery, to the respective parties at the addresses shown on the signature page of this Agreement, unless and until a different address has been designated by written notice to the other party. Any notice by a means which affords the sender evidence of delivery, or rejected delivery, or delivery not possible because the recipient has moved and left no forwarding address, shall be deemed to have been given at the date and time of receipt or rejected delivery.

11. PERMITS AND COMPLIANCE WITH THE LAWS

11.1 *Compliance with Laws*. Area Developer shall comply with all federal, state, and local laws, rules and regulations, and shall timely obtain any and all permits, certificates, or licenses necessary for the full and proper conduct of the business contemplated under this Agreement.

11.2 *Notice of Actions*. Area Developer shall notify Franchisor in writing within five (5) days of the commencement of any action, suit, or proceeding, and of the issuance of any order, writ, injunction, award, or decree of any court, agency or other governmental instrumentality, which may adversely affect the operation or financial condition of Area Developer and/or any Franchised Restaurant established under this Agreement.

12. INDEPENDENT CONTRACTOR AND INDEMNIFICATION

12.1 *Independent Contractor Relationship*. The parties acknowledge and agree that Area Developer is an independent contractor. Franchisor and Area Developer are completely separate entities and are not fiduciaries, partners, joint venturers, or agents of the other in any sense and neither shall have the power to bind the other. Area Developer is the only party that is in day-to-day control of Area Developer's business, even though Franchisor will share the brand and Proprietary Marks under the System, and neither this Agreement nor any of the systems, guidance, processes, or requirements under which Area Developer operates alter that basic fact.

12.2 *Public Notice*. During the term of this Agreement, Area Developer shall hold itself out to the public as an independent contractor operating the business pursuant to an area development agreement with Franchisor. Area Developer agrees to take such action as may be necessary to do so, including, without limitation, exhibiting a notice of the fact in a conspicuous place in Area Developer's offices, the content of which Franchisor reserves the right to specify.

12.3 *No Assumption of Liability*. Nothing in this Agreement authorizes Area Developer to make any contract, agreement, warranty, or representation on Franchisor's behalf, or to incur any debt or other obligation in Franchisor's name; and, Franchisor shall in no event assume liability for, or be deemed liable hereunder as a result of, any such action; nor shall Franchisor be liable by reason of any act or omission of Area Developer in Area Developer's operations hereunder, or for any claim or judgment arising therefrom against Area Developer or Franchisor.

12.4 *Indemnification*. Area Developer shall indemnify and hold Franchisor, Franchisor's owners and affiliates, and their respective officers, directors, and employees (the "**Indemnitees**") harmless against any and all causes of action, claims, losses, costs, expenses, liabilities, litigation, damages or other expenses (including, but not limited to, settlement costs and attorneys' fees) arising directly or indirectly from, as a result of, or in connection with Area Developer's operation of the business contemplated hereunder (notwithstanding any claims that the Indemnitees are or were negligent). Area Developer agrees that with respect to any threatened or actual litigation, proceeding, or dispute which could directly or indirectly affect any of the Indemnitees, the Indemnitees shall have the right, but not the obligation, in their discretion, to: (i) choose counsel, (ii) direct, manage, and/or control the handling of the matter; and (iii) settle on behalf of the Indemnitees, and/or Area Developer, any claim against the Indemnitees. All vouchers, canceled checks, receipts, receipted bills, or other evidence of payments for any such losses, liabilities, costs, damages, charges or expenses of whatsoever nature incurred by any Indemnitee shall be taken as prima facie evidence of Area Developer's obligation hereunder.

13. APPROVALS AND WAIVERS

13.1 *Approval Requests*. Whenever this Agreement requires the prior approval or consent of Franchisor, Area Developer shall make a timely written request to Franchisor therefor, and such approval or consent shall be in writing. Franchisor shall respond to Area Developer's timely requests in a reasonably timely and prompt manner.

13.2 *No Waivers*. No failure of Franchisor to exercise any power reserved to it hereunder, or to insist upon strict compliance by Area Developer with any obligation or condition hereunder, and no custom or practice of the parties in variance with the terms hereof, shall constitute a waiver of Franchisor's right to demand exact compliance with the terms hereof.

Waiver by Franchisor of any particular default by Area Developer shall not be binding unless in writing and executed by the party sought to be charged and shall not affect or impair Franchisor's right with respect to any subsequent default of the same or of a different nature; nor shall any delay, waiver, forbearance, or omission of Franchisor to exercise any power or rights arising out of any breach or default by Area Developer of any of the terms, provisions, or covenants hereof, affect or impair Franchisor's rights, nor shall such constitute a waiver by Franchisor of any right hereunder or of the right to declare any subsequent breach or default. Subsequent acceptance by Franchisor of any payment(s) due to it hereunder shall not be deemed to be a waiver by Franchisor of any preceding breach by Area Developer of any terms, covenants, or conditions of this Agreement. No course of dealings or course of conduct will be effective to amend the terms of this Agreement.

14. SEVERABILITY AND CONSTRUCTION

14.1 *Severable Parts*. Except as expressly provided to the contrary herein, each portion, section, part, term, and/or provision of this Agreement shall be considered severable; and if, for any reason, any section, part, term, and/or provision herein is determined to be invalid and contrary to, or in conflict with, any existing or future law or regulation by a court or agency having valid jurisdiction, such shall not impair the operation of, or have any other effect upon, such other portions, sections, parts, terms, and/or provisions of this Agreement as may remain otherwise intelligible; and the latter shall continue to be given full force and effect and bind the parties hereto; and, said invalid portions, sections, parts, terms, and/or provisions shall be deemed not to be a part of this Agreement.

14.2 *Terms Surviving this Agreement*. Any provision or covenant in this Agreement which expressly or by its nature imposes obligations beyond the expiration, termination, or assignment of this Agreement (regardless of cause for termination), or assignment shall survive such expiration, termination.

14.3 *No Rights on Third Parties*. Except as expressly provided to the contrary herein, nothing in this Agreement is intended, nor shall be deemed, to confer upon any person or legal entity other than Area Developer, Franchisor, officers, directors, shareholders, agents, and employees of Franchisor, and such successors and assigns of Franchisor as may be contemplated by Section 15 hereof, any rights or remedies under or by reason of this Agreement.

14.4 *Full Scope of Terms*. Area Developer expressly agrees to be bound by any promise or covenant imposing the maximum duty permitted by law which is subsumed within the terms of any provision hereof, as though it were separately articulated in and made a part of this Agreement, that may result from striking from any of the provisions hereof any portion or portions which a court or agency having valid jurisdiction may hold to be unreasonable and unenforceable in an unappealed final decision to which Franchisor is a party, or from reducing the scope of any promise or covenant to the extent required to comply with such a court or agency order.

14.5 *Franchisor's Application of its Rights*. Franchisor shall have the right to operate, develop, and change the System in any manner that is not specifically precluded by this Agreement. Whenever Franchisor has reserved in this Agreement a right to take or withhold an action, or are deemed to have a right and/or discretion to take or withhold an action, or to grant or decline to grant Area Developer a right to take or omit an action, except as otherwise expressly and specifically provided in this Agreement, Franchisor may make its decision or exercise its rights, on the basis of the information readily available to Franchisor, and its judgment of what is in its best interests and/or in the best interests of the Franchisor's franchise network, at the time its decision is made, without regard to whether: (i) other reasonable or even arguably preferable alternative decisions could have been made by Franchisor; (ii) the decision or action of Franchisor will promote its financial or other individual interest; (iii) Franchisor's decision or the action it take applies differently to Area Developer and one or more other franchisees or Franchisor's company-owned operations; or (iv) Franchisor's decision or the exercise of its right or discretion is adverse to Area Developer's interests. In the absence of an applicable statute, Franchisor will have no liability to Area Developer for any such decision or action. Franchisor and Area Developer intend that the exercise of Franchisor's right or discretion will not be subject to limitation or review. If applicable law implies a covenant of good faith and fair dealing in this Agreement, Franchisor and Area Developer agree that such covenant shall not imply any rights or obligations that are inconsistent with a fair construction of the terms of this Agreement and that this Agreement grants Franchisor the right to make decisions, take actions, and/or refrain from taking actions not inconsistent with Area Developer's rights and obligations hereunder.

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

15. ENTIRE AGREEMENT AND AMENDMENT

15.1 *Entire Agreement*. This Agreement, the exhibits, and the documents referred to in this Agreement constitute the entire Agreement between Franchisor and Area Developer concerning the subject matter hereof, no other representations having induced Area Developer to execute this Agreement. The parties confirm (a) they were not induced by (nor did they rely upon) any other representation other than the words of this Agreement (and the FDD) before deciding whether to sign this Agreement, and (b) they relied only on the words printed in this Agreement and any exhibits to this Agreement in reaching the decision of whether to enter into this Agreement. However, and notwithstanding the foregoing, nothing in this Agreement is intended, or shall be interpreted, to disclaim any representations made by Franchisor in Franchisor's Franchise Disclosure Document ("FDD") that Franchisor provided to Area Developer).

15.2 *Amendment*. Except for those permitted to be made unilaterally by Franchisor hereunder, no amendment, change, or variance from this Agreement will be binding on either party unless mutually agreed to by the parties and executed by their authorized officers or agents in writing.

16. APPLICABLE LAW AND DISPUTE RESOLUTION

16.1 *Governing Law*. This Agreement takes effect upon its acceptance and execution by Franchisor, and shall be interpreted and construed under the laws of the state in which

Franchisor has its headquarters at the time the action is commenced (the "**HQ State**"); provided, however, that nothing in this Section 16.1 is intended by the parties to subject this Agreement to any franchise or similar law, rule, or regulation of the HQ State or of any other state to which it would not otherwise be subject. In the event of any conflict of law, the laws of the HQ State shall prevail, without regard to, and without giving effect to, the HQ State's application of its conflict of law rules.

16.2 *Non-Binding Mediation*. Before any party may bring an action in court against the other, the parties must first meet to mediate the dispute (except as otherwise provided below). Any such mediation shall be non-binding and shall be conducted by the American Arbitration Association in accordance with its then-current rules for mediation of commercial disputes. Notwithstanding anything to the contrary, this Section 16.2 shall not bar either party from obtaining injunctive relief against threatened conduct that will cause it loss or damages, under the usual equity rules, including the applicable rules for obtaining restraining orders and preliminary injunctions, without having to engage in mediation. Mediation hereunder shall be concluded within forty five (45) days of Area Developer's receipt of the notice specifying the designated mediator or such longer period as may be agreed upon by the parties in writing. All aspects of the mediation process shall be treated as confidential, shall not be disclosed to others, and shall not be offered or admissible in any other proceeding or legal action whatsoever. Franchisor and Area Developer shall each bear its own costs of mediation, and each shall bear one-half the cost of the mediator or mediation service.

16.3 *Litigation*. Any legal action brought by Area Developer against Franchisor in any forum or court, whether federal or state, shall be brought only within the HQ State. Any legal action brought by Franchisor against Area Developer in any forum or court, whether federal or state, may be brought within the HQ State or in the state in which Area Developer is located. Area Developer hereby waives all questions of personal jurisdiction or venue for the purpose of carrying out this provision.

16.4 *No Rights Exclusive of Other Rights*. No right or remedy conferred upon or reserved to Franchisor or Area Developer by this Agreement is intended to be, nor shall be deemed, exclusive of any other right or remedy provided herein or permitted by law or equity, but each shall be cumulative of every other right or remedy.

16.5 *WAIVER OF JURY TRIAL*. FRANCHISOR AND AREA DEVELOPER IRREVOCABLY WAIVE TRIAL BY JURY IN ANY ACTION, PROCEEDING, OR COUNTERCLAIM, WHETHER AT LAW OR IN EQUITY, BROUGHT BY EITHER OF THEM AGAINST THE OTHER.

16.6 *Period for Claims*. Any and all claims and actions arising out of or relating to this Agreement, the relationship of Area Developer and Franchisor, or Area Developer's activities under this Agreement, brought by either party hereto against the other, whether in mediation, or a legal action, shall be commenced within two (2) years from the occurrence of the facts giving rise to such claim or action, or such claim or action shall be barred.

16.7 *Waiver of Punitive Damages*. Franchisor and Area Developer hereby waive to the fullest extent permitted by law any right to or claim of any punitive or exemplary damages against the other.

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

17. ACKNOWLEDGMENTS

17.1 *Area Developer's Investigation of the Business Possibilities*. Area Developer acknowledges that it has conducted an independent investigation of the business of developing and operating Cosi Restaurants, and recognizes that the business venture contemplated by this Agreement involves business risks and that its success will be largely dependent upon the ability of Area Developer (or, if Area Developer is a corporation, partnership or limited liability company, the ability of its Principals) as (an) independent businessperson(s). Franchisor expressly disclaims the making of, and Area Developer acknowledges that it has not received, any warranty or guarantee, express or implied, as to the potential volume, profits, or success of the business venture contemplated by this Agreement.

17.2 *Receipt of Franchise Disclosure Document*. Area Developer acknowledges that it received the franchise disclosure document required by the Trade Regulation Rule of the Federal Trade Commission entitled "Disclosure Requirements and Prohibitions Concerning Franchising and Business Opportunity Ventures" at least fourteen (14) calendar days prior to the date on which this Agreement was executed or any payment by Area Developer for the rights granted under this Agreement.

17.3 *Area Developer Read the Area Developer's Advisors*. Area Developer acknowledges and agrees that (a) it has read and understood this Agreement, the attachments hereto, and agreements relating thereto, and (b) Franchisor has recommended that Area Developer seek advice from advisors of Area Developer's own choosing about the potential benefits and risks of entering into this Agreement, and that Area Developer has had sufficient opportunity to consult with those advisors.

17.4 *No Conflicting Obligations*. Each party represents and warrants to the others that there are no other agreements, court orders, or any other legal obligations that would preclude or in any manner restrict such party from: (a) negotiating and entering into this Agreement; (b) exercising its rights under this Agreement; and/or (c) fulfilling its responsibilities under this Agreement.

[signature page follows]

IN WITNESS WHEREOF, the parties hereto have duly executed and delivered this Agreement in duplicate on the day and year first above written.

COSI FRANCHISE HOLDINGS LLC Franchisor	____________________________ Area Developer
By:________________________	By:________________________
Name:______________________	Name:______________________
Title:_______________________	Title:_______________________
<u>Address for Notices</u>:	<u>Address for Notices</u>:
Cosi Franchise Holdings LLC 294 Washington Street, Suite 510 Boston, Massachusetts 02108 Telephone: (857) 415-5000 Attn: General Counsel	____________________________ ____________________________ ____________________________ Attn: ________________________ Telephone:____________________ Fax:_________________________ Email: _______________________ Cell: ________________________

COSI FRANCHISE HOLDINGS LLC
AREA DEVELOPMENT AGREEMENT
EXHIBIT A
DATA SHEET

1. Development Schedule (see Section 1.1): Area Developer shall develop and operate (each under a separate Franchise Agreement) __________ (___) Franchised Restaurants, within the Development Area in accordance with the following Development Schedule:

Minimum Number of Restaurants to be Opened and in Operation within the Development Area per Development Period	Minimum Cumulative Number of Franchised Restaurants to be Open and Opened and in Operation within the Development Area	To be Developed by this Date

TOTAL: _____ _____

2. Development Area (see Section 1.1): The Development Area shall be the following,: ___
____
____
____
____
____
____

3. Area Development Fee (see Section 4.1): The Area Development Fee shall be $______________.

Initial:__________ Date:__________ Initial:___________ Date:___________

FRANCHISOR AREA DEVELOPER

COSI FRANCHISE HOLDINGS LLC
AREA DEVELOPMENT AGREEMENT
EXHIBIT B
LIST OF PRINCIPALS & DESIGNATED PRINCIPAL

The following identifies all of Area Developer's Principals (as defined in Section 9.1 of the Area Development Agreement:

Name of Principal	**Address**	**Interest (%) with description (not less than 10%)**
		Total: 100%

AREA DEVELOPER'S DESIGNATED PRINCIPAL

The following identifies Area Developer's Designated Principal (as defined in Section 5.2 of the Area Development Agreement:

Name and Title	**Address, telephone number, and e-mail address**	**Interest (%) (with description) (not less than 10%)**

COSI FRANCHISE HOLDINGS LLC
AREA DEVELOPMENT AGREEMENT
EXHIBIT C
FORM OF FRANCHISE AGREEMENT

[See Exhibit A to Cosi Franchise Holdings LLC Franchise Disclosure Document dated April 29, 2019 for form of Franchise Agreement to be used for first Franchised Restaurant.]

COSI FRANCHISE HOLDINGS LLC
AREA DEVELOPMENT AGREEMENT
EXHIBIT D
GUARANTEE, INDEMNIFICATION, AND ACKNOWLEDGMENT

As an inducement to Cosi Franchise Holdings LLC ("**Franchisor**") to enter the Cosi Franchise Holdings LLC Area Development Agreement between Franchisor and _____________ _____________________________________ ("**Area Developer**"), dated _______, 20___ (the "**Agreement**"), the undersigned, jointly and severally, hereby unconditionally guarantee to Franchisor and Franchisor's successors and assigns that all of Area Developer's monetary obligations under the Agreement will be punctually paid and performed and that all monetary obligations will be punctually paid and performed.

Upon demand by Franchisor, the undersigned each hereby jointly and severally agree to immediately make each payment required of Area Developer under the Agreement and waive any right to require Franchisor to: (a) proceed against Area Developer for any payment required under the Agreement; (b) proceed against or exhaust any security from Area Developer; (c) pursue or exhaust any remedy, including any legal or equitable relief, against Area Developer; or (d) give notice of demand for payment by Area Developer. Without affecting the obligations of the undersigned under this Guarantee, Franchisor may, without notice to the undersigned, extend, modify, or release any indebtedness or obligation of Area Developer, or settle, adjust, or compromise any claims against Area Developer, and the undersigned each hereby jointly and severally waive notice of same and agree to remain and be bound by any and all such amendments and changes to the Agreement.

The undersigned each hereby jointly and severally agree to defend, indemnify and hold Franchisor harmless against any and all losses, damages, liabilities, costs, and expenses (including, but not limited to, reasonable attorneys' fees, reasonable costs of financial and other investigation, court costs, and fees and expenses) resulting from, consisting of, or arising out of or in connection with any failure by Area Developer to perform any obligation of Area Developer under the Agreement, any amendment thereto, or any other agreement executed by Area Developer referred to therein.

The undersigned each hereby jointly and severally acknowledge and expressly agree to be individually bound by all of the covenants contained in Sections 6, 7, 8, and 16 of the Agreement, and acknowledge and agree that this Guarantee does not grant the undersigned any right to use the "Cosi" marks or system.

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

Guarantor represents and warrants to Franchisor that neither Guarantor (including, without limitation, any and all of its employees, directors, officers and other representatives), nor any of its affiliates or the funding sources for either is a person or entity designated with whom Franchisor, or any of its affiliates, are prohibited by law from transacting business.

Any and all notices required or permitted under this Guarantee shall be in writing and shall be personally delivered, in the manner provided under Section 10 of this Agreement.

Unless specifically stated otherwise, the terms used in this Guarantee shall have the same meaning as in the Agreement, and shall be interpreted and construed in accordance with Section 16 of the Agreement. This Guarantee shall be interpreted and construed under the laws of the State of Delaware. In the event of any conflict of law, the laws of the State of Delaware shall prevail (without regard to, and without giving effect to, the application of Delaware conflict of law rules).

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

GUARANTOR(S)

Printed Name:________________________________

Address:____________________________________

____

Cell: ____________________________________
Tel: ____________________________________
Email: ___________________________________

Signed:____________________________________
(In his/her individual capacity)

Printed Name:________________________________

Address:____________________________________

____

Cell: ____________________________________
Tel: ____________________________________
Email: ___________________________________

COSI FRANCHISE HOLDINGS LLC
AREA DEVELOPMENT AGREEMENT
EXHIBIT E
LEASE TERMS

In accordance with Section 3.3 of this Area Development Agreement, Area Developer's lease or sublease for the premises of each of the Franchised Restaurants shall contain terms acceptable to Franchisor, which may include (but are not limited to) the following:

1. The initial term of the lease, or initial term together with renewal terms, will be for not fewer than ten (10) years.

2. A provision stating that the lessor consents to Area Developer's use and display of the Proprietary Marks and signage as Franchisor may prescribe from time to time for the Franchised Restaurant, subject only to the provisions of applicable law.

3. A provision that Area Developer shall have the right to alter, renovate, add, remodel, modify, and/or change the premises and/or other improvements upon the premises as Area Developer may deem desirable, provided that if any such alterations, renovations, additions, modifications, remodeling, and/or changes to the premises and/or improvements upon the premises affect the exterior, structural elements or foundation of the Premises, Area Developer shall first obtain the consent of the lessor, which consent shall not be unreasonably withheld, conditioned or delayed.

4. A provision that the premises be used solely for the operation of a Franchised Restaurant, which is currently: a counter service restaurant/café/coffee bar offering for sale various types of food, beverages and related products for both on and off premises consumption, such products may include without limitation the following: coffee, tea, espresso, other coffee and tea based drinks, coffee based drinks including alcohol, salads, pizza, bowls, pasta, grilled entree items, sandwiches, soups, Cosi® melts, Cosi® Squagels and other breakfast items, S'mores and other snacks and desserts, beverages (which may include the sale of alcoholic beverages, provided that alcoholic beverages will be for on-premises consumption only) and promotional items such as shirts, hats, and other items displaying the "COSI®" logo, all as may be permitted under the relevant franchise agreement signed for the Franchised Restaurant. Additionally, the lessor consents to the Area Developer's use of (i) a gas or electric oven, and (ii) café style windows on the premises, if applicable.

5. A provision that requires the lessor to concurrently provide Franchisor with a copy of any written notice of deficiency under the lease sent to Area Developer, and that the lessor will provide Franchisor with written notice specifying deficiencies that Area Developer did not cure.

6. A provision that grants to Franchisor, in its sole discretion, the right (but not obligation) to cure any deficiency under the lease within thirty (30) days after the expiration of the period in which Area Developer had to cure any such default should Area Developer fail to do so.

7. A provision acknowledging that, in the event the Franchise Agreement for the Franchised Restaurant expires or is terminated: (a) Area Developer is obligated under the Franchise Agreement to take certain steps to de-identify the location as a Cosi Restaurant operated by Area Developer; and (b) the lessor will cooperate fully with Franchisor in enforcing such provisions of the Franchise Agreement against the Area Developer, including allowing Franchisor, its employees and agents to enter and remove signs, decor and materials bearing or displaying any Proprietary Marks, designs, or logos of Franchisor, provided that the lessor shall not be required to bear any expense thereof.

8. A provision that expressly states that any default under the lease shall constitute a default under the Franchise Agreement, and that the termination of the Franchise Agreement shall constitute a default under the lease.

9. A provision reserving to Franchisor the right, at Franchisor's election, to receive an assignment of the leasehold interest upon termination or expiration of the franchise grant.

10. A provision that expressly requires that, if requested by Franchisor, the lessor of the premises will provide Franchisor all sales and other information the lessor may have related to the operation of the Franchised Restaurant.

11. Area Developer is restricted from accepting any requirement under the lease that seeks to impose any restrictions (territorial or otherwise) on the development or operation of other Cosi Restaurants by Area Developer, Franchisor, or any other person or entity.

12. A provision that the lessor agrees that Area Developer may not assign the lease or sublease all or any part of its occupancy rights thereunder without Franchisor's prior written consent.

13. A provision that the lessor's consent to an assignment of the lease or subletting of the Premises will not be required in connection with an assignment or subletting to Franchisor, or any parent, subsidiary or affiliated corporation of Franchisor or Area Developer, or another operator that has been approved by Franchisor to be the franchisee for the Franchised Restaurant.

14. A provision that prohibits the lessor from selling or leasing, or allowing the sublease of, space in the building, or on the property, to any person or entity for a retail food business that will consist predominantly of salads, sandwiches, or coffee offered in a fast casual environment. Additionally, the lessor shall not sell and shall prohibit any other tenant or subtenant in the building, or on the property, from engaging in activities predominantly related to the sale of sandwiches and salads. In the event lessor does not comply with these restrictions, Franchisee will have the right to seek an injunction prohibiting the occupancy by the new competing business or against the existing tenant, as the case may be.

Exhibit C

List of State Administrators

We intend to register this disclosure document as a "franchise" in some or all of the following states, if required by the applicable state laws. If and when we pursue franchise registration (or otherwise comply with the franchise investment laws) in these states, the following are the state administrators responsible for the review, registration, and oversight of franchises in these states:

CALIFORNIA Commissioner of Business Oversight Department of Business Oversight 320 West Fourth Street, Suite 750 Los Angeles, California 90013-2344 (213) 576-7500 Toll Free: (866) 275-2677	**NEW YORK** New York State Department of Law Investor Protection Bureau 28 Liberty Street, 21st Floor New York, New York 10005 (212) 416-8236
HAWAII Commissioner of Securities of the State of Hawaii Department of Commerce & Consumer Affairs Business Registration Division Securities Compliance Branch 335 Merchant Street, Room 205 Honolulu, Hawaii 96813 (808) 586-2722	**NORTH DAKOTA** North Dakota Securities Department State Capitol Department 414 600 East Boulevard Avenue, Fifth Floor Bismarck, North Dakota 58505-0510 (701) 328-4712
ILLINOIS Illinois Office of the Attorney General Franchise Bureau 500 South Second Street Springfield, Illinois 62706 (217) 782-4465	**RHODE ISLAND** Department of Business Regulation Securities Division Building 69, First Floor John O. Pastore Center 1511 Pontiac Avenue Cranston, Rhode Island 02920 (401) 462-9527
INDIANA Secretary of State Franchise Section 302 West Washington, Room E-111 Indianapolis, Indiana 46204 (317) 232-6681	**SOUTH DAKOTA** Division of Insurance Securities Regulation 124 South Euclid Avenue, Suite 104 Pierre, South Dakota 57501 (605) 773-3563

MARYLAND Office of the Attorney General Securities Division 200 St. Paul Place Baltimore, Maryland 21202-2020 (410) 576-6360	**VIRGINIA** State Corporation Commission Division of Securities and Retail Franchising 1300 East Main Street, 9th Floor Richmond, Virginia 23219 (804) 371-9051
MICHIGAN Michigan Attorney General's Office Consumer Protection Division, Franchise Section 525 West Ottawa Street G. Mennen Williams Building, 1st Floor Lansing, Michigan 48913 (517) 373-7117	**WASHINGTON** Department of Financial Institutions Securities Division – 3rd Floor 150 Israel Road, Southwest Tumwater, Washington 98501 (360) 902-8760
MINNESOTA Commissioner of Commerce Department of Commerce, Securities Unit 85 7th Place East, Suite 280 St. Paul, Minnesota 55101 (651) 539-1500	**WISCONSIN** Division of Securities 4822 Madison Yards Way, North Tower Madison, Wisconsin 53705 (608) 266-2139

Exhibit D

Agents for Service of Process

We intend to register this disclosure document as a "franchise" in some or all of the following states, if required by the applicable state law. If and when we pursue franchise registration (or otherwise comply with the franchise investment laws) in these states, we will designate the following state offices or officials as our agents for service of process in these states:

CALIFORNIA Commissioner of Business Oversight Department of Business Oversight 320 West Fourth Street, Suite 750 Los Angeles, California 90013-2344 (213) 576-7500 Toll Free: (866) 275-2677	**NEW YORK** New York Secretary of State New York Department of State One Commerce Plaza, 99 Washington Avenue, 6th Floor Albany, New York 12231-0001 (518) 473-2492
HAWAII Commissioner of Securities of the State of Hawaii Department of Commerce & Consumer Affairs Business Registration Division Securities Compliance Branch 335 Merchant Street, Room 205 Honolulu, Hawaii 96813 (808) 586-2722	**NORTH DAKOTA** North Dakota Securities Commissioner State Capitol 600 East Boulevard Avenue, Fifth Floor Bismarck, North Dakota 58505-0510 (701) 328-4712
ILLINOIS Illinois Attorney General 500 South Second Street Springfield, Illinois 62706 (217) 782-4465	**RHODE ISLAND** Director of Department of Business Regulation Department of Business Regulation Securities Division Building 69, First Floor John O. Pastore Center 1511 Pontiac Avenue Cranston, Rhode Island 02920 (401) 462-9527
INDIANA Secretary of State Franchise Section 302 West Washington, Room E-111 Indianapolis, Indiana 46204 (317) 232-6681	**SOUTH DAKOTA** Division of Insurance Director of the Securities Regulation 124 South Euclid Avenue, Suite 104 Pierre, South Dakota 57501 (605) 773-3563
MARYLAND Maryland Securities Commissioner 200 St. Paul Place Baltimore, Maryland 21202-2020 (410) 576-6360	**VIRGINIA** Clerk of the State Corporation Commission 1300 East Main Street, 1st Floor Richmond, Virginia 23219 (804) 371-9733

MICHIGAN Michigan Attorney General's Office Consumer Protection Division, Franchise Section 525 West Ottawa Street G. Mennen Williams Building, 1st Floor Lansing, Michigan 48913 (517) 373-7117	**WASHINGTON** Director of Department of Financial Institutions Securities Division – 3rd Floor 150 Israel Road, Southwest Tumwater, Washington 98501 (360) 902-8760
MINNESOTA Commissioner of Commerce 85 7th Place East, Suite 280 St. Paul, Minnesota 55101 (651) 539-1500	**WISCONSIN** Division of Securities 4822 Madison Yards Way, North Tower Madison, Wisconsin 53705 (608) 266-2139

Exhibit E

List of Current and Former Franchisees and Area Developers
As of December 31, 2018

Current Franchisees and Area Developers

Area Developers	**Franchisees/Franchise Restaurants**
Delaware	
Lady Liberty LLC Contact: Luann Bristlin Phone: (302) 299-6988	COSÌ Franchise Store #633 (Crescent Place) **Lady Liberty LLC** 125 S. West Street, Suite 119 Wilmington, DE 19801
Indiana	
Franchisee (see next column)	COSÌ Franchise Store # 699 (Purdue University) Purdue University 1101 Third Street West Lafayette, IN 47906 Contact: Tom Coleman Phone: (765) 494-8939
`	
New Jersey	
CRM Restaurant Partners, LLC 100 Cedar Lane, Suite 103Teaneck, NJ 07666 Contact: Chris Talis Phone: (201) 692-1600	COSÌ Franchise Store # 642 (Goldman Sachs) **CRM Restaurant Partners, LLC** 30 Hudson Street Jersey City, NJ 07302
	COSÌ Franchise Store # 610 (Jersey City) **CRM Restaurant Partners, LLC** 545 Washington St. Jersey City, NJ 0731
New York	
Franchisee (see next column)	COSÌ Franchise Store #690 (Fordham University) **Aramark Educational Services LLC** Fordham University 441 East Fordham Road Bronx, NY 10458 Contact: Katherine Ruiz Phone: (347) 430-7601

Area Developers	**Franchisees/Franchise Restaurants**
Ohio	
Franchisee (see next column)	COSÌ Franchise Store #698 (ONU /Ohio Northern University) **Sodexo Management, Inc.** ONU / Ohio Northern University Cosi at Northern 534 Main Street Ada, OH 45810 Contact: Dwight Blankenship Phone: (301) 987-4000
Pennsylvania	
Franchisee (see next column)	COSÌ Franchise Store #696 (Temple University) **Aramark Educational Services LLC** McGonigle Pearson Hall 1800 N. Broad Street Philadelphia, PA 19122 Contact: Nick Ventrola Phone: (215) 262-1667
Virginia	
Franchisee (see next column)	COSÌ #697 (William & Mary) **Sodexo Operations, LLC** Lodge 1 at Sadler Hall 100 Stadium Drive The College of William & Mary Williamsburg, VA 23185 Contact: Bill Lacey Phone: (301) 987-4000
International	
Fast Casual Ltda. Ofiplaza del Este Building B, 2nd Floor San Jose, Costa Rica	**COSÌ Franchise Store #689 (Multiplaza)** Multiplaza, Escazu, Locales 8 y 9 San Jose, Costa Rica
	COSÌ Franchise Store #695 (Plaza Real) Contingo al Colegio Marista Alajuela, Costa Rica

<u>Area Developers</u>	<u>Franchisees/Franchise Restaurants</u>
	COSÌ Franchise Store #692 (Plaza Carolina) 100 oeste de la Rotonda de la Bandera San Pedro, Costa Rica
	COSÌ Franchise Store #705 (Paseo de la Flores) en Pseo de las Flores centro comercial, junto a la entrada principal Heredia, Costa Rica
	COSÌ Franchise Store #707 (Sabana) Sabana Business Center A continuación el Hotel Hilton , a través de Estadio Nacional Sabana, San Jose, Costa Rica
	COSÌ Franchise Store #708 (Santa Ana) City Place en el nuevo lugar de la ciudad Santa Ana, Costa Rica
	COSÌ Franchise Store #712 (Distrito) Distrito Cuatro Escazú San Rafael de Escazu, Costa Rica
	COSÌ Franchise Store <u>#713 (Curadibat East)</u> Plaza Vivo, contiguo aLa Artísitica
	COSI Franchise Store #715 (Hotel Costa Rica) San Jose, Costa Rica

<u>Former Franchisees and Area Developers</u>

Included below are the names, city and state, and current business telephone number or last known home number of the area developer and franchisees that left the System in the previous year or who have not communicated with us within 10 weeks of the date of this disclosure document.

Former Franchisees

Trentatre Restaurants, LLC
Contact: Geno Stefaniak, Jr.
Phone: 859-806-8261
3 units closed at the following locations:

1890 Star Shoot Parkway, Suite 195 Lexington, KY 40509	410 West Vine Street Lexington, KY 40507	One Saint Joseph Drive Lexington, KY 40504

Hojeij Branded Foods, Inc.
IAD Washington Dulles Airport
Concourse A, Room Number MC 4A
Chantilly, VA 20166
Contact: Ali Hojeij
Phone: (770) 953-3300

Former Area Developers

None

Existing area developers that have not communicated with us in the last 10 weeks:

None

Exhibit F

Financial Statements

COSI FRANCHISE HOLDINGS, LLC
(A Limited Liability Company)

FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2018
AND PERIOD FROM MAY 10, 2017 (DATE OF INCEPTION)
TO JANUARY 1, 2018

COSI FRANCHISE HOLDINGS, LLC
(A Limited Liability Company)
FOR THE YEAR ENDED DECEMBER 31, 2018 AND PERIOD FROM MAY 10, 2017 (DATE OF INCEPTION) TO JANUARY 1, 2018

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CITRINCOOPERMAN®
Accountants and Advisors

INDEPENDENT AUDITOR'S REPORT

To the Member
Cosi Franchise Holdings, LLC

We have audited the accompanying financial statements of Cosi Franchise Holdings, LLC (a limited liability company) (the "Company"), which comprise the balance sheet as of December 31, 2018 and January 1, 2018, and the related statements of income and member's equity, and cash flows for the year ended December 31, 2018 and period from May 10, 2017 (date of inception) to January 1, 2018, and the related notes to the financial statements.

Management's Responsibility for the Financial Statement

Management is responsible for the preparation and fair presentation of this financial statement in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the financial statement that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statement. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statement in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statement.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Cosi Franchise Holdings, LLC as of December 31, 2018 and January 1, 2018, and the results of its operations and its cash flows for the year ended December 31, 2018 and period ended January 1, 2018, in accordance with accounting principles generally accepted in the United States of America.

Citrin Cooperman & Company, LLP
CERTIFIED PUBLIC ACCOUNTANTS

Braintree, Massachusetts
April 29, 2019

COSI FRANCHISE HOLDINGS, LLC
(A Limited Liability Company)
BALANCE SHEETS
DECEMBER 31, 2018 AND JANUARY 1, 2018

ASSETS

	December 31, 2018	January 1, 2018
Current assets:		
Cash	$ 50,000	$ 50,000
Royalties receivable	112,820	70,942
Due from related party, net	10,256	-
TOTAL ASSETS	$ 173,076	$ 120,942

LIABILITIES AND MEMBER'S EQUITY

Liabilities:		
Due from related party, net	$ -	$ 5,549
MEMBER'S EQUITY	173,076	115,393
TOTAL LIABILITIES AND MEMBER'S EQUITY	$ 173,076	$ 120,942

See accompanying notes to financial statements.

COSI FRANCHISE HOLDINGS, LLC
(A Limited Liability Company)
STATEMENTS OF INCOME AND MEMBER'S EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2018 AND PERIOD FROM MAY 10, 2017 (DATE OF INCEPTION) TO JANUARY 1, 2018

	December 31, 2018	January 1, 2018
Royalty revenues	$ 576,830	$ 653,926
Selling, general and administrative expenses	519,147	588,533
Net income	57,683	65,393
Member's equity - beginning	115,393	-
Member's contribution	-	50,000
MEMBER'S EQUITY - ENDING	$ 173,076	$ 115,393

See accompanying notes to financial statements.

COSI FRANCHISE HOLDINGS, LLC
(A Limited Liability Company)
STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2018 AND FROM MAY 10, 2017 (DATE OF INCEPTION) TO JANUARY 1, 2018

	December 31, 2018	January 1, 2018
Cash flows from operating activities:		
Net income	$ 57,683	$ 65,393
Changes in assets and liabilities:		
Royalties receivable	(41,878)	(70,942)
Due to/from related party, net	(15,805)	-
Net cash used in operating activities	-	(5,549)
Cash used in financing activities:		
Change in related party, net	-	5,549
Member's contribution	-	50,000
Net cash provided by financing activities	-	55,549
Net change in cash	-	50,000
Cash - beginning	50,000	-
CASH - ENDING	$ 50,000	$ 50,000

See accompanying notes to financial statements.

COSI FRANCHISE HOLDINGS, LLC
(A Limited Liability Company)
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2018 AND PERIOD FROM MAY 10, 2017 (DATE OF INCEPTION) TO JANUARY 1, 2018

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization and Nature of Operations

Cosi Franchise Holdings, LLC (the "Company"), a wholly-owned subsidiary of Cosi, Inc. (the "Parent"), was formed on May 2, 2017, as a Delaware single member limited liability company to sell franchises pursuant to an exclusive license agreement effective May 10, 2017, between the Company and the Parent (the "Licensor"). Pursuant to the Company's standard franchise agreement, franchisees operate a fast-casual restaurant offering a menu developed by Cosi, Inc. and operate under the tradename "Cosi." The Company was assigned the right to service certain franchisee locations through a bankruptcy plan under which their Parent company is operating effective as of May 10, 2017.

The Company is a limited liability company and therefore, the members are not liable for the debts, obligations, or other liabilities of the Company, whether arising in contract, tort or otherwise, unless a member has signed a specific guarantee.

Use of Estimates

The preparation of a balance sheet in conformity with accounting principles generally accepted in the United States of America ("GAAP") requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the balance sheet. Actual results could differ from those estimates.

Revenue and Cost Recognition

Royalties are recognized based on a percentage of franchisees' reported sales. Initial franchise fees are deferred until substantially all of the Company's initial services, required pursuant to the franchise agreement, have been met, which is generally when cash is received from franchisees.

The Company defers those direct and incremental costs associated with the sale of franchises for which revenue is deferred. Deferred costs are charged to earnings when the related deferred franchise fees are recognized in income.

Transfer fees are charged to franchisees when a location is transferred from one franchisee to another. There were no transfer fees charged during the year ended December 31, 2018 and period ended January 1, 2018, respectively.

Technology fees are charged to franchises for annual website hosting and routine maintenance. These amounts are recognized when invoiced. The Company did not charge technology fees to franchises during the year ended December 31, 2018 and period ended January 1, 2018, respectively.

Other franchise-related fees are recognized as services are rendered.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Royalty and Other Fee Receivables

Royalty and other fee receivables are stated at the amount the Company expects to collect. The Company maintains an allowance for doubtful royalties for estimated losses resulting from the inability of its franchisees to make required payments. Management considers the following factors when determining the collectability of specific franchisee royalties: franchisee creditworthiness, past transaction history with the franchisee, current economic industry trends, and changes in franchisee payment terms. If the financial conditions of the Company's franchises were to deteriorate, adversely affecting their ability to make payments, additional allowances would be required. Based on management's assessment, the Company provides for estimated uncollectible amounts through a charge of earnings and a credit to a valuation allowance. Balances that remain outstanding after the Company has made reasonable collection efforts are written off through a charge to the valuation allowance and a credit to receivables. The Company had no allowances for doubtful accounts as of December 31, 2018 and January 1, 2018.

Income Taxes

The Company is treated as a partnership for tax purposes and, as such, is not liable for federal or state income taxes. As a single-member limited liability company and therefore a disregarded entity for income tax purposes, the Company's assets and liabilities are combined with and included in the income tax return of the Parent. Accordingly, the accompanying financial statement does not include a provision or liability for federal or state income taxes.

The Company recognizes and measures its unrecognized tax benefits in accordance with Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") 740, *Income Taxes*. Under that guidance, management assesses the likelihood that tax positions will be sustained upon examination based on the facts, circumstances and information, including the technical merits of those positions, available at the end of each year. The measurement of unrecognized tax benefits is adjusted when new information is available or when an event occurs that requires a change. There were no uncertain tax positions at December 31, 2018 and January 1, 2018.

The Parent will file income tax returns in the U.S. federal jurisdiction and in various state jurisdictions.

Fiscal Year

The Company's reporting period for financial reporting purposes is a period ending on the last Monday closest to December 31. This period may consist of 52 or 53 weeks of operations. Fiscal year ended December 31, 2018 consisted of 52 weeks. The period from inception of May 10, 2017 to January 1, 2018 consisted of approximately 34 weeks.

COSI FRANCHISE HOLDINGS, LLC
(A Limited Liability Company)
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2018 AND PERIOD FROM MAY 10, 2017 (DATE OF INCEPTION) TO JANUARY 1, 2018

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Franchised Outlets

During the year ended December 31, 2018 and period ended January 1, 2018, respectively, the Company did not have any franchised outlets assigned by the Parent, franchised outlets in operation, or franchiser owned outlets in operation. Additionally, the Company did not purchase or sell any franchises during the year ended December 31, 2018 and period ended January 1, 2018, respectively.

Recently Issued But Not Yet Effective Accounting Pronouncements

In May 2014, FASB issued Accounting Standards Update ("ASU") No. 2014-09, Revenue from Contracts with Customers (Topic 606), as amended (commonly referred to as "ASC 606"), which requires an entity to recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. ASC 606 replaces most existing revenue recognitions standards in U.S. GAAP, including industry-specific standards, when it becomes effective. This standard is effective for years beginning after December 15, 2018. The standard permits the use of either the retrospective or cumulative transition method. The Company is currently completing its initial assessment and evaluation of the effects ASC 606 will have on the Company's financial statements and related disclosures.

The Company does not expect the adoption of ASC 606 to have a significant impact on the recognition of franchise royalties. The adoption of ASC 606 may result in a deferral of the recognition of all or a portion of initial franchise fees, area development and renewal fees over the term of the underlying franchise agreement. The Company will be required to assess whether pre-opening activities contain separate performance obligations that are consistent with the criteria in ASC 606 to be accounted for separately from the license of its intellectual property and the amount of consideration to be allocated to those distinct performance obligations. In addition, the Company expects, at a minimum, the primary impact of adoption will be expanded disclosures that will enable users to better understand the nature, amount, timing, and uncertainty of revenues and cash flows arising from contracts with customers.

Subsequent Events

The Company has evaluated subsequent events through April 29, 2019, the date on which these financial statements were available to be issued. There were no material subsequent events that required recognition or disclosure in the financial statements.

NOTE 2. CONCENTRATION OF CREDIT RISK

Cash

Financial instruments that potentially expose the Company to concentration of credit risk consist primarily of cash. The Company's cash is placed with a major financial institution and at times may be in excess of the Federal Deposit Insurance Corporation insurance limits. Management believes that this investment policy limits the Company's exposure to credit risk.

Royalties and Other Fees Receivable

Concentration of credit risk with respect to receivables is limited due to the number of franchisees in the Company's customer base and their geographic dispersion. The Company provides an allowance for doubtful accounts equal to the estimated collection losses based on historical experience coupled with a review of the current status of existing receivables.

NOTE 3. FRANCHISE FEES

The Company charges its franchisees an initial franchise fee of $40,000 for the first franchise and $35,000 for franchisees purchasing their second or later franchise. The fee is non-refundable and due upon the execution of the franchise agreement with the franchisee. For the year ended December 31, 2018 and period ended January 1, 2018 the Company has not collected any franchise fees.

The Company charges its franchisees a franchise royalty fee of 5% of the franchisees net sales, in accordance with the Company's standard franchise agreement. During the year ended December 31, 2018 and period ended January 1, 2018, royalty fees were $576,830 and $653,926, respectively.

NOTE 4. BRAND FUND

The Company charges franchisees a brand fund fee of 1% of the franchise's gross revenues as further defined in the franchise agreement. Under the terms of the franchise agreements, the Company is obligated to spend the amounts received (when collected from the franchisees) solely on advertising and related expenses for the benefit of the franchisees, in addition to administrative costs the Company incurs to administer the funds. The Company has discretion as to the nature of the advertising expenditures, as long as they are related to the business of the franchisees. The Company has expended all funds collected on behalf of its franchise locations for the year ended December 31, 2018 and period ended January 1, 2018, respectively.

NOTE 5. RELATED PARTY TRANSACTIONS

License Agreement

On May 10, 2017, the Company entered into a twenty-year exclusive right agreement with the Licensor to sell franchisees. Under this agreement the Company also has non-exclusive use of the registered name "COSI" (the "license agreement"), with two options to renew for ten years each. Pursuant to the license agreement, the Company has acquired the right to sell COSI franchises in the United States of America, and collect franchise fees, royalties and other fees from franchisees. The Company is obligated to pay the Licensor a license fee based on the Company's gross revenue, as further defined in the license agreement. The Licensor will not license the trademarks and/or confidential information to any third parties for the purpose of operating a competing franchised system and will not use the trademarks for any other business activity without the written approval of the Licensor. During the year ended December 31, 2018 and period ended January 1, 2018, license fees incurred were $519,147 and $588,533, respectively, which are recorded in selling, general and administrative expenses in the income statement and are netted in due to related party on the balance sheet.

Other Related-Party Transactions

In the ordinary course of business, the Company periodically advances funds to and receives funds from the Parent, the Licensor. No interest is charged on these advances. Advances to and from the Parent are unsecured and have no specific repayment terms. Management expects such balances to be settled within the next 12 months of the balance sheet date and in the normal course of operations and, accordingly, have been classified as current assets. At December 31, 2018, the balance due from this related party amounted to $10,256. At January 1, 2018, the balance due to this related party amounted to $5,549.

During the year ended December 31, 2018 and period ended January 1, 2018, the Parent paid on behalf of the Company $296,196 and $269,104, respectively, of selling, general, and administrative expenses. As of December 31, 2018 and January 1, 2018, the Parent has waived these expenses and will not require the Company to make payment. Therefore these expenses have not been included in the financial statements. There were no payments on related party balances during the year ended December 31, 2018 and period ended January 1, 2018.

NOTE 6. DEFERRED FRANCHISE FEES

Franchise fees received and unearned at the balance sheet date is reported as "Deferred franchise fees" in the balance sheet. There were no deferred franchise fees or direct and incremental costs deferred as of December 31, 2018 and January 1, 2018.

Exhibit G

Table of Contents to Manuals

COSI® FRANCHISE OPERATIONS MANUAL

TABLE OF CONTENTS

Total: 296 pages

Delivery Service – 13 pages

Overview
Responsibilities & Job Codes
3rd Party Vendors
POS: Catering Pick Up
POS: Delivery Orders
Delivery Partner Checkout Process
Delivery Partner Clock Out/Tip Claim Process

Guest Service – 6 pages

Guest Service Standards
TTU Email Management
S'mores Service

Inventory Management – 19 pages

Net-Chef
Inventory Management – Definitions & Standards
Creating Ordering Pars
Creating Production Pars

Limited Time Offer (LTO)/Menu Updates – 6 pages

Limited Time Offer (LTO)
Menu Updates

Marketing – 12 pages

Local Store Marketing
Targeting the Guest
Guest Feedback & Communication
Cosi Card®
Media, Franchise and Other
Marketing Materials

New Restaurant Openings – 5 pages

Ops Tools – 6 pages

POS & IT – 18 pages

POS
Mag Cards
Wireless Internet Access (WiFi)
KPS Screens

Positional Standards – 38 pages

Vendor Items & Contacts – 3 pages

Exhibit H

State-Specific Disclosures

and

State-Specific Amendments to Agreements

COSI FRANCHISE HOLDINGS LLC

STATE-SPECIFIC DISCLOSURES

1. California
2. Illinois
3. Maryland
4. Michigan
5. Minnesota
6. New York
7. Rhode Island
8. Washington

CALIFORNIA DISCLOSURE

In recognition of the requirements of the California Franchise Investment Law, Cal. Corp. Code §§ 31000-31516, and the California Franchise Relations Act, Cal. Bus. & Prof. Code §§ 20000-20043, the Disclosure Document for Cosi Franchise Holdings LLC in connection with the offer and sale of franchises for use in the State of California shall be amended to include the following:

1. Our website, www.getcosi.com, has not been reviewed or approved by the California Department of Business Oversight. Any complaints concerning the content of the website may be directed to the California Department of Business Oversight at www.dbo.ca.gov.

2. 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.

3. 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.

4. YOU MUST SIGN A GENERAL RELEASE IF YOU RENEW OR TRANSFER YOUR FRANCHISE. CALIFORNIA CORPORATIONS CODE § 31512 VOIDS A WAIVER OF YOUR RIGHTS UNDER THE FRANCHISE INVESTMENT LAW (CALIFORNIA CORPORATIONS CODE §§ 31000 THROUGH 31516). BUSINESS AND PROFESSIONS CODE § 20010 VOIDS A WAIVER OF YOUR RIGHTS UNDER THE FRANCHISE RELATIONS ACT (BUSINESS AND PROFESSIONS CODE §§ 20000 THROUGH 20043) TO THE EXTENT IT APPLIES IN THOSE CIRCUMSTANCES.

5. Item 3, "Litigation," is amended by the addition of the following paragraphs:

Pursuant to California law, this Item does not include any information regarding the arrest of any person(s) that did not result in a conviction or plea of nolo contendere.

Neither we, nor any person identified in Item 2 above, is subject to any currently effective order of any national securities association or national securities exchange (as defined in the Securities and Exchange Act of 1934, 15 U.S.C. § 78a, et seq.) suspending or expelling such person from membership in such association or exchange.

6. Item 6, “Other Fees” is amended by the addition of the following paragraph in the row titled “Late Fees and Interest of Overdue Payments”:

The maximum interest rate allowed in California is 10% per annum for some loans and in other circumstances.

7. Item 17, "Renewal, Termination, Transfer and Dispute Resolution," shall be amended by the addition of the following paragraph(s) at the conclusion of the Item:

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

The Franchise Agreement provides for termination upon bankruptcy. This provision may not be enforceable under federal bankruptcy law (11 U.S.C.A. § 101, et seq.).

The Franchise Agreement contains a covenant not to compete which extends beyond the termination of the franchise. This provision may not be enforceable under California law.

The Franchise Agreement requires application of the laws of Massachusetts. This provision may not be enforceable under California law.

You must sign a general release if you renew or transfer your franchise. California Corporations Code § 31512 voids a waiver of your rights under the Franchise Investment Law (California Corporations Code § § 31000 through 31516). Business and Professions Code § 20010 voids a waiver of your rights under the Franchise Relations Act (Business and Professions Code § § 20000 through 20043).

8. The Franchise Disclosure Document is amended to include the following:

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.

ILLINOIS DISCLOSURE

In recognition of the requirements of the Illinois Franchise Disclosure Act, Ill. Comp. Stat. §§ 705/1 to 705/44 the Franchise Disclosure Document for Cosi Franchise Holdings LLC for use in the State of Illinois shall be amended as follows:

Illinois law governs the franchise agreement.

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.

MARYLAND DISCLOSURE

In recognition of the requirements of the Maryland Franchise Registration and Disclosure Law, Md. Code Bus. Reg., §§ 14-201 through 14-233, the Franchise Disclosure Document for Cosi Franchise Holdings LLC for use in the State of Maryland shall be amended as follows:

1. Item 5, "Initial Fees," is amended by the addition of the following language:

   Based upon our financial condition, the Maryland Securities Commissioner has required a financial assurance. Therefore, all initial fees and payments owed by franchisees will be deferred until we complete our pre-opening obligations under the Franchise Agreement. In addition, all development fees and initial payments owed by developers will be deferred until the first Cosi Restaurant under the Area Development Agreement opens.

2. Item 17, "Renewal, Termination, Transfer, and Dispute Resolution," is amended by the addition of the following language:

   The general releases required as a condition of renewal, sale, and/or assignment/transfer will not apply to any liability 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 an action in Maryland for claims arising under the Maryland Franchise Registration and Disclosure Law.

   The Franchise Agreement provides for termination upon bankruptcy. This provision may not be enforceable under federal bankruptcy law (11 U.S.C. § 101 et seq.).

3. Exhibit J "Franchisee Compliance Certification," is be amended by the addition of the following at the end of Exhibit J:

   The representations under this Franchisee Compliance Certification are not intended, nor shall they act as a release, estoppel or waiver of any liability incurred under the Maryland Franchise Registration and Disclosure Law.

<u>MICHIGAN DISCLOSURE</u>

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 PROVISIONS 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 FRANCHISED 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:

14. THE FAILURE OF THE PROPOSED FRANCHISEE TO MEET THE FRANCHISOR'S THEN CURRENT REASONABLE QUALIFICATIONS OR STANDARDS.

15. THE FACT THAT THE PROPOSED TRANSFEREE IS A COMPETITOR OF THE FRANCHISOR OR SUBFRANCHISOR.

16. THE UNWILLINGNESS OF THE PROPOSED TRANSFEREE TO AGREE IN WRITING TO COMPLY WITH ALL LAWFUL OBLIGATIONS.

17. THE FAILURE OF THE FRANCHISEE OR PROPOSED TRANSFEREE TO PAY ANY SUMS OWING TO THE FRANCHISOR OR TO CURE ANY DEFAULT IN THE FRANCHISE AGREEMENT EXISTING AT THE TIME OF THE PROPOSED TRANSFER.

H. A PROVISION THAT REQUIRES THE FRANCHISEE TO RESELL TO THE FRANCHISOR ITEMS THAT ARE NOT UNIQUELY IDENTIFIED WITH THE FRANCHISOR. THIS SUBDIVISION DOES NOT PROHIBIT A PROVISION THAT GRANTS TO A FRANCHISOR A RIGHT OF FIRST REFUSAL TO PURCHASE THE ASSETS OF A FRANCHISE ON THE SAME TERMS AND CONDITIONS AS A BONA FIDE THIRD PARTY WILLING AND ABLE TO PURCHASE THOSE ASSETS, NOR DOES THIS SUBDIVISION PROHIBIT A PROVISION THAT GRANTS THE FRANCHISOR THE RIGHT TO ACQUIRE THE ASSETS OF A FRANCHISE FOR THE MARKET OR APPRAISED VALUE OF SUCH ASSETS IF THE FRANCHISEE HAS BREACHED THE LAWFUL PROVISIONS OF THE FRANCHISE AGREEMENT AND HAS FAILED TO CURE THE BREACH IN THE MANNER PROVIDED IN SUBDIVISION (C).

I. A PROVISION WHICH PERMITS THE FRANCHISOR TO DIRECTLY OR INDIRECTLY CONVEY, ASSIGN, OR OTHERWISE TRANSFER ITS OBLIGATIONS TO FULFILL CONTRACTUAL OBLIGATIONS TO THE FRANCHISEE UNLESS PROVISION HAS BEEN MADE FOR PROVIDING THE REQUIRED CONTRACTUAL SERVICES.

*   *   *   *

THE FACT THAT THERE IS A NOTICE OF THIS OFFERING ON FILE WITH THE ATTORNEY GENERAL DOES NOT CONSTITUTE APPROVAL, RECOMMENDATION, OR ENDORSEMENT BY THE ATTORNEY GENERAL.

*   *   *   *

IF THE FRANCHISOR'S MOST RECENT FINANCIAL STATEMENTS ARE UNAUDITED AND SHOW A NET WORTH OF LESS THAN $100,000.00, THE FRANCHISOR MUST, AT THE REQUEST OF THE FRANCHISEE, ARRANGE FOR THE ESCROW OF INITIAL INVESTMENT AND OTHER FUNDS PAID BY THE FRANCHISEE UNTIL THE OBLIGATIONS TO PROVIDE REAL ESTATE, IMPROVEMENTS, EQUIPMENT, INVENTORY, TRAINING, OR OTHER ITEMS INCLUDED IN THE FRANCHISE OFFERING ARE FULFILLED. AT THE OPTION OF THE FRANCHISOR, A SURETY BOND MAY BE PROVIDED IN PLACE OF ESCROW.

*   *   *   *

THE NAME AND ADDRESS OF THE FRANCHISOR'S AGENT IN THIS STATE AUTHORIZED TO RECEIVE SERVICE OF PROCESS IS: DEPT. OF ENERGY, LABOR, & ECONOMIC GROWTH, CORPORATIONS DIVISION, P.O. BOX 30054, LANSING, MICHIGAN 48909; 7150 HARRIS DRIVE, LANSING, MICHIGAN 48909.

ANY QUESTIONS REGARDING THIS NOTICE SHOULD BE DIRECTED TO:

DEPARTMENT OF THE ATTORNEY GENERAL'S OFFICE
CONSUMER PROTECTION DIVISION
ATTN: FRANCHISE SECTION
525 W. OTTAWA ST., FIRST FLOOR
LANSING, MICHIGAN 48913
(517) 373-7117

THIS ADDENDUM WILL APPLY ONLY IF THE MICHIGAN FRANCHISE INVESTMENT LAW WOULD APPLY INDEPENDENTLY WITHOUT REFERRING TO THIS ADDENDUM.

MINNESOTA DISCLOSURE

In recognition of the requirements of the Minnesota Franchises Law, Minn. Stat. §§ 80C.01 through 80C.22, and of the Rules and Regulations promulgated thereunder by the Minnesota Commissioner of Commerce, Minn. Rules §§ 2860.0100 through 2860.9930, the Franchise Disclosure Document for Cosi Franchise Holdings LLC for use in the State of Minnesota shall be amended to include the following:

1. Item 13, "Trademarks," shall be amended by the addition of the following paragraph at the end of the item:

> Pursuant to Minnesota Stat. Sec. 80C.12, Subd. 1(g), we are required to protect any rights which you have to use our proprietary marks.

2. Item 17, "Renewal, Termination, Transfer and Dispute Resolution," shall be amended by the addition of the following paragraphs:

> With respect to franchisees governed by Minnesota law, we will comply with Minn. Stat. Sec. 80C.14, Subds. 3, 4, and 5 which require, except in certain specified cases, that a franchisee be given 90 days notice of termination (with 60 days to cure) and 180 days notice of non-renewal of the Franchise Agreement, and that consent to the transfer of the franchise not be unreasonably withheld.
>
> Pursuant to Minn. Rule 2860.4400D, any general release of claims that you or a transferor may have against us or our shareholders, directors, employees and agents, including without limitation claims arising under federal, state, and local laws and regulations shall exclude claims you or a transferor may have under the Minnesota Franchise Law and the Rules and Regulations promulgated thereunder by the Commissioner of Commerce.
>
> Minn. Stat. §80C.21 and Minn. Rule 2860.4400J prohibit us from requiring litigation to be conducted outside Minnesota. In addition, nothing in the Disclosure Document or agreement can abrogate or reduce any of your rights as provided for in Minnesota Statutes, Chapter 80C, or your rights to any procedure, forum, or remedies provided for by the laws of the jurisdiction.
>
> The Limitations of Claims section must comply with Minnesota Statutes, Section 80C.17, Subd. 5.

3. Each provision of this addendum shall be effective only to the extent, with respect to such provision, that the jurisdictional requirements of the Minnesota Franchises Law or the Rules and Regulations promulgated thereunder by the Minnesota Commission of Commerce are met independently without reference to this addendum to the Disclosure Document.

NEW YORK DISCLOSURE

1. 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 D 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, BUREAU OF INVESTOR PROTECTION AND SECURITIES, 28 LIBERTY STREET, 21ST FLOOR, NEW YORK, NY 10005.

   THE FRANCHISOR MAY, IF IT CHOOSES, NEGOTIATE WITH YOU ABOUT ITEMS COVERED IN THE FRANCHISE DISCLOSURE DOCUMENT. HOWEVER, THE FRANCHISOR CANNOT USE THE NEGOTIATING PROCESS TO PREVAIL UPON A PROSPECTIVE FRANCHISEE TO ACCEPT TERMS WHICH ARE LESS FAVORABLE THAN THOSE SET FORTH IN THIS FRANCHISE DISCLOSURE DOCUMENT.

2. The following is added at the end of Item 3:

   Except as provided above, with regard to the franchisor, its predecessor, a person identified in Item 2, or an affiliate offering franchises under the franchisor's principal trademark:

   A. No such party has an administrative, criminal or civil action pending against that person alleging: a felony, a violation of a franchise, antitrust, or securities law, fraud, embezzlement, fraudulent conversion, misappropriation of property, unfair or deceptive practices, or comparable civil or misdemeanor allegations.

   B. No such party has pending actions, other than routine litigation incidental to the business, which are significant in the context of the number of franchisees and the size, nature or financial condition of the franchise system or its business operations.

   C. No such party has been convicted of a felony or pleaded nolo contendere to a felony charge or, within the 10-year period immediately preceding the application for registration, has been convicted of or pleaded nolo contendere to a misdemeanor charge or has been the subject of a civil action alleging: violation of a franchise, antifraud, or securities law; fraud; embezzlement; fraudulent conversion or misappropriation of property; or unfair or deceptive practices or comparable allegations.

D. No such party is subject to a currently effective injunctive or restrictive order or decree relating to the franchise, or under a Federal, State, or Canadian franchise, securities, antitrust, trade regulation or trade practice law, resulting from a concluded or pending action or proceeding brought by a public agency; or is subject to any currently effective order of any national securities association or national securities exchange, as defined in the Securities and Exchange Act of 1934, suspending or expelling such person from membership in such association or exchange; or is subject to a currently effective injunctive or restrictive order relating to any other business activity as a result of an action brought by a public agency or department, including, without limitation, actions affecting a license as a real estate broker or sales agent.

3. The following is added to the end of Item 4:

Neither the franchisor, its affiliate, its predecessor, officers, or general partner during the 10-year period immediately before the date of the offering circular: (a) filed as debtor (or had filed against it) a petition to start an action under the U.S. Bankruptcy Code; (b) obtained a discharge of its debts under the bankruptcy code; or (c) was a principal officer of a company or a general partner in a partnership that either filed as a debtor (or had filed against it) a petition to start an action under the U.S. Bankruptcy Code or that obtained a discharge of its debts under the U.S. Bankruptcy Code during or within 1 year after that officer or general partner of the franchisor held this position in the company or partnership.

4. The following is added to the end of Item 5:

The initial franchise fee constitutes part of our general operating funds and will be used as such in our discretion.

5. The following is added to the end of the "Summary" sections of Item 17(c), titled "Requirements for franchisee to renew or extend," and Item 17(m), entitled "Conditions for franchisor approval of transfer":

However, to the extent required by applicable law, all rights you enjoy and any causes of action arising in your favor from the provisions of Article 33 of the General Business Law of the State of New York and the regulations issued thereunder shall remain in force; it being the intent of this proviso that the non-waiver provisions of General Business Law Sections 687.4 and 687.5 be satisfied.

6. The following language replaces the "Summary" section of Item 17(d), titled "Termination by franchisee":

You may terminate the agreement on any grounds available by law.

7. The following is added to the end of the "Summary" section of Item 17(j), titled "Assignment of contract by franchisor":

However, no assignment will be made except to an assignee who in good faith and judgment of the franchisor, is willing and financially able to assume the franchisor's obligations under the Franchise Agreement.

8. The following is added to the end of the "Summary" sections of Item 17(v), titled "Choice of forum", and Item 17(w), titled "Choice of law":

The foregoing choice of law should not be considered a waiver of any right conferred upon the franchisor or upon the franchisee by Article 33 of the General Business Law of the State of New York.

9. This addendum will apply only if the New York Franchise Law (N.Y. General Business Law, Article 33) would apply independently without referring to this addendum.

STATEMENT OF DISCLOSURE DOCUMENT ACCURACY

THE FRANCHISOR REPRESENTS THAT THIS DISCLOSURE DOCUMENT DOES NOT KNOWINGLY OMIT ANY MATERIAL FACT OR CONTAIN ANY UNTRUE STATEMENT OF A MATERIAL FACT.

RHODE ISLAND DISCLOSURE

In recognition of the requirements of the Rhode Island Franchise Investment Act, §§ 19-28.1-1 through 19-28.1-34 the Franchise Disclosure Document for Cosi Franchise Holdings LLC for use in the State of Rhode Island shall be amended to include the following:

1. Item 17, "Renewal, Termination, Transfer and Dispute Resolution," shall be amended by the addition of the following:

> § 19-28.1-14 of the Rhode Island Franchise Investment Act provides that "A provision in a franchise agreement restricting jurisdiction or venue to a forum outside this state or requiring the application of the laws of another state is void with respect to a claim otherwise enforceable under this Act."

2. This addendum to the Disclosure Document shall be effective only to the extent, with respect to such provision, that the jurisdictional requirements of the Rhode Island Franchise Investment Act, §§ 19-28.1-1 through 19-28.1-34, are met independently without reference to this addendum to the Disclosure Document.

WASHINGTON DISCLOSURE

In recognition of the requirements of the Washington Franchise Investment Protection Act, Wash. Rev. Code §§ 19.100.180, the Disclosure Document for Cosi Franchise Holdings LLC in connection with the offer and sale of franchises for use in the State of Washington shall be amended to include the following:

1. Item 5, "Initial Fees," shall be amended by the addition of the following paragraphs at the conclusion of the Item:

Based upon the review of our audited financial statements (attached as Exhibit H), by the State of Washington, Department of Financial Institutions, Securities Division (the "Division"), the Division has required that we defer the payment of: (1) the Area Development Fee attributed to each Cosi Restaurant you agree to develop until that Cosi Restaurant opens for business; and (2) the Initial Franchise Fee for each Cosi Restaurant until the relevant Cosi Restaurant opens for business. Upon the opening of each Cosi Restaurant that you develop under an Area Development Agreement, you will pay the Area Development Fee attributed to that Cosi Restaurant. Under the opening of each Cosi Restaurant under a Franchise Agreement, you will pay the Initial Franchise Fee.

2. Item 17, "Renewal, Termination, Transfer and Dispute Resolution," shall be amended by the addition of the following paragraphs at the conclusion of the Item:

The state of Washington has a statute, RCW 19.100.180, which may supersede the franchise agreement in your relationship with the franchisor including the areas of termination and renewal of your franchise. There may also be court decisions which may supersede the franchise agreement in your relationship with the franchisor including the areas of termination and renewal of your franchise.

In the event of a conflict of laws, the provisions of the Washington Franchise Investment Protection Act, Chapter 19.100 RCW shall prevail.

A release or waiver of rights executed by a franchisee shall not include rights under the Washington Franchise Investment Protection 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 the franchisor's reasonable estimated or actual costs in effecting a transfer.

You have the right to terminate the Franchise Agreement and Area Development Agreement upon any grounds permitted by law.

3. Each provision of this addendum to the disclosure document shall be effective only to the extent, with respect to such provision, that the jurisdictional requirements of the Washington Franchise Investment Protection Act, Wash. Rev. Code §§ 19.100.180, are met independently without reference to this addendum to the disclosure document.

COSI FRANCHISE HOLDINGS LLC

STATE-SPECIFIC AGREEMENT AMENDMENTS

1. Illinois
2. Maryland
3. Minnesota
4. New York
5. Rhode Island
6. Washington

ILLINOIS AMENDMENT TO THE FRANCHISE AGREEMENT

In recognition of the requirements of the Illinois Franchise Disclosure Act, Ill. Comp. Stat. §§ 705/1 to 705/44, the parties to the attached Cosi Franchise Holdings LLC Franchise Agreement (the "Agreement") agree as follows:

1. Section 2 of the Agreement, under the heading "Term and Renewal," shall be supplemented by the addition of the following new paragraph 2.3, which shall be considered an integral part of the Agreement:

> 2.3 If any of the provisions of this Section 2 are inconsistent with Section 20 of the Illinois Franchise Disclosure Act, the provisions of the Act shall apply. If Franchisor refuses to renew this Agreement, Franchisor shall compensate Franchisee if (and to the extent) such compensation is required under Section 20 of the Illinois Franchise Disclosure Act.

2. Section 16 of the Agreement, under the heading "Default and Termination," shall be supplemented by the addition of the following new paragraph 16.5, which shall be considered an integral part of the Agreement:

> 16.5 If any of the provisions of this Section 16 concerning termination are inconsistent with Section 19 of the Illinois Franchise Disclosure Act, then said Illinois law shall apply.

3. Section 27.1 of the Agreement, under the heading "Governing Law," shall be deleted in their entirety, and shall have no force or effect; and the following paragraph shall be substituted in lieu thereof:

> 27.1 *Governing Law* This Agreement takes effect upon its acceptance and execution by Franchisor, and shall be interpreted and construed under the laws of Illinois; provided, however, that nothing in this Section 27.1 is intended by the parties to subject this Agreement to any franchise or similar law, rule, or regulation of any state to which it would not otherwise be subject.

4. Section 27.3 of the Agreement, under the heading "Litigation," shall be amended by the addition of the following:

> Section 4 of the Illinois Franchise Disclosure Act provides that any provision in a franchise agreement that designates jurisdiction or venue outside of the State of Illinois is void. However, a franchise agreement may provide for arbitration in a venue outside of Illinois.

5. Sections 27.5 and 27.6 of the Agreement, under the headings "Waiver of Jury Trial" and Period for Claims," shall be deleted in their entirety, and shall have no force or effect; and the following new paragraphs shall be substituted in lieu thereof:

> 27.5 ***Waiver of Jury Trial*. FRANCHISOR AND FRANCHISEE IRREVOCABLY WAIVE TRIAL BY JURY IN ANY ACTION, PROCEEDING, OR COUNTERCLAIM, WHETHER AT**

LAW OR IN EQUITY, BROUGHT BY EITHER OF THEM AGAINST THE OTHER, EXCEPT WITH RESPECT TO CLAIMS ARISING UNDER THE ILLINOIS FRANCHISE DISCLOSURE ACT.

27.6 *Period for Claims*. Any and all claims and actions arising out of or relating to this Agreement, the relationship of Franchisee and Franchisor, or Franchisee's operation of the Franchised Restaurant, brought by either party hereto against the other, whether in mediation, or a legal action, shall be commenced within two (2) years from the occurrence of the facts giving rise to such claim or action, or such claim or action shall be barred, except with respect to claims arising under the Illinois Franchise Disclosure Act.

6. Section 27 of the Agreement, under the heading "Applicable Law and Dispute Resolution," shall be supplemented by the addition of the following new Section 27.9, which shall be considered an integral part of the Agreement:

27.9 Section 41 of the Illinois Franchise Disclosure Act provides that any condition, stipulation, or provision purporting to bind any person acquiring any franchise to waive compliance with any provision of the Illinois Franchise Disclosure Act or any other Illinois law is void.

7. Section 25.1 of the Agreement, under the heading "Entire Agreement," shall be deleted in its entirety, and shall have no force or effect; and the following new paragraph shall be substituted in lieu thereof:

25.1 *Entire Agreement*. This Agreement, the exhibits, and the documents referred to in this Agreement constitute the entire, full, and complete Agreement between Franchisor and Franchisee concerning the subject matter hereof, and supercede all any prior understandings or agreements reached, or any representations made, before this Agreement. The parties confirm (a) they were not induced by (nor did they rely upon) any other representation other than the words of this Agreement (and Franchisor's Franchise Disclosure Document provided to Franchisee by Franchisor in accordance with the Federal Trade Commission's Trade Regulation Rule Concerning Franchising and Business Opportunity Ventures, the "**FDD**") before deciding whether to sign this Agreement, and (b) they relied only on the words printed in this Agreement and any exhibits to this Agreement in reaching the decision of whether to enter into this Agreement. However, and notwithstanding the foregoing, nothing in this Agreement is intended, or shall be interpreted, to disclaim any representations made by Franchisor in its FDD that Franchisor provided to Franchisee.

8. Each provision of this amendment 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 this amendment.

[SIGNATURE PAGE FOLLOWS]

IN WITNESS WHEREOF, the parties hereto have duly executed, sealed and delivered this Illinois amendment to the Franchise Agreement on the same date as the Franchise Agreement was executed.

COSI FRANCHISE HOLDINGS LLC Franchisor	________________________________ Franchisee
By:______________________________	By:______________________________
Name:____________________________	Name:____________________________
Title:_____________________________	Title:_____________________________

ILLINOIS AMENDMENT TO THE AREA DEVELOPMENT AGREEMENT

In recognition of the requirements of the Illinois Franchise Disclosure Act, Ill. Comp. Stat. §§ 705/1 to 705/44, the parties to the attached Cosi Franchise Holdings LLC Area Development Agreement (the "Agreement") agree as follows:

1. Section 2 of the Agreement, under the heading "Term," shall be supplemented by the addition of the following new paragraph, which shall be considered an integral part of the Agreement:

If any of the provisions of this Section 2 are inconsistent with Section 20 of the Illinois Franchise Disclosure Act, the provisions of the Act shall apply. If Franchisor refuses to renew this Agreement, Franchisor shall compensate Developer if (and to the extent) such compensation is required under Section 20 of the Illinois Franchise Disclosure Act.

2. Section 6 of the Agreement, under the heading "Default and Termination," shall be supplemented by the addition of the following new paragraph 6.7, which shall be considered an integral part of the Agreement:

6.7 If any of the provisions of this Section 6 concerning termination are inconsistent with Section 19 of the Illinois Franchise Disclosure Act, then said Illinois law shall apply.

3. Section 16.1 of the Agreement, under the heading "Governing Law," shall be deleted in its entirety, and shall have no force or effect; and the following new paragraph shall be substituted in lieu thereof:

16.1 *Governing Law* This Agreement takes effect upon its acceptance and execution by Franchisor, and shall be interpreted and construed under the laws of the State of Illinois; provided, however, that nothing in this Section 16.1 is intended by the parties to subject this Agreement to any franchise or similar law, rule, or regulation of any state to which it would not otherwise be subject.

4. Section 16.3 of the Agreement, under the heading "Litigation," shall be amended by the addition of the following:

Section 4 of the Illinois Franchise Disclosure Act provides that any provision in a franchise agreement that designates jurisdiction or venue outside of the State of Illinois is void. However, a franchise agreement may provide for arbitration in a venue outside of Illinois.

5. Sections 16.5 and 16.6 of the Agreement, under the headings "Waiver of Jury Trial" and Period for Claims," shall be deleted in their entirety, and shall have no force or effect; and the following new paragraphs shall be substituted in lieu thereof:

16.5 ***WAIVER OF JURY TRIAL*. FRANCHISOR AND FRANCHISEE IRREVOCABLY WAIVE TRIAL BY JURY IN ANY ACTION, PROCEEDING, OR COUNTERCLAIM, WHETHER AT**

LAW OR IN EQUITY, BROUGHT BY EITHER OF THEM AGAINST THE OTHER, EXCEPT WITH RESPECT TO CLAIMS ARISING UNDER THE ILLINOIS FRANCHISE DISCLOSURE ACT.

16.6 *Period for Claims*. Any and all claims and actions arising out of or relating to this Agreement, the relationship of Franchisee and Franchisor, or Franchisee's operation of the Franchised Restaurant, brought by either party hereto against the other, whether in mediation, or a legal action, shall be commenced within two (2) years from the occurrence of the facts giving rise to such claim or action, or such claim or action shall be barred, except with respect to claims arising under the Illinois Franchise Disclosure Act.

6. Section 16 of the Agreement, under the heading "Applicable Law and Dispute Resolution," shall be supplemented by the addition of the following new Section 16.9, which shall be considered an integral part of the Agreement:

16.9 Section 41 of the Illinois Franchise Disclosure Act provides that any condition, stipulation, or provision purporting to bind any person acquiring any franchise to waive compliance with any provision of the Illinois Franchise Disclosure Act or any other Illinois law is void.

7. Section 15.1 of the Agreement, under the heading "Entire Agreement," shall be deleted in its entirety, and shall have no force or effect; and the following new paragraph shall be substituted in lieu thereof:

15.1 *Entire Agreement*. This Agreement, the exhibits, and the documents referred to in this Agreement constitute the entire, full, and complete Agreement between Franchisor and Developer concerning the subject matter hereof, and supercede all any prior understandings or agreements reached, or any representations made, before this Agreement. The parties confirm (a) they were not induced by (nor did they rely upon) any other representation other than the words of this Agreement (and Franchisor's Franchise Disclosure Document provided to Franchisee by Franchisor in accordance with the Federal Trade Commission's Trade Regulation Rule Concerning Franchising and Business Opportunity Ventures, the "**FDD**") before deciding whether to sign this Agreement, and (b) they relied only on the words printed in this Agreement and any exhibits to this Agreement in reaching the decision of whether to enter into this Agreement. However, and notwithstanding the foregoing, nothing in this Agreement is intended, or shall be interpreted, to disclaim any representations made by Franchisor in its FDD that Franchisor provided to Developer.

8. Each provision of this amendment 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 this amendment.

[SIGNATURE PAGE FOLLOWS]

IN WITNESS WHEREOF, the parties hereto have duly executed, sealed and delivered this Illinois amendment to the Area Development Agreement on the same date as the Area Development Agreement was executed.

COSI FRANCHISE HOLDINGS LLC	______________________________
Franchisor	Developer
By:______________________________	By:______________________________
Name:____________________________	Name:____________________________
Title:_____________________________	Title:_____________________________

MARYLAND AMENDMENT TO THE FRANCHISE AGREEMENT

In recognition of the requirements of the Maryland Franchise Registration and Disclosure Law, the parties to the attached Cosi Franchise Holdings LLC Franchise Agreement (the "Agreement") agree as follows:

1. Sections 2.2.4 and 15.3.3 of the Agreement are amended by the addition of the following language:

   The general releases required as a condition of renewal, sale, and/or assignment/transfer shall not apply to any liability under the Maryland Franchise Registration and Disclosure Law.

2. Section 4.1 of the Agreement is amended by the addition of the following language:

   Payment of the Franchise Fee and any other pre-opening payments will be deferred until Franchisor has completed its pre-opening obligations under this Agreement, and Franchisee has begun to operate the Franchised Restaurant. This financial assurance requirement was imposed by the Maryland Securities Division due to Franchisor's financial condition. At the time Franchisee begins operating the Franchised Restaurant, the deferred amount(s) will be due to Franchisor.

3. Section 27.3 of the Agreement is amended by the addition of the following language:

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

4. Section 27.6 of the Agreement is amended by the addition of the following language:

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

5. Section 28 of the Agreement is amended by the addition of the following language:

   All representations requiring prospective franchisees to assent to a release, estoppel or waiver of liability are not intended to nor shall they act as a release, estoppel or waiver of any liability incurred under the Maryland Franchise Registration and Disclosure Law.

   The Franchisee Compliance Certification is not intended to, and shall not act, as a release, estoppel or waiver of any liability under the Maryland Franchise Registration and Disclosure Law.

6. Any capitalized term that is not defined in this Amendment shall have the meaning given it in the Franchise Agreement.

7. Except as expressly modified by this Amendment, the Franchise Agreement remains unmodified and in full force and effect.

IN WITNESS WHEREOF, the parties hereto have duly executed and delivered this Maryland amendment to the Franchise Agreement on the same date as the Franchise Agreement was executed.

COSI FRANCHISE HOLDINGS LLC Franchisor	____________________________ Franchisee
By:________________________	By:________________________
Name:______________________	Name:______________________
Title:______________________	Title:______________________

MARYLAND AMENDMENT TO THE AREA DEVELOPMENT AGREEMENT

In recognition of the requirements of the Maryland Franchise Registration and Disclosure Law, the parties to the attached Cosi Franchise Holdings LLC Area Development Agreement (the "Agreement") agree as follows:

1. Section 4.1 of the Agreement is amended by the addition of the following language:

Payment of the all Area Development Fees and any other initial payments under this Agreement will be deferred until Franchisor has completed its pre-opening obligations under this Agreement, and Area Developer opens its first Franchised Restaurant under this Agreement. This financial assurance requirement was imposed by the Maryland Securities Division due to Franchisor's financial condition. At the time Area Developer begins operating its first Franchised Restaurant, the deferred amount(s) will be due to Franchisor.

2. Section 16.3 of the Agreement is amended by the addition of the following language:

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

3. Section 16.6 of the Agreement is amended by the addition of the following language:

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

4. Section 17 of the Agreement is amended by the addition of the following language:

All representations requiring prospective franchisees to assent to a release, estoppel or waiver of liability are not intended to nor shall they act as a release, estoppel or waiver of any liability incurred under the Maryland Franchise Registration and Disclosure Law.

5. Any capitalized term that is not defined in this Amendment shall have the meaning given it in the Franchise Agreement.

6. Except as expressly modified by this Amendment, the Area Development Agreement remains unmodified and in full force and effect.

IN WITNESS WHEREOF, the parties hereto have duly executed and delivered this Maryland amendment to the Area Development Agreement on the same date as the Area Development Agreement was executed.

COSI FRANCHISE HOLDINGS LLC Franchisor	________________________________ Developer
By:______________________________	By:______________________________
Name:____________________________	Name:____________________________
Title:____________________________	Title:____________________________

MINNESOTA AMENDMENT TO THE FRANCHISE AGREEMENT

In recognition of the requirements of the Minnesota Franchises Law, Minn. Stat. §§ 80C.01 through 80C.22, and of the Rules and Regulations promulgated thereunder by the Minnesota Commissioner of Commerce, Minn. Rules §§ 2860.0100 through 2860.9930, the parties to the attached Cosi Franchise Holdings LLC Franchise Agreement (the "Agreement") agree as follows:

1. Section 2.2.4 of the Agreement, under the heading "Term and Renewal," shall be deleted in its entirety and shall have no force or effect, and the following paragraph shall be inserted in lieu thereof:

> 2.2.4 Franchisee and Franchisor shall execute a mutual general release, in a form prescribed by Franchisor, of any and all claims against Franchisor and its affiliates, and their respective officers, directors, agents, and employees; excluding only such claims as Franchisee may have that have arisen under the Minnesota Franchises Law and the Rules and Regulations promulgated thereunder by the Minnesota Commissioner of Commerce.

2. Section 2 of the Agreement, under the heading "Term and Renewal," shall be supplemented by the addition of the following new paragraph:

> 2.3 Minnesota law provides franchisees with certain non-renewal rights. In sum, Minn. Stat. § 80C.14 (subd. 4) currently requires, except in certain specified cases, that a franchisee be given 180 days notice of non-renewal of the Franchise Agreement.

3. Section 9 of the Agreement, under the heading "Proprietary Marks," shall be amended by the addition of the following new paragraph 9.5:

> 9.5 Pursuant to Minnesota Stat. Sec. 80C.12, Subd. 1(g), Franchisor is required to protect any rights Franchisee may have to Franchisor's Proprietary Marks.

4. Section 15.3.3 of the Agreement, under the heading "Transfer of Interest," shall be deleted in its entirety and shall have no force or effect, and the following paragraph shall be inserted in lieu thereof:

> 15.3.3 Each transferor (and, if the transferor is other than an individual, the transferor and such owners of beneficial interest in the transferor as Franchisor may request) shall have executed a general release in a form satisfactory to Franchisor of any and all claims against Franchisor and its affiliates and their respective officers, directors, agents, and employees; excluding only such claims as the transferor may have under the Minnesota Franchises Law and the Rules and Regulations promulgated thereunder by the Minnesota Commissioner of Commerce.

5. Section 15 of the Agreement, under the heading "Transfer of Interest," shall be supplemented by the addition of the following new paragraph 15.15:

> 15.15 Minnesota law provides franchisees with certain transfer rights. In sum, Minn. Stat. §80C.14 (subd. 5) currently requires that consent to the transfer of the franchise may not be unreasonably withheld.

6. Section 16 of the Agreement, under the heading "Default and Termination," shall be supplemented by the following new paragraph 16.5:

> 16.5 Minnesota law provides franchisees with certain termination rights. In sum, Minn. Stat. § 80C.14 (subd. 3) currently requires, except in certain specified cases, that a franchisee be given 90 days notice of termination (with 60 days to cure) of the Franchise Agreement.

7. Section 27.6 of the Agreement, under the heading "Applicable Law and Dispute Resolution," shall be supplemented by the following:

> This Section 27.6 shall be subject to Minnesota Stat. Sec. 80C.17, Subd. 5, which provides that no action may be commenced pursuant to Minnesota Franchises Law more than three years after the cause of action accrues.

8. Section 27.8 of the Agreement, under the heading "Applicable Law and Dispute Resolution," shall be deleted in its entirety and shall have no force or effect; and the following paragraph shall be substituted in lieu thereof:

> 27.8 *Injunctive Relief.* Nothing herein contained shall bar the right of Franchisor to seek injunctive relief against threatened conduct that will cause it loss or damages, including violations of the terms of Sections 9, 10, 11, 15, and 18 under the usual equity rules, including the applicable rules for obtaining restraining orders and preliminary injunctions.

9. Section 27 of the Agreement, under the heading "Applicable Law and Dispute Resolution", shall be supplemented by the following new paragraph 27.9, which shall be considered an integral part of the Agreement:

> 27.9 Minn. Stat. §80C.21 and Minn. Rule 2860.4400J prohibit us from requiring litigation to be conducted outside Minnesota. In addition, nothing in the Disclosure Document or agreement can abrogate or reduce any of your rights as provided for in Minnesota Statutes, Chapter 80C, or your rights to any procedure, forum, or remedies provided for by the laws of the jurisdiction.

10. Each provision of this Agreement shall be effective only to the extent, with respect to such provision, that the jurisdictional requirements of the Minnesota Franchises Law or the Rules and Regulations promulgated thereunder by the Minnesota Commissioner of Commerce are met independently without reference to this addendum to the Agreement.

[SIGNATURE PAGE FOLLOWS]

IN WITNESS WHEREOF, the parties hereto have duly executed, and delivered this Minnesota amendment to the Franchise Agreement on the same date as the Franchise Agreement was executed.

COSI FRANCHISE HOLDINGS LLC	____________________________________
Franchisor	Franchisee
By:_________________________________	By:_________________________________
Name:_______________________________	Name:_______________________________
Title:________________________________	Title:________________________________

MINNESOTA AMENDMENT TO THE AREA DEVELOPMENT AGREEMENT

In recognition of the requirements of the Minnesota Franchises Law, Minn. Stat. §§ 80C.01 through 80C.22, and of the Rules and Regulations promulgated thereunder by the Minnesota Commissioner of Commerce, Minn. Rules §§ 2860.0100 through 2860.9930, the parties to the attached Cosi Franchise Holdings LLC Area Development Agreement (the "Agreement") agree as follows:

1. Section 2 of the Agreement, under the heading "Term," shall be supplemented by the addition of the following new paragraph:

> Minnesota law provides franchisees with certain non-renewal rights. In sum, Minn. Stat. § 80C.14 (subd. 4) currently requires, except in certain specified cases, that a franchisee be given 180 days notice of non-renewal of the Franchise Agreement.

2. Section 6 of the Agreement, under the heading "Default and Termination," shall be supplemented by the following new paragraph 6.7:

> 6.7 Minnesota law provides franchisees with certain termination rights. In sum, Minn. Stat. § 80C.14 (subd. 3) currently requires, except in certain specified cases, that a franchisee be given 90 days notice of termination (with 60 days to cure) of the Franchise Agreement.

3. Section 7 of the Agreement, under the heading "Transfer of Interest," shall be supple3ented by the addition of the following new paragraph 7.6:

> 7.6 Minnesota law provides franchisees with certain transfer rights. In sum, Minn. Stat. §80C.14 (subd. 5) currently requires that consent to the transfer of the franchise may not be unreasonably withheld.

4. Section 16.6 of the Agreement, under the heading "Applicable Law and Dispute Resolution," shall be supplemented by the following:

> This Section 27.6 shall be subject to Minnesota Stat. Sec. 80C.17, Subd. 5, which provides that no action may be commenced pursuant to the Minnesota Franchises Law more than three years after the cause of action accrues.

5. Section 16.8 of the Agreement, under the heading "Applicable Law and Dispute Resolution," shall be deleted in its entirety and shall have no force or effect; and the following paragraph shall be substituted in lieu thereof:

> 16.8 *Injunctive Relief*. Nothing herein contained shall bar the right of Franchisor to seek injunctive relief against threatened conduct that will cause it loss or damages under the usual equity rules, including the applicable rules for obtaining restraining orders and preliminary injunctions.

6. Section 16.9 of the Agreement, under the heading "Applicable Law and Dispute Resolution", shall be supplemented by the following paragraph 16.8, which shall be considered an integral part of the Agreement:

16.9 Minn. Stat. §80C.21 and Minn. Rule 2860.4400J prohibit us from requiring litigation to be conducted outside Minnesota. In addition, nothing in the Disclosure Document or agreement can abrogate or reduce any of your rights as provided for in Minnesota Statutes, Chapter 80C, or your rights to any procedure, forum, or remedies provided for by the laws of the jurisdiction.

7. Each provision of this Agreement shall be effective only to the extent, with respect to such provision, that the jurisdictional requirements of the Minnesota Franchises Law or the Rules and Regulations promulgated thereunder by the Minnesota Commissioner of Commerce are met independently without reference to this addendum to the Agreement.

8. Franchisor reserves the right to challenge the applicability of any law that declares provisions in the Agreement void or unenforceable.].

IN WITNESS WHEREOF, the parties hereto have duly executed, and delivered this Minnesota amendment to the Area Development Agreement on the same date as the Area Development Agreement was executed.

COSI FRANCHISE HOLDINGS LLC	____________________________
Franchisor	Area Developer
By:________________________	By:________________________
Name:______________________	Name:______________________
Title:______________________	Title:______________________

NEW YORK AMENDMENT TO FRANCHISE AGREEMENT

In recognition of the requirements of the New York General Business Law, Article 33, Sections 680 through 695, and of the regulations promulgated thereunder (N.Y. Comp. Code R. & Regs., tit. 13, §§ 200.1 through 201.16), the parties to the attached Cosi Franchise Holdings LLC Franchise Agreement (the "Agreement") agree as follows:

1. Section 2.2.4 of the Agreement, under the heading "Term and Renewal," shall be deleted in its entirety, and shall have no force or effect; and the following paragraph shall be substituted in lieu thereof:

> 2.2.4. Franchisee and Franchisor shall execute a mutual general release, in a form prescribed by Franchisor, of any and all claims against Franchisor and its affiliates, and their respective officers, directors, agents, and employees; provided, however, that all rights enjoyed by Franchisee and any causes of action arising in its favor from the provisions of New York General Business Law Sections 680 695 and the regulations issued thereunder, shall remain in force; it being the intent of this provision that the non waiver provisions of N.Y. Gen. Bus. Law Sections 687.4 and 687.5 be satisfied; and

2. Section 15.3.3 of the Agreement, under the heading "Transfer of Interest," shall be deleted in its entirety, and shall have no force or effect; and the following paragraph shall be substituted in lieu thereof:

> 15.3.3 Each transferor (and, if the transferor is other than an individual, the transferor and such owners of beneficial interest in the transferor as Franchisor may request) shall have executed a general release in a form satisfactory to Franchisor of any and all claims against Franchisor and its affiliates and their respective officers, directors, agents, and employees; provided, however, that all rights enjoyed by the transferor and any causes of action arising in its favor from the provisions of New York General Business Law Sections 680 695 and the regulations issued thereunder, shall remain in force; it being the intent of this provision that the non waiver provisions of N.Y. Gen. Bus. Law Sections 687.4 and 687.5 be satisfied;

3. Sections 27.2 and 27.8 of the Agreement, under the heading "Applicable Law and Dispute Resolution," shall be deleted in their entirety, and shall have no force or effect; and the following paragraphs shall be substituted in lieu thereof:

> 27.2 *Non-Binding Mediation*. Before any party may bring an action in court against the other, the parties must first meet to mediate the dispute (except as otherwise provided below). Any such mediation shall be non-binding and shall be conducted by the American Arbitration Association in accordance with its then-current rules for mediation of commercial disputes. Notwithstanding anything to the contrary, this Section 27.2 shall not bar either party from seeking injunctive relief against threatened conduct that will cause it loss or damages, under the usual equity rules, including the applicable rules for obtaining restraining orders and preliminary injunctions, without having to engage in mediation. Mediation hereunder shall be concluded within forty five (45) days of Franchisee's receipt

of the notice specifying the designated mediator or such longer period as may be agreed upon by the parties in writing. All aspects of the mediation process shall be treated as confidential, shall not be disclosed to others, and shall not be offered or admissible in any other proceeding or legal action whatsoever. Franchisor and Franchisee shall each bear its own costs of mediation, and each shall bear one-half the cost of the mediator or mediation service.

27.8 *Injunctive Relief*. Nothing herein contained shall bar the right of Franchisor to seek injunctive relief against threatened conduct that will cause it loss or damages, including violations of the terms of Sections 9, 10, 11, 15, and 18 under the usual equity rules, including the applicable rules for obtaining restraining orders and preliminary injunctions.

5. Section 27 of the Agreement, under the heading "Applicable Law and Dispute Resolution," shall be amended by the addition of the following language:

Nothing in this Agreement should be considered a waiver of any right conferred upon Franchisee by New York General Business Law, Sections 680-695.

6. There are circumstances in which an offering made by Franchisor would not fall within the scope of the New York General Business Law, Article 33, such as when the offer and acceptance occurred outside the state of New York. However, an offer or sale is deemed made in New York if Franchisee is domiciled in or the franchise will be opening in New York. Franchisor is required to furnish a New York prospectus to every prospective Franchisee who is protected under the New York General Business Law, Article 33.

IN WITNESS WHEREOF, the parties hereto have duly executed and delivered this New York amendment to the Franchise Agreement on the same date as the Franchise Agreement was executed.

COSI FRANCHISE HOLDINGS LLC	________________________________
Franchisor	Franchisee
By:______________________________	By:______________________________
Name:____________________________	Name:____________________________
Title:_____________________________	Title:_____________________________

<u>NEW YORK AMENDMENT TO AREA DEVELOPMENT AGREEMENT</u>

In recognition of the requirements of the New York General Business Law, Article 33, Sections 680 through 695, and of the regulations promulgated thereunder (N.Y. Comp. Code R. & Regs., tit. 13, §§ 200.1 through 201.16), the parties to the attached Cosi Franchise Holdings LLC Area Development Agreement (the "Agreement") agree as follows:

1. Sections 16.2 and 16.8 of the Agreement, under the heading "Applicable Law and Dispute Resolution," shall be deleted in their entirety, and shall have no force or effect; and the following paragraphs shall be substituted in lieu thereof

> 16.2 *<u>Non-Binding Mediation</u>*. Before any party may bring an action in court against the other, the parties must first meet to mediate the dispute (except as otherwise provided below). Any such mediation shall be non-binding and shall be conducted by the American Arbitration Association in accordance with its then-current rules for mediation of commercial disputes. Notwithstanding anything to the contrary, this Section 16.2 shall not bar either party from seeking injunctive relief against threatened conduct that will cause it loss or damages, under the usual equity rules, including the applicable rules for obtaining restraining orders and preliminary injunctions, without having to engage in mediation. Mediation hereunder shall be concluded within forty five (45) days of Area Developer's receipt of the notice specifying the designated mediator or such longer period as may be agreed upon by the parties in writing. All aspects of the mediation process shall be treated as confidential, shall not be disclosed to others, and shall not be offered or admissible in any other proceeding or legal action whatsoever. Franchisor and Area Developer shall each bear its own costs of mediation, and each shall bear one-half the cost of the mediator or mediation service.
>
> 16.8 *<u>Injunctive Relief</u>*. Nothing herein contained shall bar the right of Franchisor to seek injunctive relief against threatened conduct that will cause it loss or damages under the usual equity rules, including the applicable rules for obtaining restraining orders and preliminary injunctions.

2. Section 16 of the Agreement, under the heading "Applicable Law and Dispute Resolution," shall be amended by the addition of the following language:

> Nothing in this Agreement should be considered a waiver of any right conferred upon Area Developer by New York General Business Law, Sections 680-695.

3. There are circumstances in which an offering made by Franchisor would not fall within the scope of the New York General Business Law, Article 33, such as when the offer and acceptance occurred outside the state of New York. However, an offer or sale is deemed made in New York if Area Developer is domiciled in or the Area Developer will be opening in New York. Franchisor is required to furnish a New York prospectus to every prospective Area Developer who is protected under the New York General Business Law, Article 33.

IN WITNESS WHEREOF, the parties hereto have duly executed and delivered this New York amendment to the Area Development Agreement on the same date as the Area Development Agreement was executed.

COSI FRANCHISE HOLDINGS LLC Franchisor	________________________________ Area Developer
By:____________________________	By:____________________________
Name:__________________________	Name:__________________________
Title:__________________________	Title:__________________________

RHODE ISLAND AMENDMENT TO THE FRANCHISE AGREEMENT

In recognition of the requirements of the Rhode Island Franchise Investment Act, §§ 19-28.1-1 through 19-28.1-34, the parties to the attached Cosi Franchise Holdings LLC Franchise Agreement (the "Agreement") agree as follows:

1. Section 27 of the Agreement, under the heading "Applicable Law and Dispute Resolution," shall be supplemented by the addition of the following:

> § 19-28.1-14 of the Rhode Island Franchise Investment Act provides that "A provision in a franchise agreement restricting jurisdiction or venue to a forum outside this state or requiring the application of the laws of another state is void with respect to a claim otherwise enforceable under this Act."

2. This amendment shall be effective only to the extent, with respect to such provision, that the jurisdictional requirements of the Rhode Island Franchise Investment Act, §§ 19-28.1-1 through 19-28.1-34, are met independently without reference to this amendment.

IN WITNESS WHEREOF, the parties hereto have duly executed and delivered this Rhode Island amendment to the Franchise Agreement on the same date as the Franchise Agreement was executed.

COSI FRANCHISE HOLDINGS LLC	________________________
Franchisor	Franchisee
By:________________________	By:________________________
Name:______________________	Name:______________________
Title:______________________	Title:______________________

RHODE ISLAND AMENDMENT TO THE AREA DEVELOPMENT AGREEMENT

In recognition of the requirements of the Rhode Island Franchise Investment Act, §§ 19-28.1-1 through 19-28.1-34, the parties to the attached Cosi Franchise Holdings LLC Area Development Agreement (the "Agreement") agree as follows:

1. Section 16 of the Agreement, under the heading "Applicable Law and Dispute Resolution," shall be supplemented by the addition of the following:

> § 19-28.1-14 of the Rhode Island Franchise Investment Act provides that "A provision in a franchise agreement restricting jurisdiction or venue to a forum outside this state or requiring the application of the laws of another state is void with respect to a claim otherwise enforceable under this Act."

2. This amendment shall be effective only to the extent, with respect to such provision, that the jurisdictional requirements of the Rhode Island Franchise Investment Act, §§ 19-28.1-1 through 19-28.1-34, are met independently without reference to this amendment.

IN WITNESS WHEREOF, the parties hereto have duly executed and delivered this Rhode Island amendment to the Area Development Agreement on the same date as the Area Development Agreement was executed.

COSI FRANCHISE HOLDINGS LLC	______________________________
Franchisor	Area Developer
By:____________________________	By:____________________________
Name:__________________________	Name:__________________________
Title:___________________________	Title:___________________________

WASHINGTON AMENDMENT TO THE FRANCHISE AGREEMENT

In recognition of the requirements of the Washington Franchise Investment Protection Act, Wash. Rev. Code §§ 19.100.010 through 19.100.940, the parties to the attached Cosi Franchise Holdings LLC Franchise Agreement agree as follows:

1. The state of Washington has a statute, RCW 19.100.180, which may supersede the franchise agreement in your relationship with the franchisor including the areas of termination and renewal of your franchise. There may also be court decisions which may supersede the franchise agreement in your relationship with the franchisor including the areas of termination and renewal of your franchise.

2. We will defer the payment of the Initial Franchise Fee until the Cosi Restaurant opens for business. Upon the opening of the Cosi Restaurant, you shall pay the Initial Franchise Fee to us.

3. In the event of a conflict of laws, the provisions of the Washington Franchise Investment Protection Act, Chapter 19.100 RCW shall prevail.

4. A release or waiver of rights executed by a franchisee shall not include rights under the Washington Franchise Investment Protection 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.

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

6. Each provision of this addendum to the disclosure document shall be effective only to the extent, with respect to such provision, that the jurisdictional requirements of the Washington Franchise Investment Protection Act, Wash. Rev. Code §§ 19.100.180, are met independently without reference to this addendum to the disclosure document.

IN WITNESS WHEREOF, the parties hereto have duly executed and delivered this Washington amendment to the Franchise Agreement on the same date as the Franchise Agreement was executed.

COSI FRANCHISE HOLDINGS LLC	______________________________
Franchisor	Franchisee
By:____________________________	By:____________________________
Name:__________________________	Name:__________________________
Title:___________________________	Title:___________________________

WASHINGTON AMENDMENT TO THE AREA DEVELOPMENT AGREEMENT

In recognition of the requirements of the Washington Franchise Investment Protection Act, Wash. Rev. Code §§ 19.100.010 through 19.100.940, the parties to the attached Cosi Franchise Holdings LLC Area Development Agreement agree as follows:

1. The state of Washington has a statute, RCW 19.100.180, which may supersede the franchise agreement in your relationship with the franchisor including the areas of termination and renewal of your franchise. There may also be court decisions which may supersede the franchise agreement in your relationship with the franchisor including the areas of termination and renewal of your franchise.

2. We will defer the payment of the Area Development Fee attributed to each Cosi Restaurant that you agree to develop until that Cosi Restaurant opens for business. Upon the opening of each Cosi Restaurant, you will pay to us the Area Development Fee attributable to that Cosi Restaurant.

3. In the event of a conflict of laws, the provisions of the Washington Franchise Investment Protection Act, Chapter 19.100 RCW shall prevail.

4. A release or waiver of rights executed by a franchisee shall not include rights under the Washington Franchise Investment Protection 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.

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

6. Each provision of this addendum to the disclosure document shall be effective only to the extent, with respect to such provision, that the jurisdictional requirements of the Washington Franchise Investment Protection Act, Wash. Rev. Code §§ 19.100.180, are met independently without reference to this addendum to the disclosure document.

IN WITNESS WHEREOF, the parties hereto have duly executed and delivered this Washington amendment to the Area Development Agreement on the same date as the Area Development Agreement was executed.

COSI FRANCHISE HOLDINGS LLC	________________________________
Franchisor	Area Developer
By:______________________________	By:______________________________
Name:____________________________	Name:____________________________
Title:_____________________________	Title:_____________________________

Exhibit I

General Release

GENERAL RELEASE

The following is our current general release language that we expect to include in a release that a franchisee, developer, and/or transferor may sign as part of a renewal or an approved transfer. We may, in our sole discretion, periodically modify the release.

General Release

THIS GENERAL RELEASE (the "**Release**") is made and entered into on this _______day of _________________, 20___ (the "**Effective Date**"), by and between:

- Cosi Franchise Holdings LLC a Delaware limited liability company whose principal place of business is 294 Washington Street, Suite 510, Boston, Massachusetts 02108 ("**Franchisor**"); and

- ____a [resident of] [corporation organized in] [limited liability company organized in] _____________and having offices at ____ [("**Franchisee**")] [("**Transferor**")].

BACKGROUND:

A. Franchisor and Franchisee are party to a Franchise Agreement dated ________________ (the "**Franchise Agreement**");

B. Franchisor and Franchisee have agreed, pursuant to the Franchise Agreement, [to renew or extend Franchisee's rights under the Franchise Agreement (the "**Renewal Transaction**")] [to permit a transfer or assignment of ______________ pursuant to Section 16 of the Franchise Agreement (the "**Transfer Transaction**")], and in connection with the [Renewal Transaction] [Transfer Transaction], Franchisor and [Franchisee] [Transferor] have agreed to execute this Release, along with such other documents related to the approved [Renewal Transaction] [Transfer Transaction].

NOW, THEREFORE, the parties, in consideration of the undertakings and commitments of each party to the other party set forth herein, hereby agree as follows:

1. Release. Franchisee [Developer], its officers and directors, its owners, and their respective agents, heirs, administrators, successors, and assigns (the "**Franchisee Group**"), hereby forever release and discharge, and forever hold harmless Cosi Franchise Holdings LLC, its current and former affiliates and predecessors, and their respective shareholders, partners, members, directors, officers, agents, representatives, heirs, administrators, successors, and assigns (the "**Franchisor Group**"), from any and all claims, demands, debts, liabilities, actions or causes of action, costs, agreements, promises, and expenses of every kind and nature whatsoever, at law or in equity, whether known or unknown, foreseen and unforeseen, liquidated or unliquidated, which the Franchisee Group and/or its owners had, have, or may have against any or all members of the Franchisor Group, including, without limitation, any claims or causes of action arising from, in

connection with or in any way related or pertaining, directly or indirectly, to the Franchise [Development] Agreement, the relationship created by the Franchise [Development] Agreement, or the development, ownership, or operation of the Cosi Restaurant. The Franchisee Group further indemnifies and holds the Franchisor Group harmless against, and agrees to reimburse them for any loss, liability, expense, or damages (actual or consequential) including, without limitation, reasonable attorneys', accountants', and expert witness fees, costs of investigation and proof of facts, court costs, and other litigation and travel and living expenses, which any member of the Franchisor Group may suffer with respect to any claims or causes of action which any customer, creditor, or other third party now has, ever had, or hereafter would or could have, as a result of, arising from, or under the Franchise [Development] Agreement or the Cosi Restaurant. The Franchisee Group and its owners represent and warrant that they have not made an assignment or any other transfer of any interest in the claims, causes of action, suits, debts, agreements, or promises described herein.

2. <u>General Terms</u>.

2.1. This Release shall be binding upon, and inure to the benefit of, each party's respective heirs, representatives, successors, and assigns.

2.2. This Release shall take effect upon its acceptance and execution by each of the parties hereto.

2.3. This Release may be executed in counterparts, and signatures exchanged by fax, and each such counterpart, when taken together with all other identical copies of this Release also signed in counterpart, shall be considered as one Release.

2.4. The captions in this Release are for the sake of convenience only, and shall neither amend nor modify the terms hereof.

2.5 The parties agree that any legal action brought in any court by either party under this Release must be brought only within the judicial district in which Franchisor has its principal place of business at the time the action or proceeding is initiated, except that Franchisee may bring its legal action in Maryland for claims arising under the Maryland Franchise Registration and Disclosure Law and regulations promulgated thereunder, and each of the undersigned irrevocably submits to the jurisdiction of those courts and waives any objection he or she might have to either the jurisdiction of or venue in those courts.

2.6. This Release constitutes the entire, full, and complete agreement between the parties concerning the subject matter hereof, and supersedes all prior agreements and communications concerning the subject matter hereof. No other representations have induced the parties to execute this Release. The parties agree that they have not relied upon anything other than the words of this Release in deciding whether to enter into this Release.

2.7. No amendment, change, or variance from this Release shall be binding on either party unless in writing and agreed to by all of the parties hereto.

[For California franchisees, add this paragraph]: Each of the Franchisee Related Parties expressly waives and relinquishes all rights and benefits which either may now have or in the future have under and by virtue of California Civil Code Section 1542. The parties do so understanding the significance and consequence of such specific waiver. Section 1542 provides that "[a] general release does not extend to claims which the creditor does not know or suspect exist in his favor at the time of executing the release, which if known by him must have materially affected his settlement with the debtor." For the purpose of implementing a general release and discharge as described in Section 1. above, the parties expressly acknowledge that this Agreement is intended to include in its effect, without limitation, all claims described in Section 1. above which the parties do not know or suspect to exist in their favor at the time of execution hereof, and that this Agreement contemplates the extinguishment of any such claims.

IN WITNESS WHEREOF, the parties hereto have duly signed and delivered this Release in duplicate on the day and year first above written.

Cosi Franchise Holdings LLC Franchisor	______________________________
By:______________________________	By:______________________________
Name:____________________________	Name:____________________________
Title:_____________________________	Title:_____________________________

Exhibit J

Franchise Compliance Certification

COSI FRANCHISE HOLDINGS LLC
FRANCHISEE COMPLIANCE CERTIFICATION

As you know, Cosi Franchise Holdings LLC (the "**Franchisor**") and you are preparing to enter into a Franchise Agreement and/or Development Agreement for the establishment and operation of a "Cosi" franchised restaurant (a "**Cosi Restaurant**"). For ease of reference, we refer to the Franchise Agreement and Development Agreement as the "Franchise Agreement." The purpose of this Questionnaire is to determine whether any statements or promises were made to you that the Franchisor has not authorized and that may be untrue, inaccurate or misleading. Please review each of the following questions and statements carefully and provide honest and complete responses to each.

1. I had my first face-to-face meeting with one of the Franchisor's representatives on ______________, 20___.

2. Have you received and personally reviewed the Franchise Agreement and each related agreement attached to it?

   Yes _____ No _____

3. Do you understand all of the information contained in the Franchise Agreement and each related agreement provided to you?

   Yes _____ No _____

   If no, what parts of the Franchise Agreement and/or related agreement do you not understand? (Attach additional pages, as needed.)

   ____
   ____
   ____
   ____

4. Do you understand that the Franchise Agreement and Development Agreement contain a number of provisions that may affect your legal rights, including required mediation and arbitration, designated locations or states for arbitration and any judicial proceedings, a waiver of a jury trial, a waiver of punitive or exemplary damages, limitations on when claims may be filed, and other waivers and limitations?

   Yes _____ No _____

5. Have you received and personally reviewed the Franchisor's Franchise Disclosure Document ("**FDD**") that was provided to you?

Yes _____ No _____

6. Did you sign a receipt for the FDD indicating the date you received it?

Yes _____ No _____

7. Do you understand all of the information contained in the FDD and any State-Specific Disclosures and State-Specific Amendments to Agreements included in the FDD?

Yes _____ No _____

If No, what parts of the FDD and/or State-Specific Disclosures and State-Specific Amendments to Agreements do you not understand? (Attach additional pages, as needed.)

____
____
____
____

8. Have you discussed with an attorney, accountant, or other professional advisor the benefits and risks of establishing and operating a Cosi Restaurant as a franchised business?

Yes _____ No _____

If No, do you wish to have more time to do so?

Yes _____ No _____

9. Do you understand that the success or failure of your franchised Cosi Restaurant will depend in large part upon your skills and abilities, competition from other businesses, interest rates, inflation, labor and supply costs, lease terms and other economic and business factors?

Yes _____ No _____

10. Has any employee or other person speaking on behalf of the Franchisor made any statement or promise to you (or, to the best of your knowledge, information and belief, to any person or entity or your behalf) concerning the actual or possible revenues, profits or operating costs of a Cosi Restaurant operated by the Franchisor or any of its franchisees, that is contrary to the information contained in the FDD?

Yes _____ No _____

11. Has any employee or other person speaking on behalf of the Franchisor made any statement or promise to you (or, to the best of your knowledge, information and belief, to any person or entity or your behalf) regarding the amount of money you may earn in operating the Cosi Restaurant as a franchised business?

Yes _____ No _____

12. Has any employee or other person speaking on behalf of the Franchisor made any statement or promise to you (or, to the best of your knowledge, information and belief, to any person or entity or your behalf) concerning the total amount of revenue the Cosi Restaurant will or may generate?

Yes _____ No _____

13. Has any employee or other person speaking on behalf of the Franchisor made any statement or promise to you (or, to the best of your knowledge, information and belief, to any person or entity or your behalf) regarding the costs you may incur in operating the Cosi Restaurant, that is contrary to or different from, the information contained in the FDD?

Yes _____ No _____

14. Has any employee or other person speaking on behalf of the Franchisor made any statement or promise to you (or, to the best of your knowledge, information and belief, to any person or entity or your behalf) concerning the likelihood of success that you should or might expect to achieve from operating a Cosi Restaurant as a franchised business?

Yes _____ No _____

15. Has any employee or other person speaking on behalf of the Franchisor made any statement, agreement or promise to you (or, to the best of your knowledge, information and belief, to any person or entity or your behalf) concerning the advertising, marketing, training, support service or assistance that the Franchisor will furnish to you that is contrary to, or different from, the information contained in the FDD?

Yes ______ No __________

16. Have you entered into any binding agreement with the Franchisor concerning the purchase of this franchise prior to today?

Yes _____ No _____

17. Have you paid any money to the Franchisor concerning the purchase of this franchise prior to today?

Yes _____ No _____

Franchisee Compliance Certification

18. Do you understand that the territorial rights you have been granted are subject to limitations and exceptions?

Yes _____ No _____

19. Do you understand that Franchisor and its affiliates retain the right, directly or through others, to develop and franchise other similar franchises (but not under the "Cosi" name) or different franchise systems inside or outside of your territory?

Yes _____ No _____

20. Do you understand that all disputes or claims you may have arising out of or relating to the Franchise Agreement must be heard in the courts of Delaware (if not resolved informally or by mediation)?

Yes _____ No _____

21. Do you understand that the Franchise Agreement provides that you can only collect compensatory damages on any claim under or relating to the Franchise Agreement and not any consequential or punitive damages?

Yes _____ No _____

22. Do you understand that the Franchise Agreement contains the entire agreement between you and the Franchisor concerning the franchise for the Cosi Restaurant, meaning that any prior oral or written statements not set out in the Franchise Agreement will not be binding?

Yes _____ No _____

23. If you have answered "Yes" to any of questions 10-17, please provide a full explanation of each "yes" answer in the following blank lines. (Attach additional pages, as needed, and refer to them below.) If you have answered "no" to each of questions 10-17, then please leave the following lines blank.

____
____
____
____
____
____
____
____

24. During my negotiations and evaluations leading up to my decision to buy a Cosi Restaurant franchise, I communicated with the following individuals from Cosi or its affiliates or brokers:

Name Address

1. ____

2. ____

3. ____

4. ____

[Attach sheet with additional names and addresses if needed]

25. I signed the Franchise Agreement and Addenda (if any) on ____________, 20____, and acknowledge that no Agreement or Addendum is effective until signed and dated by the Franchisor.

YOU UNDERSTAND THAT YOUR ANSWERS ARE IMPORTANT TO US AND THAT WE WILL RELY ON THEM. BY SIGNING THIS QUESTIONNAIRE, YOU ARE REPRESENTING THAT YOU HAVE CONSIDERED EACH QUESTION CAREFULLY AND RESPONDED TRUTHFULLY TO THE ABOVE QUESTIONS.

FRANCHISE APPLICANT

____
Signed

____
Printed Name

______________________________, 20___
Date

ITEM 23 - RECEIPT

This Disclosure Document summarizes certain provisions of the franchise agreement and other information in plain language. Read this offering disclosure document and all agreements carefully.

If Cosi Franchise Holdings LLC offers you a franchise, it must provide this disclosure document to you:

(a) 14 calendar days before you sign a binding agreement with, or make a payment to, us or an affiliate in connection with the proposed franchise sale or grant, or

(b) Under New York law, if applicable, at the earlier of (i) your first personal meeting to discuss the franchise, or (ii) 10 business days before you sign a binding agreement with, or make payment to us for an affiliate in connection with the proposed franchise sale or grant, or

(c) Iowa requires that we give you this disclosure document at the earlier of the first personal meeting or 14 days before the execution of the franchise or other agreement or the payment of any consideration that relates to the franchise relationship, or

(d) Michigan requires that we give you this disclosure document at least 10 business days before the execution of any binding franchise or other agreement or the payment of any consideration, whichever occurs first.

If Cosi Franchise Holdings LLC does not deliver this Disclosure Document on time or if it contains a false or misleading statement or a material omission, a violation of federal and state law may have occurred and should be reported to the Federal Trade Commission, Washington, D.C. 20580 and to the appropriate state agency listed in Exhibit C.

The franchisor is Cosi Franchise Holdings LLC, located at 500 Rutherford Avenue, Suite 130, Charlestown, Massachusetts 02129. Its telephone number is (857) 415-5000.

Issuance date: April 29, 2019.

The franchise sellers are Andrew Berger, CEO, and David Polonitza, EVP at 500 Rutherford Avenue, Suite 130, Charlestown, Massachusetts 02129, (857) 415-5000; and Kim Andereck (independent broker & consultant), acting Senior Director of Development, Tel: (210) 727-1965, Kim.Andereck@getcosi.com.

Any additional individual franchise sellers involved in offering the Cosi franchises are: ________________________
____

Cosi Franchise Holdings LLC authorizes the respective state agencies identified on Exhibit D to receive service of process for it in the particular state.

I have received a disclosure document dated April 29, 2019 (with <u>certain state effective dates</u> listed on the State Cover Page) that included the following Exhibits.

A Franchise Agreement
B Area Development Agreement
C List of State Administrators
D Agents for Service of Process
E List of Current and Former Franchisees
F Cosi Franchise Holdings LLC's Audited Financial Statements
G Table of Contents to Manual
H State-Specific Disclosures and Amendments to Agreements
I General Release
J Franchise Compliance Certification

Date Disclosure Document Received: _____________

____
Print Name

____
Signature

____
Address

____
City, State, Zip Code

____
Area Code Phone Number

Date Disclosure Document Received: _____________

____
Print Name

____
Signature

____
Address

____
City, State, Zip Code

____
Area Code Phone Number

<u>TO BE RETURNED TO US</u>

ITEM 23 - RECEIPT

This Disclosure Document summarizes certain provisions of the franchise agreement and other information in plain language. Read this offering disclosure document and all agreements carefully.

If Cosi Franchise Holdings LLC offers you a franchise, it must provide this disclosure document to you:

(a) 14 calendar days before you sign a binding agreement with, or make a payment to, us or an affiliate in connection with the proposed franchise sale or grant, or

(b) Under New York law, if applicable, at the earlier of (i) your first personal meeting to discuss the franchise, or (ii) 10 business days before you sign a binding agreement with, or make payment to us for an affiliate in connection with the proposed franchise sale or grant, or

(c) Iowa requires that we give you this disclosure document at the earlier of the first personal meeting or 14 days before the execution of the franchise or other agreement or the payment of any consideration that relates to the franchise relationship, or

(d) Michigan requires that we give you this disclosure document at least 10 business days before the execution of any binding franchise or other agreement or the payment of any consideration, whichever occurs first.

If Cosi Franchise Holdings LLC does not deliver this Disclosure Document on time or if it contains a false or misleading statement or a material omission, a violation of federal and state law may have occurred and should be reported to the Federal Trade Commission, Washington, D.C. 20580 and to the appropriate state agency listed in Exhibit C.

The franchisor is Cosi Franchise Holdings LLC, located at 500 Rutherford Avenue, Suite 130, Charlestown, Massachusetts 02129. Its telephone number is (857) 415-5000.

Issuance date: April 29, 2019.

The franchise sellers are Andrew Berger, CEO, and David Polonitza, EVP at 500 Rutherford Avenue, Suite 130, Charlestown, Massachusetts 02129, (857) 415-5000; and Kim Andereck (independent broker & consultant), acting Senior Director of Development, Tel: (210) 727-1965, Kim.Andereck@getcosi.com.

Any additional individual franchise sellers involved in offering the Cosi franchises are: ________________________
____

Cosi Franchise Holdings LLC authorizes the respective state agencies identified on Exhibit D to receive service of process for it in the particular state.

I have received a disclosure document dated April, 2019 (with certain state effective dates listed on the State Cover Page) that included the following Exhibits.

A Franchise Agreement
B Area Development Agreement
C List of State Administrators
D Agents for Service of Process
E List of Current and Former Franchisees
F Cosi Franchise Holdings LLC's Audited Financial Statements
G Table of Contents to Manual
H State-Specific Disclosures and Amendments to Agreements
I General Release
J Franchise Compliance Certification

Date Disclosure Document Received: _____________

____
Print Name

____
Signature

____
Address

____
City, State, Zip Code

____
Area Code Phone Number

Date Disclosure Document Received: _____________

____
Print Name

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Signature

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Address

____
City, State, Zip Code

____
Area Code Phone Number

TO BE RETAINED BY YOU