FRANCHISE DISCLOSURE DOCUMENT

NB Franchising, LLC
a Colorado limited liability company
7700 E. Arapahoe Rd. Ste. 270
Centennial, Colorado 80112
303-221-2559
www.LABOULANGERIE.com

NB Franchising, LLC grants franchises for the operation of La Boulangerie Bakery Cafés. La Boulangerie Bakery Cafés feature French inspired gourmet baked goods, chef inspired sandwiches, specialty food offerings, and beverages under the mark, "La Boulangerie®" ("**Bakery Café**" or "**La Boulangerie Bakery**").

The total investment necessary to begin operation of a franchised La Boulangerie Bakery is $393,847 to $900,597. This includes an initial franchise fee of $40,000 and a training fee of $8,000 that must be paid to NB Franchising, LLC.

If you sign an Area Development Agreement, you will pay NB Franchising, LLC a Development Fee equal to $20,000 multiplied by the number of La Boulangerie Bakery Cafés you agree to develop, and you will pay our then-current initial franchise fee for each La Boulangerie Bakery Café when you sign the Franchise Agreement for that La Boulangerie Bakery Café. However, $20,000 of the Development Fee will be credited towards our then-current initial franchise fee for each La Boulangerie Bakery Café when you sign the Franchise Agreement for that La Boulangerie Bakery Café.

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, NB Franchising, LLC or an affiliate in connection with the proposed franchise sale. **Note, however, that no governmental agency has verified the information contained in this Disclosure Document.**

You may wish to receive your Disclosure Document in another format that is more convenient for you. To discuss the availability of disclosures in different formats, contact Larry Sidoti, NB Franchising, LLC, 7700 E. Arapahoe Rd. Ste. 270, Centennial, CO 80112, telephone number: (303) 221-2559.

The terms of your contract will govern your franchise relationship. Do not 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 (the "**FTC**"). You can contact the FTC at 1-877-FTC-HELP or by writing to the FTC at 600 Pennsylvania Avenue NW, Washington, DC 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: **February 19, 2020**

How to Use This Franchise Disclosure Document

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

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

What You Need To Know About Franchising *Generally*

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

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

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

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

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

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

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

Some States Require Registration

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

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

Special Risks to Consider About *This* Franchise

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

1. **Out-of-State Dispute Resolution.** The franchise agreement and area developer agreement require you to resolve disputes with the franchisor by arbitration only in Denver, Colorado. Out-of-state arbitration may force you to accept a less favorable settlement for disputes. It may also cost more to arbitrate with the franchisor in Colorado than in your own state.

2. The franchise agreement states that Colorado law governs the agreement, and this law may not provide the same protection and benefits as local law. You may want to compare these laws.

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

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

NB FRANCHISING, LLC
NOTICE REQUIRED BY THE STATE OF MICHIGAN

The State of Michigan prohibits certain unfair provisions that are sometimes in franchise documents. If any of the following provisions are in these franchise documents, the provisions are void and cannot be enforced against you:

(A) A prohibition on the right of the Franchisee to join an association of franchisees.

(B) A requirement that the Franchisee assent to a release, assignment, novation, waiver or estoppel which deprives the Franchisee of rights and protections provided in the Michigan Franchise Investment Law. This section will not preclude the Franchisee, after entering into the Franchise Agreement, from settling any and all claims.

(C) A provision that permits the Franchisor to terminate the franchise prior to the expiration of its term except for good cause. Good cause will 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 the Franchisor to refuse to renew the franchise without fairly compensating the Franchisee by repurchase or other means for the fair market value at the time of expiration of the Franchisee's inventory, supplies, equipment, fixtures and furnishings. Personalized materials which have no value to the Franchisor and inventory, supplies, equipment, fixtures and furnishings not reasonably required in the conduct of the franchise business are not subject to compensation. This section applies only if:

(1) The term of the franchise is less than five years; and

(2) The Franchisee is prohibited by the Franchise Agreement or other agreement from continuing to conduct substantially the same business under another trademark, service mark, trade name, logo-type, advertising or other commercial symbol in the same area subsequent to the expiration of the franchise, or the Franchisee does not receive at least six months advance notice of the 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 the State of Michigan. This section will not preclude the Franchisee from entering into an agreement, at the time of arbitration, to conduct arbitration at a location outside the State of Michigan.

(G) A provision which permits the Franchisor to refuse to permit a transfer of ownership of the franchise, except for good cause. This section does not prevent the Franchisor from exercising a right of first refusal to purchase the franchise. Good cause will include, but is not limited to:

(1) The failure of the proposed transferee to meet the Franchisor's then-current reasonable qualifications or standards.

(2) The fact that the proposed transferee is a competitor of the Franchisor or subfranchisor.

(3) The unwillingness of the proposed transferee to agree in writing to comply with all lawful obligations.

(4) 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 section does not prohibit a provision that grants to the 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 section 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 Section 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 MICHIGAN ATTORNEY GENERAL DOES NOT CONSTITUTE APPROVAL, RECOMMENDATION OR ENDORSEMENT BY THE MICHIGAN ATTORNEY GENERAL. ANY QUESTIONS REGARDING THE NOTICE SHOULD BE DIRECTED TO THE MICHIGAN DEPARTMENT OF THE ATTORNEY GENERAL, CONSUMER PROTECTION DIVISION, FRANCHISE UNIT, 670 LAW BUILDING, LANSING, MI 48913 (517) 373-7117.

TABLE OF CONTENTS

EXHIBITS

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

Franchisor

NB Franchising, LLC is the Franchisor, and is referred to in this Disclosure Document as "**La Boulangerie**", "**Us**", "**Our**" and "**We**." The cafe franchise offered and sold by La Boulangerie is referred to in this Disclosure Document as the "**Bakery Café**" or "**La Boulangerie Café**." "**You**", "**Your**" or "**Franchisee**" means the person or entity who buys the franchise from Us. If the franchise is purchased by a corporation, limited liability company, partnership or other entity, then "**You**" may also mean the shareholders, owners, members, partners or other owners of that entity.

NB Franchising, LLC is a Colorado limited liability company formed on May 22, 2018. We conduct business under our corporate name and our Marks (**See Item 13**). Our principal business address is 7700 E. Arapahoe Rd. Ste. 270, Centennial, CO 80112. We began offering Bakery Café franchises in November. We do not operate any Bakery Cafes and we do not offer franchises in any other line of business, however, we may do so in the future.

The agents for service of process on La Boulangerie are listed in the State Agency Exhibit attached to this Disclosure Document (**Exhibit F**).

Predecessors and Affiliates of La Boulangerie

Our parent, Nouveau Bakery, LLC ("**NB**"), is a California limited liability company and was formed in July 2015. NB' principal business address is 7700 E. Arapahoe Rd. Ste. 270, Centennial, CO 80112. NB does not operate any Bakery Cafés nor does it offer franchises in this or any other line of business.

We also have one affiliate that operates La Boulangerie Bakery Cafés. Pine Street, LLC ("**Pine Street**"), is a Delaware limited liability company formed on September 18, 2015. Pine Street's principal business address is 2325 Pine St., San Francisco, CA 94115. Beginning in February 1999 through the issuance date of this disclosure document Pine Street opened and operated the first of its Bakery Cafés similar to the type of Bakery Café that you will be operating. As of the end of our 2018 fiscal year, Pine Street owned and operated eight La Boulangerie Bakery Cafés in the San Francisco Bay Area.

None of the affiliates of La Boulangerie has ever offered franchises for La Boulangerie Bakery Cafés or for franchises in any other line of business. Except as disclosed in this Disclosure Document, La Boulangerie and its affiliates do not provide any products or services to the franchisees of La Boulangerie.

Franchised Business

We grant franchises for the operation of cafes that feature French inspired gourmet baked goods, chef inspired sandwiches, specialty food offerings, and beverages under our Marks using our proprietary system ("**System**").

You will operate a Bakery Café per our franchise agreement ("**Franchise Agreement**") attached to this FDD as **Exhibit C** and in accordance with our Operations Manual, System and standards.

If you meet Our qualifications and subject to Our consent, which can be withheld in Our discretion, you may enter into the Area Development Agreement attached to this FDD as **Exhibit D** for the development of multiple La Boulangerie Bakery Cafés in a designated geographic area. Under the Area Development Agreement, you must develop in your designated geographic area an agreed upon number of

La Boulangerie Bakery Cafés within a specified period of time. You must sign a separate Franchise Agreement, in Our then-current form, for each La Boulangerie Bakery you develop under the Area Development Agreement.

Market

The bakery café business is highly competitive for pricing, service, locations, and food quality. The bakery café business is also subject to changes in consumer taste, economic conditions, population and travel patterns. You will compete with locally-owned bakeries and cafés, including bakeries and cafés that offer baked goods, sandwiches, alcoholic beverages, and similar menu items, as well as with national and regional bakery and café chains. La Boulangerie Bakery Cafés also compete for experienced management personnel and kitchen staff, and commercial real estate and lease sites suitable for bakery cafés.

Regulations Specific to the Bakery Café Industry

The restaurant industry is heavily regulated. Many of the laws, rules and regulations that apply to businesses generally have particular applicability to restaurants. All La Boulangerie Bakery Cafés must comply with federal, state and local laws applicable to the operation and licensing of restaurant businesses, including obtaining all applicable health permits and/or inspections and approvals by municipal, county or state health departments that regulate food service operations. Your La Boulangerie Bakery Café must also meet applicable municipal, county, state and federal building codes and handicap access codes. You should consider the cost and time required to comply with these laws and regulations when evaluating your purchase of a La Boulangerie Bakery Café franchise.

The U.S. Food and Drug Administration, the U.S. Department of Agriculture and state and local health departments administer and enforce regulations that govern food preparation and service and restaurant sanitary conditions. State and local agencies inspect restaurants to ensure that they comply with these laws and regulations.

The Federal Clean Air Act and various state laws require certain state and local areas to meet national air quality standards limiting emissions of ozone, carbon monoxide and particles, including caps on emissions from commercial food preparation. Some state and local governments also regulate indoor air quality, including limiting the use of tobacco products in public places, such as restaurants.

If you collect any information from customers, it may contain personal information of individuals which is protected by law. You are also responsible for complying with all applicable current and future federal, state and local laws, regulations, and requirements, including the California Consumer Privacy Act (as applicable), pertaining to the collection, protection, use, sale, disposal, and maintenance of such personal information. Personal information includes information that identifies, relates to, describes, is capable of being associated with, or could reasonably be linked, directly or indirectly, with a particular consumer, potential consumer, individual or household, as such term may be further defined or amended by applicable federal, state and local laws, regulations and requirements. You may also be required to comply with opt-in requirements on your website.

You should also familiarize yourself with all federal, state, and local laws of a more general nature which may affect the operation of Your Bakery Café and businesses generally. You must for example comply with employment, workers compensation, insurance, licensing and similar laws and regulations.

ITEM. 2
BUSINESS EXPERIENCE

James Park – Chief Executive Officer

Mr. Park serves as our CEO since our inception on May 22, 2018 in Denver, Colorado. He also serves as CEO of Garbanzo Mediterranean Grill Franchising, LLC since December 2015 in Denver, Colorado. Prior to joining Garbanzo Mediterranean Grill Franchising, LLC, Mr. Park was the VP Operations and VP Marketing for Which Wich Superior Sandwiches, Inc. located in Dallas, Texas from July 2012 to October 2015.

Nicolas Bernadi – Chief Executive Officer

Mr. Bernadi is the cofounder and CEO of La Boulangerie de San Francisco. Prior to this, Mr. Bernadi was the Vice President of Food at Munchery, in San Francisco, California from December 2015 to March 2016. From July 2012 to December 2015, Mr. Bernadi served as Vice President of Product Development, Marketing and Manufacturing for Starbucks' food division in North America following the acquisition of La Boulangerie in July 2012, where he was a partner since 2010.

Larry Sidoti – Chief Development Officer

Mr. Sidoti serves as our Chief Development Officer since our inception on May 22, 2018 in Denver, Colorado. Mr. Sidoti also serves as the Chief Development Officer of Garbanzo Mediterranean Grill Franchising, LLC since June 25, 2018 in Denver, Colorado. Prior to that, Mr. Sidoti was the Chief Development Officer for Paris Baguette in Commerce, California from June 2015 until June 2018. Mr. Sidoti also served as the Vice President of Development for Ruby's Diner Franchise Co., Inc. from September 2014 until June 2015, and Vice President of Development for Yogurtland Franchising, Inc. from May 2009 until July 2014 in Irvine, California.

Gabriel Moreno – Vice President of Operations

Mr. Moreno has served as our Vice President of Operations since September 2019 in Denver, Colorado. Mr. Moreno has served as Vice President of Operations of Garbanzo Mediterranean Grill Franchising, LLC since September 2019 in Denver, Colorado. From June 2018 to August 2019, Mr. Moreno served as Senior Director of Operations of La Boulangerie de San Francisco in Denver, Colorado. From October 2018 through September 2019, Mr. Moreno was the Senior Director of Operations for Loving Cup located in San Francisco, California. From January 2013 through August 2018, Mr. Moreno served in various roles for Which Wich Superior Sandwiches in Dallas, Texas.

ITEM. 3
LITIGATION

No litigation is required to be disclosed in this Item.

ITEM. 4
BANKRUPTCY

No bankruptcies are required to be disclosed in this Item.

ITEM. 5
INITIAL FEES

Initial Franchise Fee and Training Fee

If you sign a Franchise Agreement for a single La Boulangerie Bakery Café, you will pay Us an initial franchise fee in the amount of $40,000 ("**Initial Franchise Fee**"). You must pay the Initial Franchise Fee in full when you sign the Franchise Agreement. The Initial Franchise Fee is fully earned by Us upon execution by you of the Franchise Agreement and is not refundable under any circumstances.

If you sign a Franchise Agreement for a single La Boulangerie Bakery Café, you will also pay Us a training fee in the amount of $8,000 ("**Training Fee**"). You must pay the Training Fee in full when you sign the Franchise Agreement. The Training Fee is fully earned Us upon execution of the Franchise Agreement and is not refundable under any circumstances.

As of the date of this Franchise Disclosure Document, three Franchise Agreements were signed. We collected $0-$120,000 in Initial Franchise Fees or Training Fees.

Development Fee for Area Developer

We may offer certain prospective franchisees the right to develop multiple Bakery Cafés in a specified development territory ("**Development Territory**"). You secure these rights by signing a area development agreement ("**Area Development Agreement**") with Us and committing to develop a defined number of Bakery Cafés over a specific time period ("**Development Schedule**").

If you sign an Area Development Agreement, you must pay a development fee ("**Development Fee**") equal to $20,000 for each Bakery Café to be opened in the Development Territory in accordance with the Development Schedule under the Area Development Agreement, including the first Bakery Café. The minimum number of Bakery Cafés you will be required to open under the Area Development Agreement is three, and the maximum number of Bakery Cafés you will be allowed to open under the Area Development Agreement is five. Therefore, the Development Fee for the minimum number of Bakery Cafés you will be required to open under the Area Development Agreement is $40,000. You will pay the Development Fee in full when you sign the Area Development Agreement. The Development Fee is fully earned by Us upon execution of the Area Development Agreement by you as consideration for the exclusive rights you receive for the Development Territory and is not refundable under any circumstances even if you fail to develop any Bakery Cafés under your Area Development Agreement.

You will sign a separate Franchise Agreement, in Our then-current form, for each La Boulangerie Bakery Café you develop under the Area Development Agreement. At the time you sign each subsequent Franchise Agreement, $20,000 of the Development Fee will be applied toward the then-current Initial Franchise Fee owned for each La Boulangerie Bakery Café. You must sign your first Franchise Agreement at the same time you sign the Area Development Agreement, and you will sign the remaining Franchise Agreements in accordance with the Development Schedule set out in the Area Development Agreement.

Two Area Development Agreements have been signed as of the date of this Franchise Disclosure Document. Therefore, we collected $0 - $100,000 in Development Fees during such period.

ITEM. 6
OTHER FEES

TYPE OF FEE	AMOUNT	DUE DATE	REMARKS
Royalty Fees[1]	5% of Net Sales	Payable each week on Monday (based on Net Sales of the previous week, Wednesday through Tuesday)	Fees and sales back-up report due. Payments must be made via electronic funds transfer ("**EFT**")
Advertising Fee[2]	Up to 3% of Net Sales	Payable weekly by Monday of the following week	Only if and when the Fund is established. Payments must be made via EFT
Marketing Administration Fee[2]	0.5% of Net Sales	Payable weekly by Monday of the following week	Payments must be made via EFT
Technology Fee	The then current fee for use of the Computer System. Currently, the fee is estimated at $224 per month	Monthly	The Technology Fee is for use of the Computer System. The Technology Fee may change upon prior notice to you if the software vendor changes the license fee changes, we change vendors, we change functionality or for any other reason. You may be required to pay us or our designated supplier the Technology Fee in our determination.
Customer Survey Fee	Our then current fee. Currently, $15 per month	Monthly	Payable to us
Food Safety Audit Fee	Our then current fee. Currently, $536 a year	Two installments of $268 as invoiced	Payable to us
Transfer Fee	50% of the then current Initial Franchise Fee for a transfer to third parties, or if you are just transferring to your wholly controlled entity, $750	Prior to consummation of transfer	Payable when you transfer your franchise

TYPE OF FEE	AMOUNT	DUE DATE	REMARKS
Renewal Fee	50% of the then current Initial Franchise Fee	At the time of the time of renewal	Payable when you renew the franchise for your Bakery Café
Training Fee	$8,000	At the time the Franchise Agreement is signed	This fee is required for your first two Bakery Cafés. After that time it is to be determined by Us whether initial training is required.
Additional Training[3]	$2,500 per day plus expenses	Upon request or as we require	This is for additional training we may provide from time to time
Additional Assistance[3]	All expenses	Upon request or as we require	This is for additional assistance that you need or request
Relocation Fee[4]	30% of then-current Initial Franchise Fee for a single Café Bakery; plus a $250 fee per week during the time your Bakery Café is closed during the relocation process	60% of Relocation Fee is paid when you request review of a new site; the balance is paid on the date you receive approval from us to relocate the Bakery Café to a new location	Payable only if you request and receive approval from us to relocate your Bakery Café. To receive approval to relocate, you may be required to sign our then-current Franchise Agreement for a full franchise term as provided in the Franchise Agreement and a general release of claims against us, our parent, subsidiaries, affiliates, and related people
Audit[5]	Cost of Audit	Upon demand	If we determine that you have been deficient by more than 2% on payment of fees
Interest on late payments[5]	Lesser of 1.5% per month or maximum legal rate not exceeding 10% annually	On all overdue payments	Payable on all overdue amounts
Late Report Fee[5]	$100 plus $100 for every week or month a report is late	Upon demand	Payable on all late reports
Liquidated Damages[6]	$200 per day	Upon demand	Payable for each day unauthorized products or services are offered for sale or sold
Taxes[7]	Actual cost	Upon demand	Payable if certain taxes are levied or assessed on the fees you pay to us or our affiliates

TYPE OF FEE	AMOUNT	DUE DATE	REMARKS
Indemnification**	Will vary under circumstances	As incurred	You must reimburse us if we are held liable
Costs and Attorneys' Fees**	Will vary under circumstances	As incurred	If we prevail in an action to enforce the Franchise Agreement or Area Development Agreement
Arbitration Fee**	Cost of Arbitration and attorneys' fees	Upon demand	If awarded by arbitrators
Fee for Testing Alternative Supplier's Goods	The actual cost of the test made by us or by an independent testing laboratory designated by us	Upon demand	Only if you want us to test an proposed supplier to become an approved supplier

* All fees other than arbitration fees are imposed by and are payable to us or our Affiliates. All fees are non-refundable and are uniformly imposed.

** Under both the Franchise Agreement and the Area Development Agreement

NOTES:

1. Royalty Fee. You are required to pay us a Royalty Fee equal to 5% of Net Sales from your Bakery Café on Monday from the prior week. "**Net Sales**" means the total amount of all sales of products, services and merchandise sold from, through, or in connection with your Bakery Café, whether for cash, on credit, barter or otherwise, exclusive of applicable sales, use or service taxes and complimentary sales. You will authorize Us to take the Royalty Fees from You by electronic transfer.

2. Advertising Fees and Marketing Administration Fees. You will also pay Us a weekly Marketing Administration Fee of .5% of the Net Sales from your Bakery Café for the prior week. We reserve the right to establish an Advertising Fund. When we do, in addition to the Marketing Administration Fee, you will pay us an Advertising Fee of up to 3% of Net Sales from your Bakery Café from the prior week. You will authorize us to take the Advertising Fees and the Marketing Administration Fees from you by electronic transfer.

3. Additional Training and Assistance Fees. We reserve the right to charge you a reasonable amount for any training we provide to you or your managers or employees after the opening of your Bakery Café. You will also be responsible for any travel, meal, incidental, and lodging expenses incurred by persons conducting the training programs and attending the training program. We will make available continuing advisory assistance in a manner as we deem appropriate. If we send our representatives to your Bakery Café to provide assistance, we reserve the right to charge a reasonable fee and our expenses.

4. Relocation Fee. You will also be required to pay us a fee of $250 per week during the time your Bakery Café is closed during the relocation process.

5. Interest, Audit Fees and Late Report Fees. You must pay interest on any unpaid amounts at the rate of the lesser of l.5% per month or the maximum legal rate in the jurisdiction where your Bakery Café is located not to exceed 10% annually. In addition, if the amount of Net Sales you report for any calendar year is less than 98% of the actual Net Sales for that period, you must reimburse us for all costs of the investigation or audit that uncovered the underreported sales, including salaries, professional fees, travel, meals, and lodging. If you fail to send us your weekly reports by the Wednesday of the following week, we can charge you, to the extent permitted by law, a late fee of $100 plus $100 for each week your report is late. If you fail to send us a report that is due on a monthly basis, annual basis or quarterly basis, we can charge you a late report fee of $100 plus $100 for each month your report is late.

6. Liquidated Damages for Sale of Unauthorized Products or Services. Uniformity of products and services offered by all La Boulangerie Bakery Cafés is of utmost importance to us, our franchisees and the System. If you offer to sell or do sell products or services which are not authorized or are not prepared in accordance with the Operations Manual, you agree we will be damaged by your non-compliance. These damages will be calculated at the rate of $200 per day for each day unauthorized products or services are offered or sold and will be in addition to any other rights and remedies we may have against you. We have the right to collect these amounts in addition to any and all of our other rights for non-compliance provided for under the Franchise Agreement. You and we will agree that these amounts are reasonable, constitute liquidated damages and are not a penalty.

7. Taxes. You agree to indemnify and/or reimburse us and our affiliates for all capital, gross receipts, sales, and other taxes and assessments imposed by any applicable state or local governmental authority as a result of the conduct of the Bakery Café's business or the license of any of our or our affiliates' intangible property to you (whether required to be paid by us or our affiliates, withheld by you or otherwise). Your obligation to indemnify or reimburse us or our affiliates for these taxes does not extend to income-type taxes which a state or local government imposes on us or our affiliates 'income.

ITEM. 7
ESTIMATED INITIAL INVESTMENT

YOUR ESTIMATED INITIAL INVESTMENT

TYPE OF EXPENDITURE	AMOUNT		METHOD OF PAYMENT	WHEN DUE	TO WHOM PAYMENT IS TO BE MADE
	LOW	HIGH			
Initial Franchise Fee (Note 1)	$40,000	$40,000	Lump Sum	Upon signing the Franchise Agreement	Us
Development Fee (Note 1)	$0	$100,000	Lump Sum	Upon signing the Area Development Agreement	Us
Training Fee	$8,000	$8,000	Lump Sum	Upon signing the Franchise Agreement	Us
Security Deposit and Lease (Note 2)	$4,000	$12,000	Lump Sum	Signing the lease	Landlord
Improvements/ Construction/ and Interior decorating (Note 3)	$94,000	$250,000	As incurred	Prior to Opening	General contractor, interior designer
Smallware (Note 4)	$7,000	$12,300	Lump Sum	Prior to Opening	Approved suppliers
Furniture/Fixtures (Note 4)	$14,350	$65,000	Lump Sum	Prior to Opening	Approved suppliers
Equipment	$85,000	$100,000	Lump Sum	Prior to Opening	Approved suppliers
Signage	$6,500	$25,000	Lump Sum	Prior to Opening	Vendors
Office Equipment & Supplies	$1,500	$3,000	Lump sum	Prior to Opening	Vendors

TYPE OF EXPENDITURE	AMOUNT		METHOD OF PAYMENT	WHEN DUE	TO WHOM PAYMENT IS TO BE MADE
	LOW	HIGH			
Licenses and permits (Note 5)	$200	$1,000	Lump Sum	Prior to Opening	Government agencies and utility providers
Travel and Living Expenses while Training	$12,000	$16,000	As incurred	Prior to Opening	Airlines, hotels, restaurants, car rentals
Computer Equipment	$10,000	$13,500	Lump sum	Prior to Opening	Approved suppliers and vendors
Technology Fees for the First 3 Months	$672	$672	$224 per Month	Monthly	Us or our approved suppliers
Initial Inventory (Note 6)	$7,000	$15,000	Lump sum	Prior to Opening	Approved suppliers
Professional Fees and Architect Fees (Note 7)	$18,000	$26,000	As incurred	Prior to Opening	Attorneys, accountants, architects
Insurance (Note 8)	$625	$1,125	Lump sum	Prior to Opening	Insurance company
Additional Funds – three months (Note 9)	$70,000	$195,000	As incurred	As incurred	Employees, suppliers, etc.
Grand Opening Advertising	$15,000	$17,000	As incurred	Within 60 days after opening	Advertising company
TOTAL (Note 10)	$393,847	$900,597			

The chart above describes the estimated initial investment for a La Boulangerie Bakery Café, whether it is a single unit or one Bakery Café under the Area Development Agreement. The initial investment for an Area Developer will include the Development Fee, which is equal to the number of Bakery Cafés to be opened under the Area Development Agreement multiplied by $20,000.

The initial investment assumes you will rent the premises. If you purchase the property, your initial expenses will dramatically increase.

NOTES:

1. Initial Franchise Fee. The Initial Franchise Fee is $40,000. As described in Item 5, if you are an area developer under our area development program, you must pay us a Development Fee when you sign the Area Development Agreement equal to the number of Bakery Cafés to be opened under the Area Development Agreement multiplied by $20,000. When you sign a Franchise Agreement for a particular Bakery Café under the Area Development Agreement, you will receive a credit of $20,000 toward the Initial Franchise Fee for that Bakery Café.

2. Security Deposit and Lease. The size of your Bakery Café will range from 1,500 to 2,000 square feet and will typically be located in a shopping center or urban streetscape. If you do not own or purchase real estate for your Bakery Café location, you will need to lease space from a landlord. In most cases the landlord will require a security and/or rental deposit. Typically, the security and/or rental deposit is equal to one month's rent. Rental rates or deposits on an unknown location cannot be predicted in advance. However, the rental rates will most likely depend on the size and location of your Bakery Café. These costs will vary greatly depending on the metropolitan area where your Bakery Café will be located. These

estimates are based on one month's rent for a security deposit and the first month's rent. These estimates are based on rents in Denver, Colorado.

3. Improvements/Construction/Interior Design. When a site has been selected, we will provide you with layout and design of a typical La Boulangerie Bakery Café. The cost of construction, improvements or building varies widely by the size of the space, the existing improvements and local construction rates. Our high-end range reflects the costs of optional seating additions, including covered patios with heating that can be used year-round. Until a specific site is located and evaluated a reliable estimate of costs cannot be projected. Sometimes you may receive a construction allowance from the landlord or you may lease a location which was already built out as a restaurant and, if so, the costs may be reduced accordingly.

4. Furniture/Fixture/Smallwares. These costs include all of the furniture and fixtures for your Bakery Café as well as the smallwares, wall décor and menus. The costs shown are for all new equipment. The cost is turnkey, including installation.

5. Licenses and Permits. These amounts represent the business license and estimated utility deposits. The amount of your actual utility deposits will vary depending on the size of your Bakery Café, the number of utilities your landlord requires you to pay and the number of utility companies that require a deposit. Usually, a landlord will require you to pay all utilities servicing your Bakery Café. Typically, utility providers require a deposit equal to one month's average charge for that utility. These estimates are based on locations in and around San Francisco, California.

6. Initial Inventory. These amounts represent the inventory, including all food costs, you will need to begin operations.

7. Professional Fees and Architect Fees. The services of a licensed architect are usually required to detail the layout into construction plans. You will pay for the architect's services directly. In addition, you are encouraged to seek assistance from an attorney and an accountant.

8. Insurance. These amounts represent 25% of the annual premium for the required insurance. Many insurance companies will require you to pay this amount prior to opening and allow you to pay the remainder in monthly payments throughout the year. The type of insurance you are required to maintain is described in Section VII.H. of the Franchise Agreement. Typically, the annual premiums will range from $2,500 to $4,500 per year.

9. Additional Funds. This item estimates your expenses during the initial period of operation of your Bakery Café (other than the items identified separately in the above table). These expenses include estimated rent, payroll costs, benefits, utilities, additional inventory requirements, supplies, etc., but do not include Royalty Fees, Advertising Fees, Marketing Administrative Fees, Technology Fees, or an owners' draw or salary. These figures are estimates, and you may have additional expenses in order to start the business. Your costs will depend on factors similar to these: how closely you follow our methods and procedures; your management skill, experience and business acumen; local economic conditions; the local market for your products and services; the prevailing wage rate; competition; and sales level reached during the initial period.

10. Total. Costs and expenses can vary depending on various factors like local real estate costs, cost of labor and supplies. These figures were based on our affiliate's experience operating the La Boulangerie Bakery Cafés since 1999, and the expenses may differ in other parts of the country. Except as described above, none of the fees listed in this Item are refundable. Your financial condition and arrangements negotiated by and the business decisions made by you will also affect these costs. There can therefore be no assurance that the experience of a particular franchisee will correspond with the information presented above. You should review these figures carefully with a business advisor before making any decision to purchase the franchise.

ITEM. 8
RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES

Required and Approved Suppliers/Specifications

You must operate your La Boulangerie Bakery Café according to our System. In order to ensure that the System is uniformly maintained, you must purchase from us, our designated supplier or our affiliates certain baked goods sandwiches, supplies, equipment, and inventory to use and/or sell in your Bakery Café, which are described in the Operations Manual. Additionally, for all other products or services not required to be purchased from us, our designated supplier or our affiliates, we have established standards and specifications for you to follow, which are described in the Operations Manual. You are required to purchase all baked goods, sandwiches, products, goods, services, supplies, inventory, equipment, and materials required for the operation of your Bakery Café from commissaries, manufacturers, suppliers, or distributors we approve, or from other suppliers who meet our specifications and standards. We also require you to use our approved architect for your first Bakery Café.

If you wish to purchase or lease any goods, products, equipment or supplies not approved by us or suppliers not approved by us, you must first notify us in writing. We may require you to submit sufficient photographs, drawings and/or other information and samples to determine whether these goods, products, equipment, or supplies meet our specifications. Our standards and specifications may impose minimum requirements for delivery, performance, design and appearance. We will advise you within a 90-day period whether these goods, products, equipment or supplies meet our specifications. We may require samples from alternate suppliers to be delivered to us or to a designated independent testing laboratory (or other place we determine) for testing before approval and use. We may also require you to pay the actual cost of the test made by us or by an independent testing laboratory designated by us. We may require your proposed supplier to execute a confidentiality agreement.

Specification of a supplier may be conditioned on requirements relating to, among other things, frequency of delivery, standards of services, including prompt attention, as well as payments, contributions, or other consideration to us, our affiliates, any advertising fund and/or otherwise, and may be temporary, in each case in our reasonable discretion. We may, from time-to-time withhold, condition and/or revoke our approval of particular items or suppliers in our reasonable discretion, in order to assure quality and uniformity of the decor and products sold to customers. Approved suppliers will be designated in the Operations Manual or some other writing delivered to you. We may modify the list of approved brands, products and suppliers, and will notify you, in writing, of any modification. We reserve the right to become, or designate one of our affiliates as, an approved supplier or the sole approved supplier, for particular goods or supplies.

Certain officers of La Boulangerie do have ownership interests in certain approved or required suppliers.

Computer Hardware and Software

You will be required to use our designated Computer System (See Item 11). You must license the Computer System from our designated supplier. You will pay the Technology Fee (See Item 6). You will also be required to participate in the customer survey program designated by us which will be provided by a third party. Currently we use Tattle. In addition, you must participate in food safety audits performed by a third party designated by us. Currently these audits are conducted twice a year by Eco-Sure. Currently the cost is $15 per month for each La Boulangerie Bakery Café for the customer survey and food safety audit are required twice a year at a cost of $268 per audit.

We do pay for some of the recurring software fees on your behalf and then withdraw those amounts from your bank account by EFT on a monthly basis.

Payments

We and our affiliates reserve the right to negotiate with various vendors for quantity discount contracts, which may include rebates to us or our affiliates under these contracts. We have the right to condition or revoke your right to participate in any supplier programs if you are in default under the Franchise Agreement. We have the right to affiliate ourselves with suppliers or become an approved supplier or the sole supplier, and/or receive revenues, rebate, commissions or other benefits from purchases made by our franchisees. However, currently we are planning on passing all rebates earned by franchisees to them, but we reserve the right to change this policy in the future.

As of the date of this Franchise Disclosure Document, we did not have any operational franchises and therefore, we did not receive any rebates from suppliers on account of purchases of required and approved items by franchisees or receive any revenue from selling products or services to franchises. We and our affiliates may derive revenue from these required purchases.

La Boulangerie estimates that purchases of required products or services, purchases from designated or approved suppliers, and purchases in accordance with our standards and specifications will constitute 50% to 80% of your initial expenditures to open your Bakery Café, and approximately 75% to 100% of the annual ongoing expenditures to operate your Bakery Café.

There are currently no purchasing or distribution cooperatives. We may negotiate purchase arrangements with suppliers (including price terms), for the benefit of the System. We do not provide material benefits to you (for example, renewal or granting additional franchises) based on your purchase of particular products or services or use of particular suppliers.

Insurance

You must buy and maintain, at your own expense, insurance coverage that we require and to comply with other insurance-related obligations, all of which are described in greater detail in in the Franchise Agreement and Operations Manual. Our current minimum insurance requirements are described in the Operations Manual as follows:

COMMERCIAL GENERAL LIABILITY: General Aggregate Limit: $2,000,000 Per Occurrence Limit: $1,000,000

AUTOMOBILE LIABILITY: Bodily Injury and Property Damage Combined Single Limit: $1,000,000

HIRED AND NON-OWNED LIABILITY LIMIT: $1,000,000

WORKERS' COMPENSATION: Workers' Compensation: Statutory amount

UMBRELLA LIABILITY: $2,000,000

We may, from time to time, in our sole discretion, make such changes in minimum policy limits, coverage, and endorsements as we may determine. The cost of coverage will vary depending on the insurance carrier's charges, terms of payment and your history. All insurance policies must name us as an additional insured party and provide us with 30 days' written notice before the termination, cancellation, expiration or modification of any policy. All insurance coverage must be maintained under one or more policies of insurance issued by insurance carriers with a performance rating acceptable to us as may be described in the Operations Manual.

ITEM. 9
FRANCHISEE'S OBLIGATIONS

This table lists your principal obligations under the Franchise Agreement and other agreements. It will help you find more detailed information about your obligations in these agreements and in other Items of this Disclosure Document.

Obligation	Section in Agreement	Disclosure Document Item
a. Site selection and acquisition/lease	Article 12 of Franchise Agreement	Item 11
b. Pre-opening purchases/leases	Articles 10, 12, 13 and 15 of Franchise Agreement	Items 7 and 8
c. Site development and other pre-opening requirements	Article 12 of Franchise Agreement	Items 7 and 11
d. Initial and ongoing training	Article 14 of Franchise Agreement	Item 11
e. Opening	Article 14 of Franchise Agreement	Item 11
f. Fees	Articles 3, 4, and 6 of Franchise Agreement; Article 4 of Area Development Agreement; Article 4 of Website Use Agreement	Items 5 and 6
g. Compliance with standards and policies/Operating Manual	Articles 9, 10, 11, 12, 13, and 14 of Franchise Agreement; Article 6 of Area Development Agreement	Items 8, 11 and 14
h. Trademarks and proprietary information	Articles 11, 13 and 16 of Franchise Agreement; Article 2 of Area Development Agreement	Items 13 and 14
i. Restrictions on products/services offered	Articles 9.1, 9.8, 9.12 and 10 of Franchise Agreement	Items 8 and 16
j. Warranty and customer service requirements	Article 10.1	
k. Territorial development and sales quotas	Article 5 of Area Development Agreement	Item 12
l. Ongoing product/service purchases	Article 10 of Franchise Agreement	Item 8
m. Maintenance, appearance and remodeling requirements	Articles 2, 9.20, 9.21, 12 and 13 of Franchise Agreement	Item 17
n. Insurance	Article 15 of Franchise Agreement	Items 7 and 8
o. Advertising	Articles 4, 5, 9.2 and 9.24 of Franchise Agreement; Article 5 of Area Development Agreement	Items 6 and 11
p. Indemnification	Article 25 of Franchise Agreement; Article 14 of Area Development Agreement	Item 6

Obligation	Section in Agreement	Disclosure Document Item
q. Owner's participation/ management/staffing	Articles 8 and 14 of Franchise Agreement; Article 13 of Area Development Agreement	Item 15
r. Records and reports	Articles 5 and 7 of Franchise Agreement	Item 6
s. Inspections and audits	Articles 7, 9.14, 10, and 12 of Franchise Agreement	Items 6 and 11
t. Transfer	Articles 18 and 22 of Franchise Agreement; Articles 7 and 10 of Area Development Agreement	Items 6 and 17
u. Renewal	Article 2 of Franchise Agreement; Article 3 of Area Development Agreement	Item 17
v. Post-termination obligations	Article 20 of Franchise Agreement; Article 9 of Area Development Agreement	Item 17
w. Non-competition covenants	Article 23 of Franchise Agreement; Article 12 of Area Development Agreement	Item 17
x. Dispute resolution	Articles 27 and 28 of Franchise Agreement; Articles 15 and 16 of Area Development Agreement	Item 17
y. Personal guaranty	Personal Guaranty to Franchise Agreement; Personal Guaranty to Area Development Agreement	Item 15

ITEM. 10
FINANCING

La Boulangerie does not offer direct or indirect financing to you. La Boulangerie does not guarantee any note, lease or obligation.

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

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

Before you open your Bakery Café we will:

1. Designate your Assigned Territory for your Bakery Café (Franchise Agreement - Section 1.2 and Attachment F).

2. Accept or reject a site for your Bakery Café. We do not currently own sites for leasing to franchisees, however we or are affiliates may in the future. We do not pick the site for you. (Franchise Agreement – Section 1.1 and Attachment F). Our consent to a particular site is not to be regarded as an endorsement by us of any particular site, nor will it constitute a warranty by us as to the future success of the La Boulangerie Bakery Café at the location. You are primarily responsible for investigating the site and having any leases or sale contract for the site reviewed and approved by your attorney. You must propose

a site to us within 60 days of signing the Franchise Agreement. You must open the Bakery Café within one year from the date you sign the Franchise Agreement.

3. We will provide you with our site selection criteria for a La Boulangerie Bakery Café. The criteria for demographic characteristics include: traffic patterns; parking; character of neighborhood; competition from, proximity to, and nature of other businesses; foot traffic; daytime business population; size; appearance; and other physical and commercial characteristics. We will accept or reject a location you propose within 30 days after receiving your description of the site and all demographic information we require in order to evaluate the site. Upon your request, we will use reasonable efforts to help analyze your market area, to help determine site feasibility, and to assist in designating the location, although we will not conduct site selection activities for you. If we cannot agree upon a site, we will consider alternative sites so long as you open your Bakery Café within one year of signing the Franchise Agreement. If you fail to open within one year of signing the Franchise Agreement, we have the right to terminate the Franchise Agreement. Under the Area Development Agreement, we will approve the location of future units and any territories for those units. Our then current standards for sites and territories will apply.

4. If you intend to lease a site, we will assist you in reviewing the commercial terms of the lease. Ultimately, you will submit a copy of the proposed lease to us, within 30 days of our consent to the site. Within 10 days of execution of the lease, you must provide us a copy of the executed lease. The lease must include substantially the terms in the Addendum to Lease, which is **Attachment G** of the Franchise Agreement. You must also sign a Collateral Assignment of Lease, which is **Attachment G-1** of the Franchise Agreement whereby you agree to assign your rights to the lease to us in the event of a termination or expiration of this Agreement or a default under the lease.

5. If you intend to own the site, you will furnish to us proof of ownership or an executed sale contract within 90 days after we consent to the site. You must create a separate entity to own the site and then lease the site to you at its full rental value and on commercially reasonable terms for the term of the Franchise Agreement.

6. Provide suggestions for layout and design of your Bakery Café (Franchise Agreement – Section 12.4). Any such suggestions will not necessarily include the requirements of any federal, state, or local law, code, or regulation for your Bakery Café, including those concerning the Americans with Disabilities Act or similar rules governing public accommodations for persons with disabilities, nor will our suggestions include the requirements of, or be used for, construction drawings or other documentation necessary to obtain permits or authorization to build your Bakery Café. You will construct your Bakery Café in accordance with specifications and plans prepared by the approved architect based upon our standards, subject to our right to consent. The cost of plans and specifications will be borne by you. Our consent will be limited to review of such plans to assess compliance with our design standards for La Boulangerie Bakery Cafés, including such items as trade dress, presentation of trademarks, and the provision to the potential customer of certain products and services that are central to the functioning of your Bakery Café.

7. Provide designated and approved suppliers or specification for the products and services required by us for use or sale in your Bakery Café, if any (Franchise Agreement – Sections 10.3 and 10.4). We do not deliver or install any of these items.

8. Provide an initial training program for the operation of your Bakery Café to you, your designated manager and assistant manager. This training is described in greater detail later in this Item 11 (Franchise Agreement - Section 14.1).

9. Provide you with access to our electronic version of our Operations Manual (Franchise Agreement - Section 17.1). This Operations Manual, which may be in a format determined by us (i.e., in writing, on CD-Rom, via electronic media through a secure website, etc.) ("**Operations Manual**" or "**Manual**") is confidential and remains our property. You will operate your Bakery Café in strict compliance with those operational systems, procedures, policies, methods and requirements found in the Manual which are designated as mandatory and in any supplemental bulletins and notices, revisions, modifications, or

amendments, all of which are a part of the Manual. You must treat the Manual, any other manuals or written materials provided by us or our affiliate for use in the operation of your Bakery Café, and the information contained in them, as confidential, and must use all reasonable efforts to maintain this information as secret and confidential. You must not copy, duplicate, record, or otherwise reproduce these materials, in whole or in part, or otherwise make them available to any unauthorized person. The Manual will remain our sole property and must be kept in a secure place within your Bakery Café. It must be returned to us upon termination or expiration of your Franchise Agreement. We have the right to make additions to, deletions from or revisions to the Manual, which you have to comply with at your own cost. You must ensure that the Manual is kept current at all times. If there is any dispute as to the contents of the Manual, the terms of the master copy maintained by us, at our principal office, will be controlling. The table of contents is included as **Exhibit I** to this disclosure document. We estimate that the Manual is approximately 85 pages in length not including the on-line portions of the Manual, which are referenced in the table of contents.

Time for Opening the Franchised Business.

We estimate that the typical length of time between signing of the Franchise Agreement and the opening of a Bakery Café is between 8 and 12 months. Factors affecting the length of time usually include obtaining a satisfactory site, zoning and governmental requirements, financing arrangements, building improvements, and purchase and installation of equipment, fixtures, and signs. The opening of your Bakery Café may be delayed only if the delay is caused by contingencies not within your control, such as acts of God, governmental restrictions, strikes or labor disputes. You are required to use your best efforts to cure any of these delays and any of these delays in opening will only be for a period of days equal to the number of days during which the events actually prevent completion. You must notify us of any delay promptly. If you fail to open your Bakery Café within one year of signing the Franchise Agreement, we may terminate the Franchise Agreement.

You may open a Bakery Café under the Area Development Agreement only by signing a Franchise Agreement for that Bakery Café. You will sign a Franchise Agreement for the first Bakery Café at the same time you sign the Area Development Agreement.

During the Operation of your Bakery Café:

1. We will provide on-site opening assistance for your Bakery Café, consisting of at least one person, for a period of up to 10 days as described in greater detail later in this Item 11 (Franchise Agreement – Section 14.7).

2. We will furnish you, at your request, with additional guidance and assistance. We reserve the right to charge a reasonable fee for our guidance and assistance (Franchise Agreement - Section 14.4).

3. We will continue to loan you one copy of the Manual (Franchise Agreement – Section 17.1).

4. We may develop and register new Marks (Franchise Agreement – Section 16).

5. We will provide the names and addresses of newly approved and designated suppliers for the foods, beverages and products required by La Boulangerie to be used or sold in your Bakery Café (Franchise Agreement – Sections 10 and 17.1).

6. We will communicate all improvements and developments in the System with you, as well as update the Manual (Franchise Agreement – Section 17.1).

7. Upon your request, we will send a consultant to train, assist and advise you on management and operations issues at the Bakery Café (Franchise Agreement – Section 17.2). You will reimburse us for our travel expenses and pay the then-current per diem training fee (currently $2,500) for such consulting assistance.

8. We may, but are not obligated under the Franchise Agreement to, hold periodic conferences, management meetings, or other meetings, throughout the year to discuss sales techniques, new products, bookkeeping, accounting, inventory control, or any other matter associated with the System. We may

require you to attend such conferences or meetings. We may charge a reasonable fee to attend these conferences or meetings. You must pay your own travel and accommodation expenses. (Franchise Agreement – Section 9.24).

ADVERTISING

Marketing Administration Fee.

In addition to the advertising and promotion expenditures and/or contributions discussed in this Item 11, you must pay a weekly Marketing Administration Fee to us. The Marketing Administration Fee is our exclusive property and will be used by us to cover, among other things, the costs of supporting and conducting market research activities, concept development, design development and maintenance, administration and direction of these activities. We do not have to separately account to you for the Marketing Administration Fee or the expenditures from it.

Advertising Fund

We reserve the right to establish an Advertising Fund ("**Advertising Fund**"). If so, you must contribute a weekly Advertising Fee to the marketing and advertising fund maintained and operated by us. We agree that the Advertising Fees received from you will be made available for the payment of costs associated with the creation, production, distribution, media placement and administration of local, state, regional or national advertising programs and for any taxes incurred on these funds. Although we will try to use the Advertising Fund to develop advertising and marketing materials and programs, and to place advertising and marketing, that will benefit all the restaurants, we do not ensure that the Advertising Fund expenditures in or affecting any geographic area are proportionate or equivalent to the Advertising Fund contributions by the restaurants operating in that geographic area or that any La Boulangerie Bakery Café benefits directly or in proportion to its Advertising Fund contributions. These funds may be used for advertising on television, radio, direct marketing mailings, the newspaper, the Internet and other media. We have the right to determine the type of advertising and the media in which it will appear. We have the sole right to formulate and make policy decisions concerning every aspect of the advertising and franchise expansion program, consistent with applicable law. We do not have to spend the Advertising Fund contributions during any specific time period. Advertising may be handled by us or an outside advertising agency, which we select. The Advertising Fund will not be used for any activity whose sole purpose is to offer or sell franchises. Unaudited financial statements of the Advertising Fund will be made available to franchisees on reasonable request. If we do not use all of the Advertising Fund contributions in a particular fiscal year, the remaining contributions will be carried over to the next fiscal year and be included in that year's advertising budget. We are entitled to reimbursement from the Advertising Fund to cover our administrative and overhead expenses associated with operating the Advertising Fund. All franchisees will contribute to the Advertising Fund on an equal basis. Company and any affiliate-owned La Boulangerie Bakery Cafés will not contribute to the Advertising Fund.

The Advertising Fund is not our asset. The Advertising Fund is not a trust. We have a contractual obligation to hold all Advertising Fund contributions for the benefit of the contributors and to use the contributions only for their permitted purposes as described in the Franchise Agreement. We have no fiduciary obligation to you for administering the Advertising Fund. As of the date of this Franchise Disclosure Document, we did not sell any franchises and therefor did not collect any Marketing Administration Fees for the Advertising Fund.

We do not have a franchisee advertising advisory council that advises us on advertising policies.

Your Own Advertising.

In addition to your required contributions to the Advertising Fund, you must spend for local advertising and promotion of your Bakery Café. We will require you to spend up to 2% of Net Sales on a monthly basis. You must have proof of your expenditures if we request to review your books and records. You must submit all of your own advertising and sale promotion materials to us or our advertising agency for approval before use. If you do not receive written disapproval within 20 days after we receive the materials, we will be deemed to have given approval. You will not advertise or use in advertising or other form of promotion, the Marks without the appropriate copyright, trademark, and service mark symbols ("©", "®", "TM" or "SM") as we direct.

You may not advertise or use any of the Marks on the Internet except after obtaining our consent. Any advertising on the Internet shall be pre-approved by us and on terms specified by us. Further, you may not use the Marks (or any marks or names confusingly similar to the Marks) as an Internet domain name, user or account name, or in the content of any worldwide website, including any social media website (such as LinkedIn, Facebook or Twitter). We may provide contact information for your Bakery Café on our website for so long as we determine.

Grand Opening Advertising.

In addition to the other advertising requirements, you must spend a minimum of $15,000 for grand opening advertising and sales promotions within 60 days of your Bakery Café opening. Additionally, you must provide to us, within 90 days after the opening of your Bakery Café, proof of your advertising and sales promotion expenditures in the form, and with the detail, including copies of all grand opening advertising materials and receipts, as we request.

Regional Advertising Cooperatives.

In addition to all other advertising requirements, we may from time to time, in our sole discretion, designate areas or territories within which we have determined, on the basis of television coverage, newspaper coverage, or other criteria we establish, in our sole discretion, the establishment of a regional advertising cooperative may be appropriate for the Bakery Cafés located within that area or territory (each a "**Regional Cooperative**"). If we designate an area or territory for the establishment of a Regional Cooperative, the Bakery Cafés located within that area or territory will form the Regional Cooperative for the purpose of administering advertising programs and developing, subject to our approval, promotional materials for use by the members of the Regional Cooperative and will operate it according to written by-laws (which would be available for review by you) approved by us and by the majority of its members, on the basis of one vote for each Bakery Café location within the area or territory. In the event of a tie vote, we will cast the deciding vote.

We have the right to consent to any proposed change to the by-laws or other organizational structure of the Regional Cooperative. All advertising and promotion materials used by the Regional Cooperative or provided to its members must conform with our standards. If your Bakery Café is within the territory we establish for a Regional Cooperative, you must become a member of that Regional Cooperative and contribute to the Regional Cooperative the amounts designated by the governing body of that Regional Cooperative ("**Local Advertising Fee**").The Local Advertising Fee is at least 1.5% of Net Sales. Any Regional Cooperative fees will be applied against the amounts required for local advertising but will be in addition to the Advertising Fees and Marketing Administration Fees. At our request, you must furnish us with copies of the documentation evidencing your Regional Cooperative contributions as we may request.

We may exclude any particular La Boulangerie Bakery Café (including locations owned by us or our affiliates) from participation in a Regional Cooperative, but all La Boulangerie Bakery Cafés required to be members of the Regional Cooperative (including locations owned by us or our affiliates) will contribute on the same basis. Further, we may provide the Regional Cooperative with 90 days' notice of special promotions in which the Regional Cooperative and its members will be required to participate. The cost of any such special promotion will count towards the amounts you are required to contribute to the Regional Cooperative. If established, the Regional Cooperative will prepare annual unaudited financial statements, which will be available for review by you upon request. We will have the power to require the Regional Cooperative to be changed, dissolved or merged.

We do not currently have any Regional Cooperatives.

Computer System

You are required to purchase a POS Terminal, a Brink/ParTech computer package consisting of Terminals, printers, VDU screen(s), EMV readers, and Labor software (the "**Computer System**"). The Computer System will be connected to the Internet through a modem. The estimated cost for purchasing and installing the Computer System and associated training is between $10,000 and $13,500, which does not include associated sales tax, if any, or the cost to ship the Computer System to your Bakery Café. You will be responsible for maintenance and upgrades to the Computer System. We estimate that your annual support and maintenance expenses will be approximately $2,800.

You will be responsible for paying the Technology Fee in the amount of $224 per month for the Computer System. You will also be required to participate in the customer survey program designated by us which will be provided by a third party. Currently, we use Tattle. In addition, you must participate in food safety audits performed by a third party designated by us. Currently these audits are conducted twice a year by Eco-Sure. You will be required to pay for these services. Currently, the cost is $15 per month for each La Boulangerie Bakery Café for the customer survey and food safety audit are required twice a year at a cost of $268 per audit. In addition, currently we require you to participate in our customer loyalty program. It is designed and administered by Paytronix. You will pay $79 to participate in this customer loyalty program, which is deducted from your bank account by Paytronix.

Brink service representatives will not be authorized to add customized programming specific to the addition of unauthorized menu items. Brink will require our written approval before programming of this nature can be done. We may charge an hourly rate if you request customization to the POS system or additional technology back office support.

We may revise our specifications for hardware and software as we determine necessary to meet the needs of the System and there is no contractual limitation on our ability to require the hardware or software to be improved or upgraded. We reserve the right to require different or additional software programs and hardware at any time in the future and you will be responsible for the cost of any new, modified or updated programs and the hardware.

The types of business information which will be collected by the Computer System will be, among other items, sales reports by category, revenue channel, department, menu item, inventory, waiter, cashier, lunch, dinner and by hour on a daily and weekly basis. We will have independent access to information or data in the Computer System. All business information collected by the Computer System or created or maintained by you are the sole property of La Boulangerie San Francisco. Additionally, we have the right to audit reporting from any third party catering or delivery businesses you do business with, including but not limited to, GrubHub, Door Dash, and UberEats. We have no contractual obligation to upgrade or update any hardware or software. We are not obligated to provide or assist you in obtaining the above item or services. In the future, you may be required to change, upgrade or modify the type of computer hardware and software you must use at your expense (i.e. web-based reporting solutions.) Internet service may be required to make your Computer System accessible for web-based solutions.

TRAINING PROGRAMS

We or our representatives or agents will provide the following training to you (or, if you are a corporation, partnership or limited liability company, your designated Operator) and your manager and assistant manager. You (or your Operator), your manager and assistant manager must all complete the training program to our satisfaction before you open your Bakery Café. If you currently operate a La Boulangerie Bakery Café, the training program is not mandatory, unless we deem it necessary.

The initial training program will most likely take place in an existing La Boulangerie Bakery Café, or at our corporate offices in San Francisco, California, for a period of approximately 3-5 weeks. You will pay us $8,000 for the Training Program and you are responsible for wages, travel, and living expenses for you (or your Operator), manager and assistant manager during training. We expect that training will be conducted after the Franchise Agreement has been signed and while your Bakery Café is being developed.

There currently is no fixed (i.e. monthly or bi-monthly) training schedules but the training programs are given on an as-needed basis. The training may be modified, at our option, if you are already operating a La Boulangerie Bakery Café.

TRAINING PROGRAM

SUBJECT	HOURS OF TRAINING	LOCATION
Food Preparation – prep, cook, bake, line functions, quality standards, ordering	60	San Francisco, CA
Front of House – cashier, barista, merchandising, hospitality standards, salesmanship	24	San Francisco, CA
Equipment, Facility, Safety & Sanitation	4	San Francisco, CA
Running Shifts – opening/closing responsibilities, production and staffing management, guest relations	32	San Francisco, CA
Catering & Marketing	16	San Francisco, CA
Business Management – back office systems and processes, finances, labor management, supply chain, facility, and equipment	32	San Francisco, CA
TOTAL	**168**	

Note that some subjects may be intermingled and time periods and subject matter may be subject to change. The above are merely estimates. The training program materials are part of the Manual. The training programs are given by the following individual:

Gabriel Moreno supervises our training program. Gabriel started training employees, franchisees and providing operations services for NB Franchising, LLC in June, 2018. He has been training franchisees for fifteen (15) years.

Your Bakery Café must always be under the supervision of an Operator or a manager or assistant manager who has satisfactorily completed our initial training program. Any new Operator or manager or assistant manager must attend our initial training program at your sole cost and expense prior to being in charge of your Bakery Café. You are solely responsible for the costs and expenses associated with this initial training including the then prevailing standard rates charged by us for additional attendees at our initial training program and all travel, meals and lodging costs and compensation of, and workers' compensation insurance.

We will, at our expense, also provide on-site, opening assistance, consisting of at least two people, for a period of 10 consecutive days, at your Bakery Café location. On site, store opening training is typically conducted as follows: (a) eight days prior to the scheduled Bakery Café opening, (b) opening day and, (c) one day after the scheduled opening of your Bakery Café. We will provide this on-site opening assistance for your first two Bakery Cafés. For any Bakery Cafés you open, we can charge you a reasonable fee to cover all of our expenses to provide this on-site opening assistance.

We may also provide re-fresher programs at a reasonable fee and you will be responsible for all costs and expenses of you or your employees attending these programs. Currently the fee for additional training is $2,500 per day. Attendance at any re-fresher programs or conventions is not mandatory at this time, but may be in the future. The location, duration, and content of such re-fresher training programs has not been determined yet. We may elect to charge a reasonable fee for any training or assistance provided after the opening of your Bakery Café. You are solely responsible for paying the compensation of your trainees as well as your trainees' travel, lodging and personal expenses.

ITEM. 12
TERRITORY

Assigned Territory for Your Bakery Café

You must operate your Bakery Café at a specific location identified in the Franchise Agreement. You may not conduct business at any site other than your Bakery Café. You may not relocate your Bakery Café without our written consent that we will not unreasonably withhold. The Assigned Territory will be determined when we both agree on the site as described in **Attachment F** of the Franchise Agreement. Your Assigned Territory will be tailored to your specific site's demographics (there is no minimum geographic territory). Your Assigned Territory will be dependent upon the location of your Bakery Café. The following are the typical size of the Assigned Territory based on the location of the Bakery Café:

Densely populated downtown area	1/8 of a mile radius around Bakery Café
Urban area	0.5-mile radius around the Bakery Café
Suburban area	2-mile radius around the Bakery Café
Rural area	population of 50,000

So long as the Franchise Agreement is in force and you are not in default under it or any other agreement with us or any affiliate of ours, neither we nor our affiliates will own or operate or franchise or license others to own or operate a La Boulangerie Bakery Café within your Assigned Territory, other than in a Non-Traditional Location. A "**Non-Traditional Location**" is a location that is in a transportation facility, an airport, a sporting arena, an educational facility, including colleges and universities, a medical facility, an entertainment facility, or a military facility. A Non-Traditional Location is not considered part of the Assigned Territory.

Except as limited above in this Item 12, we and our affiliates retain all rights with respect to La Boulangerie Bakery Cafés, the Marks, the sale of similar or dissimilar products and services and any other activities we deem appropriate whenever and wherever we desire. We and our affiliates have the right to own or operate, or license others to own or operate, La Boulangerie Bakery Cafés immediately adjacent to your Assigned Territory or anywhere outside of your Assigned Territory. We and our Affiliates have the right to operate or license others to operate similar businesses or any other businesses and services under trademarks or service marks other than the Marks in any location, both inside or outside of your Assigned Territory. We and our Affiliates have the right to operate or license others to operate businesses that are not similar to a La Boulangerie Bakery Café under the Marks in any location, both inside or outside of your Assigned Territory. In addition, we and our Affiliates have the sole right to offer any products or services (including the products and services you offer at your Bakery Café) through other channels of distribution (including grocery stores, warehouse clubs, the Internet, catalogue and other non-restaurant outlets) both inside and outside of your Assigned Territory. We and our affiliates have the right to purchase, merge, acquire or affiliate with an existing competitive or non-competitive franchise network, chain or any other business regardless of the location of that chain's or business' facilities, and to operate, franchise or license those businesses and/or facilities as "La Boulangerie" restaurants operating under the Marks or any other marks following our purchase, merger, acquisition or affiliation, regardless of the location of these facilities (which you acknowledge may be within your Assigned Territory, near your Assigned Territory, or near any of your locations).

We are not required to pay you if we exercise any of the rights specified above inside your Assigned Territory. There are no restrictions regarding solicitation of customers outside of your Assigned Territory, however, you are not permitted to deliver any food or services outside of your Assigned Territory except with our prior written consent.

You do not receive the right to acquire additional franchises either within or outside your Assigned Territory, but we may consider granting you multiple franchises. If you are granted the right to purchase multiple franchises, you must sign a separate Franchise Agreement for each location.

Except as otherwise noted, although we and our affiliates have the right to do so, neither we nor our affiliates have owned, operated or franchised, and have no plans to own, operate or franchise, other businesses selling similar products or services under trademarks or service marks other than the Marks.

You will not receive an exclusive territory. You may face competition from other franchisees, from outlets that we own, or from other channels of distribution or competitive brands we control. Continuation of your franchise or your territorial protection is not dependent upon sales quotas, market penetration or opening additional locations; however, your territorial protection is dependent upon your compliance with the Franchise Agreement and we have no right to alter your Assigned Territory.

Area Development Agreement

Under the Area Development Agreement, you are granted the right to develop and operate La Boulangerie Bakery Cafés solely in a specified Development Territory, which may be one or more cities, counties, states or some other defined area. During the term of the Area Development Agreement, we may not own, operate, franchise or license any other La Boulangerie Bakery Cafés in your Development Territory, other than in any Non-Traditional Location. Until the termination, expiration or transfer of the Area Development Agreement, you retain your right of exclusivity as long as you comply with the Development Schedule (**Attachment A** of the Area Development Agreement). If you fail to meet any of your obligations under the Area Development Agreement, including compliance with the Development Schedule, or breach any Franchise Agreement executed by you according to the Area Development Agreement, we may terminate your right to develop, open and operate new Bakery Cafés within the Development Territory. However, the termination of the right to develop your Development Territory will not terminate any rights granted under the Franchise Agreements then in effect between you and us in which you are in compliance. After the expiration or termination of your Area Development Agreement, we may own, operate, franchise or license others to operate additional Bakery Cafés anywhere, without restriction, including in your Development Territory, except for any Assigned Territories under your Franchise Agreement(s) that then remain in effect.

ITEM. 13
TRADEMARKS

Under the Franchise Agreement, La Boulangerie licenses you to operate your Bakery Café under the name "**La Boulangerie®**" and to use certain other current and future Marks. You may only use the Marks in the manner authorized in writing by La Boulangerie. You may not use any of the Marks as part of your corporate or other entity name. You must also follow the instructions of La Boulangerie for identifying yourself and for filing and maintaining the requisite trade name or fictitious name registrations.

The Franchise Agreement grants you the nonexclusive personal right to use the Marks, various designs, and logo types associated with our products and the system. You may also use our other current or future Marks as we may designate to operate your bakery café. You must indicate, as required in the Franchise Agreement and specified in the Operations Manual, that you are an independent operator of a bakery café and you shall use only the appropriate and authorized Marks as indicated by us.

The Marks are owned by Nouveau Bakery, LLC and are licensed exclusively to NB Franchising, LLC and our Affiliates. Nouveau Bakery, LLC has granted us an exclusive, royalty-free license ("Trademark License") that includes geographical restrictions to use the Marks for purposes of franchising the System. The Trademark License extends for 20 years, commencing June 1, 2018, but it can be renewed for five additional ten year terms by giving written notice provided we are not in default or do not materially breach the Trademark License by engaging in any activity which damages the Marks or the goodwill of the System. In the event the Trademark License is terminated, NB Franchising, LLC has agreed to license the use of the Marks directly to our Franchisees until such time as each Franchise Agreement expires or is otherwise terminated.

The following chart lists the Marks that have been registered by Nouveau Bakery LLC with the United States Patent and Trademark Office (the "**USPTO**"):

Mark	Registration No.	Registration Date	Register
La Boulangerie San Francisco	5,435,035	March 27, 2018	Supplemental Register

All required affidavits or renewals will be filed when they become due on any of the Marks referenced above. The Marks are not registered in any particular state.

The following chart lists the Marks for which Nouveau Bakery LLC has applied for registration from the USPTO:

Mark	Serial No.	Application Date	Status
THE AMERICAN BOULANGERIE	88/175,094	October 30, 2018	Pending
super flaky	87/415,653	April 18, 2017	Pending
super soft	87/415,621	April 18, 2017	Pending
gluten-free, free	87/418,307	April 20, 2017	Pending
Glutenlicious	87/418,293	April 20, 2017	Pending
CROISSANT TOAST	87/753,592	January 12, 2018	Pending
SUPER BON	87/959,334	June 12, 2018	Pending

In addition to the Marks in the tables immediately above, we also claim common law rights in the following Marks, which have not been registered with the USPTO or any individual state:

Mark
La Boulangerie
Great Food
Great Coffee

We do not have a federal registration for our principal trademark. Therefore, our trademark does not have many legal benefits and rights as a federally registered trademark. If our right to use the trademark is challenged, you may have to change to an alternative trademark, which may increase your expenses.

There are no agreements that significantly limit our rights to use or license the use of the Marks in the United States. We will grant you a nontransferable, non-sub-licensable, non-exclusive license to use the Marks at your Bakery Café. You must follow our rules when you use the Marks. You cannot use the Marks, or any derivation of the Marks, as part of a corporate name or with modifying words, designs or symbols except for those which we license to you. You may not use the Marks in connection with the sale of an unauthorized product or service or in a manner not authorized in writing by us.

Except as described above, there are no currently effective material determinations of the USPTO, the Trademark Trial and Appeal Board, the trademark administrator in any state or any court, no pending infringement or opposition proceeding, and no pending material litigation involving the Marks. To the knowledge of La Boulangerie, there are no infringing uses which could materially affect your use of the Marks or other related rights in any state. There are no cancellation proceedings in which La Boulangerie unsuccessfully sought to prevent registration of a trademark in order to protect the Marks.

You must provide La Boulangerie with written notice of any claims made against or associated with the Marks. La Boulangerie is obligated under the Franchise Agreement to protect your right to use the Marks and other related rights and to defend, protect and/or indemnify you against claims of infringement and unfair competition because of your use of the Marks. However, if anyone establishes to the satisfaction of La Boulangerie that its rights are, for any legal reason, superior to the rights of La Boulangerie as to any of the Marks, then you must use the variances or other service marks, trademarks or trade names required by La Boulangerie.

We have the right to modify or discontinue the use of any Marks and to use one or more additional or substitute Marks for any reason. If we do decide to modify or discontinue the use of the Marks and/or to use one or more additional or substitute names or marks, you must make the changes at your own expense and without claim against us. You will need to comply within a reasonable time of the request.

Area Development Agreement

The Area Development Agreement does not grant you the right to use any of the Marks. Your right to use the Marks is derived solely from the Franchise Agreements you enter into with us.

ITEM. 14
PATENTS, COPYRIGHTS AND PROPRIETARY INFORMATION

La Boulangerie does not own any patents or patent applications that are material to the La Boulangerie franchise. La Boulangerie intends to claim copyright in websites, mobile applications, advertising copy and design, menu designs, training materials, and other written or digital materials, and items may be developed in the future. La Boulangerie has not applied to the U.S. Copyright Office to register these copyrights.

Our Manual, electronic information and communications, sales and promotional materials, the development and use of our System, standards, specifications, policies, procedures, information, concepts and systems on, knowledge of and experience in the development, operation and franchising of La Boulangerie Bakery Cafés, formulations for and packaging of products, and training, safety, and preparation techniques used to provide products sold at La Boulangerie Bakery Cafés, information concerning our products, operating results, financial performance and other financial data of La Boulangerie Bakery Cafés and other related materials are proprietary and confidential ("**Confidential Information**") and are considered to be our property to be used by you only as described in the Franchise Agreement or the Manual. Where appropriate, certain information has also been identified as trade secrets ("**Trade Secrets**"). You must maintain the confidentiality of our Confidential Information and Trade Secrets and adopt reasonable procedures to prevent unauthorized disclosure of our Trade Secrets and Confidential Information.

You should immediately inform La Boulangerie if you learn of any unauthorized use or infringement of, or challenge to, the copyrighted materials or any of the trade secret, proprietary or confidential information. La Boulangerie will take the action it deems appropriate, in its sole discretion. If anyone establishes to the satisfaction of La Boulangerie that its rights to the materials are superior, then you must modify or discontinue your use of the materials as required by La Boulangerie.

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

You or, if you are or at any time become a corporation, partnership or limited liability company, your designated Operator, must personally participate in the day-to-day management of your Bakery Café. Your "**Operator**" must be an individual approved by us who (a) owns and controls, or has the right to own and control (subject to conditions reasonably acceptable to us), not less than 10% of the ownership equity in you, and (b) has the authority to bind you regarding all operational decisions with respect to your Bakery Café. You (or your Operator) are required to complete our initial training program to our satisfaction, devote your best efforts to the operation of your Bakery Café and not engage in any other business or activity, directly or indirectly, that requires substantial management responsibility or time commitments or otherwise conflicts with your obligations under the Franchise Agreement. At all times during the operation of your Bakery Café, there must be at least one person who has completed our initial training program or is otherwise certified by us to manage a La Boulangerie Bakery Café. You are required to carefully monitor and be responsible for the performance of anyone designated to manage the operation of your Bakery Café. Under the Area Development Agreement, you or, if you are an entity, the person designated to manage your development obligations, is required to live in the Development Territory.

At our request, your officers, directors, shareholders, partners, members, owners, their respective spouses and all managerial employees must sign the Non-Competition and Confidentiality Agreement in a form acceptable to us. All owners of any entity franchisee and developer and their spouses must also sign a Guaranty which is part of the assignment of the Franchise Agreement and the Area Development Agreement to a wholly controlled corporation or limited liability company assuming and agreeing to discharge all of your obligations under your Franchise Agreement and Area Development Agreement.

ITEM. 16
RESTRICTIONS ON WHAT THE FRANCHISEE MAY SELL

We require you to offer and sell only those goods and services that we have approved. You must sell all of the goods and services that we require. We have the right to change the types of required and/or authorized products and services and you will be notified by a bulletin or supplement to the Manual. You are prohibited from offering or selling any products or services not authorized or approved by us and from using the premises for any other purpose than the operation of a La Boulangerie Bakery Café in compliance with the Franchise. We have the right to approve or deny your request to eliminate some or add other menu items. You will be required to add such equipment and make such alterations, at your expense, as may be necessary to equip your Bakery Café for sale of such products as we may require. You may need to make an additional investment to do so.

We may require you, if permitted by applicable law, to participate in a gift card or other customer loyalty program in accordance with the provisions either set forth in the Manual or otherwise disclosed to you. In order to participate, you may be required to purchase additional equipment and pay any fees applicable to the use of that equipment. If we establish a gift card or loyalty program, we have the right to determine how the amount of the gift cards or loyalty cards will be divided or otherwise accounted for, and we reserve the right to retain the amount of any unredeemed gift cards. The current cost of the loyalty program is described in Item 11.

You are not permitted to deliver goods or services outside of your Assigned Territory without our prior written consent. Other than as described in this Item, we do not impose any restrictions or conditions that limit your access to customers, except that you may offer catering and delivery services only with the prior written approval from us and according to our standards and specifications.

ITEM. 17
RENEWAL, TERMINATION, TRANSFER AND DISPUTE RESOLUTION

THE FRANCHISE RELATIONSHIP

This table lists certain important provisions of the Franchise Agreement and related agreements. You should read these provisions in the agreements attached to this Disclosure Document.

Provision	Article in Franchise Agreement	Summary
a. Length of the franchise term	2.1	10 years beginning as of the Required Opening Date, which is one year after you sign the Franchise Agreement
b. Renewal or extension of the term	2.2	Right to reacquire the Franchise for a successor term equal to the length of the term then offered by us.
c. Requirements for franchisee to renew or extend	2.2	You must: give written notice at least 180, but not more than 365 days before expiration; have complied with all material terms and conditions of your current Franchise Agreement; have paid all monetary obligations owed to us during the term of the Franchise Agreement; agree in writing to remodel your Franchised Location; have the right to continue to occupy the Franchised Location for at least five additional years; sign the then-current standard Franchise Agreement; pay the Renewal Fee; execute a general release of claims against us, our parent, subsidiaries, affiliates, and related people; and you and your Management Staff must complete the required training. You will sign a new Franchise Agreement which may have materially different terms and conditions than your original Franchise Agreement.
d. Termination by franchisee	Not applicable	You have no contractual right to terminate the Franchise Agreement for any reason.
e. Termination by franchisor without cause	Not applicable	
f. Termination by franchisor with cause	19.1	If you breach the Franchise Agreement.
g. "**Cause**" defined – curable defaults	19.2	You will have 30 days to cure if you: provide false, misleading, incomplete or inaccurate information; fail to obtain the site for the Franchised Location within 120 days of the date of the Franchise Agreement; fail to obtain valid food service licenses within 10 days before the Bakery Café opens; or your Management Staff fail to complete the training program before the Bakery Café is scheduled to open; violate a law or regulation applicable to your Bakery Café's operations; violate any material provision of the Franchise

Provision	Article in Franchise Agreement	Summary
		Agreement or Operations Manual; fail to pay any fees or expenses due to La Boulangerie or third parties; lose possession of the Franchised Location; lose your food service license; fail to appoint a replacement Operator; or breach any other agreement with La Boulangerie. You have five days to cure a failure to pay any fees due to La Boulangerie as required by the Franchise Agreement or any other agreement.
h. "**Cause**" defined – non-curable defaults	19.1	La Boulangerie has the right (subject to state law) to terminate the Franchise Agreement immediately upon receipt of notice if you: or any of your current directors, officers or majority owners are convicted of or plead guilty or no contest to any law relating to your La Boulangerie Bakery; are deemed insolvent; make a transfer for the benefit of creditors; abandon the Bakery Café; fail to provide, or permit La Boulangerie to audit, your financial records; materially impair the goodwill of the Marks or the Bakery Café System, subject to 24-hour cure period; violate any material provision three or more times during a 12- month period, or six or more times during the term of the Franchise Agreement; fail to open your Bakery Café by the Required Opening Date; you or your owners commit any fraud or misrepresentation in the operation of your Bakery Café; fail or refuse to maintain any insurance policy required by us or otherwise fail or refuse to comply with our insurance requirements; fail or refuse to comply with any mandatory specification, standard, or operating procedure prescribed by us relating to the cleanliness or sanitation of your Bakery Café, and you do not correct the breach within 24 hours after receipt of written notice from us; or violate any health, safety, or sanitation law, ordinance, or regulation that we reasonably believe may pose harm to the public or to the reputation of you, us , or the System, and you do not correct the breach within 24 hours after receipt of written notice from us.
i. Franchisee's obligations on termination/non-renewal	20	You must: pay what you owe under the Franchise Agreement within five days after termination; immediately return all printed La Boulangerie materials; cease using the Marks and the Bakery Café System; alter the appearance of the Franchised Location; and transfer your telephone directory listings to La Boulangerie. If the Franchise Agreement expires or is terminated or if you at any time cease to do business as a La Boulangerie Bakery, we reserve the right to purchase all of the assets to the La Boulangerie Bakery from you.
j. Assignment of the contract by franchisor	18.1	No restrictions on the right of La Boulangerie to assign the Franchise Agreement; the assignee must fully perform all obligations of La Boulangerie under the Franchise Agreement.
k. "**Transfer**" by franchisee – defined	18.2, 18.3, 18.4	Includes transfer in the event of death or disability, the sale of ownership interests, and transfer of rights under the Franchise Agreement.

Provision	Article in Franchise Agreement	Summary
l. Franchisor approval of transfer by franchisee	18.4	La Boulangerie has the right to approve any transfer made by you, but will not unreasonably withhold its consent.
m. Conditions for franchisor approval of a transfer	18.4, 18.6	You must: provide La Boulangerie with 45 days written notice of the transfer; pay all money owed to La Boulangerie; agree in writing to observe all applicable provisions of the Franchise Agreement; sign a joint and mutual release between you and La Boulangerie (see **Exhibit E**); and pay the Transfer Fee. The assignee must: meet the standards established by La Boulangerie for new franchisees; sign the legal agreements required by La Boulangerie; acquire the right to occupy the Franchised Location; acquire a valid food service license; and successfully complete training.
n. Franchisor's right of first refusal to acquire franchisee's business	21	You must offer the Bakery Café to La Boulangerie if you receive a bona fide offer to purchase.
o. Franchisor's option to purchase franchisee's business	21	La Boulangerie has the option to purchase at the price and terms stated in the third-party offer. We also have the right to purchase your La Boulangerie Bakery if your Area Development Agreement is terminated.
p. Death or disability of franchisee	18.2	If you are an individual, the Franchise Agreement may be transferred to your beneficiary without paying a Transfer Fee to La Boulangerie, subject to the requirements described in "**m**" above.
q. Non-competition covenants during the term of the franchise	23.2	You may not participate in any Competitive Restaurant.
r. Non-competition covenants after the franchise is terminated or expires	23.3	For 24 months after termination, you may not participate in any Competitive Restaurant that is within 10 miles of the Franchised Location or any other La Boulangerie Bakery, or within any Assigned Territory granted by La Boulangerie.
s. Modification of the agreement	28.9	Only by written agreement between you and La Boulangerie.
t. Integration/merger clause	28.10	Only the terms of the Franchise Agreement and other related written agreements are binding (subject to state law). Any representations or promises outside of this Disclosure Document and the Franchise Agreement may not be enforceable.
u. Dispute resolution by arbitration or mediation	27	Except for certain claims, all disputes must be submitted to mediation.
v. Choice of forum	27.3, 28.5	Colorado (see attached Addendum for state law modifications).
w. Choice of law	32	Colorado (see attached Addendum for state law modifications).

THE AREA DEVELOPER RELATIONSHIP

This table lists certain important provisions of the Area Development Agreement and related agreements. You should read these provisions in the agreements attached to this Disclosure Document.

Provision		Article in Area Development Agreement	Summary
a.	Length of agreement term	3	To be determined by you and La Boulangerie.
b.	Renewal or extension of the term	Not applicable	
c.	Requirements for area developer to renew or extend	Not applicable	
d.	Termination by area developer	Not applicable	You may terminate the Area Development Agreement on any grounds available by applicable law. The Development Fee is not refundable.
e.	Termination by franchisor without cause	Not applicable	
f.	Termination by franchisor with cause	8.1	If you breach the Area Development Agreement.
g.	"**Cause**" defined – curable defaults	N/A	None.
h.	"**Cause**" defined – non-curable defaults	8.1	La Boulangerie has the right (subject to state law) to terminate the Area Development Agreement immediately upon receipt of notice if you: fail to comply with the Development Schedule in the Area Development Agreement, subject to possible extension in accordance with the compliance bank provided in the Area Development Agreement; abandon any of your Bakery Cafés; or any of your directors, officers or majority Owners are convicted of or plead guilty or no contest to any law adversely affecting your La Boulangerie Bakery Cafés; are deemed insolvent; make a transfer for the benefit of creditors; materially impair the goodwill of the Marks or the Bakery Café System; or a Franchise Agreement between you and La Boulangerie is terminated for any reason.
i.	Area developer's obligations on termination/non-renewal	9	Your rights under the Area Development Agreement revert to La Boulangerie; and you must continue to operate the La Boulangerie Bakery Cafés you opened before termination of the Area Development Agreement. We also reserve the right to purchase your opened La Boulangerie Bakery Cafés from you.
j.	Assignment of the contract by franchisor	7.1	No restrictions on the right of La Boulangerie to assign the Area Development Agreement.
k.	"**Transfer**" by area developer – definition	7.2, 7.3, 7.4	Includes transfer in the event of death or disability, the sale of ownership interests, and transfer of rights under the Area Development Agreement.
l.	Franchisor approval of transfer by area developer	7.3	La Boulangerie has the right to approve any transfer made by you, but will not unreasonably withhold its consent. You will only have the right to transfer unexercised development rights if the transfer includes transfer of your operating Bakery Cafés.

Provision	Article in Area Development Agreement	Summary
m. Conditions for franchisor approval of transfer	7.3, 7.6	You must: provide La Boulangerie with 45 days written notice of the transfer; pay all money owed to La Boulangerie; agree to observe all applicable provisions of the Area Development Agreement; sign a joint and mutual release between you and La Boulangerie (see **Exhibit E**); and pay the Transfer Fee. The assignee must meet the standards established by La Boulangerie for area developers; sign the legal agreements required by La Boulangerie; and successfully complete training.
n. Franchisor's right of first refusal to acquire area developer's business	10	You must offer the Area Development Agreement and your ownership interests to La Boulangerie if you receive a bona fide offer to purchase.
o. Franchisor's option to purchase area developer's business	10	La Boulangerie has the option to purchase at the price and terms stated in the third-party offer. We also have the right to purchase your La Boulangerie Bakery if your Area Development Agreement is terminated.
p. Death or disability of area developer	7.2	If you are an individual, the Area Development Agreement may be assigned to your beneficiary without paying a Transfer Fee to La Boulangerie, subject to the requirements described in "**m**" above.
q. Non-competition covenants during the term of the franchise	12.2	You may not participate in any Competitive Restaurant.
r. Non-competition covenants after the franchise is terminated or expires	12.3	For 24 months after termination, you may not participate in any Competitive Restaurant that is within the Territory or 10 miles of the Territory or 10 miles of any other La Boulangerie Bakery, or within any protected territory granted by La Boulangerie.
s. Modification of the agreement	16.9	Only by written agreement between you and La Boulangerie.
t. Integration/merger clause	16.10	Only the terms of the Area Development Agreement are binding (subject to state law). Any representations or promises outside of this Disclosure Document and the Area Development Agreement may not be enforceable.
u. Dispute resolution by arbitration or mediation	15	Except for certain claims, all disputes must be submitted to mediation.
v. Choice of forum	15.3, 16.5	Colorado (see attached Addendum for state law modifications).
w. Choice of law	20	Colorado (see attached Addendum for state law modifications).

The Franchise Agreement and the Area Development Agreement may contain a number of provisions that could affect your legal rights. La Boulangerie recommends that you carefully review all of these provisions, and each of the agreements attached to this Disclosure Document in their entirety with a lawyer. Applicable state law might require additional disclosures related to the information contained in this Item. These additional disclosures appear in the Addendum attached to this Disclosure Document.

ITEM. 18
PUBLIC FIGURES

La Boulangerie does not use any public figure to promote its franchise. No public figure is involved in the management of La Boulangerie.

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.

Bakery Cafés Open for One Year of Greater

The information in this Item 19 includes certain historical financial information provided by Bakery Cafés open for at least one year. We determined the revenue based upon information taken from our proprietary software system which all Bakery Cafés use to generate all transactions.

Of the seven Bakery Cafés in operation as of October 31st, 2019, a total of 6 were open and operated continuously for more than one calendar year. These 6 locations were all company owned. Company owned outlets do not pay royalties or marketing fees to the Franchisor. One of the Bakery Cafés is located at a kiosk ("Non-Traditional Location") and is not included in ITEM 19.

Tables

The following tables represent the 2019 financial performance for all Bakery Cafes open greater than one year.

The following definitions are used for the financial information on the tables:

"Gross sales" are calculated from total revenue, less taxes, and less comps and discounts.

"COGS" is calculated from the cost of usage of all food and paper products as a percentage of gross sales.

"Labor" is calculated from the cost of all direct hourly and salaried labor costs. The average and median labor costs are a percentage of sales.

Gross Sales						
Bakery Cafés (Open for min. 1 year)	# Of Locations	2019 Average Annual Gross Sales	# of Bakery Cafés Above Average	2019 Highest Annual Gross Sales	2019 Lowest Annual Gross Sales	2019 Median Annual Gross Sales
Company Owned	6	$1,433,184.49	2 of 6 33.33%	$2,018,355.73	$915,459.31	$1,390,997.18

COGS						
Bakery Cafés (Open for min. 1 year)	# Of Locations	2019 Avg. COGS	% Above Average	2019 Highest COGS	2019 Lowest COGS	2019 Median COGS
Company Owned	6	35.7%	2 of 6 33.33%	38.79%	33.85%	35.15%

Labor						
Bakery Cafés (Open for min. 1 year)	# Of Locations	2019 Avg. Labor	% Above Average	2019 Highest Labor	2019 Lowest Labor	2019 Median Labor
Company Owned	6	30.50%	3 of 6 50.00%	38.86%	27.11%	29.80%

Summary

Our auditors have not performed any procedures on the financial information in the table above and therefore assume no responsibility for that information.

Written substantiation for the financial performance representation will be made available to you upon request.

Some outlets have sold this amount. Your individual results may differ. There is no assurance that you'll sell as much.

Other than the preceding financial performance representation, we do not make any financial performance representations. We do not authorize our employees or representatives to make such representations either orally or in writing. If you are purchasing an existing outlet, however, we or the selling franchisee 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 our management by contacting Larry Sidoti, Garbanzo Mediterranean Grill Franchising, LLC, at 7700 E. Arapahoe Road, Suite 270, Centennial, CO 80112, 303- 221-2559, the Federal Trade Commission, and the appropriate state regulatory agency.

ITEM. 20
OUTLETS AND FRANCHISEE INFORMATION

TABLE NO. 1

Systemwide Outlet Summary
For Fiscal Years 2017 to 2019

Outlet Type	Year	Outlets at Start of Year	Outlets at End of Year	Net Change
Franchised	2017	0	0	0
	2018	0	0	0
	2019	0	0	0
Company-Owned*	2017	6	7	+1
	2018	7	8	+1
	2019	8	9	+1
Total Outlets	**2017**	**6**	**7**	**+1**
	2018	**7**	**8**	**+1**
	2019	**8**	**8**	**0**

*For purposes of this Franchise Disclosure Document, we are treating Bakery Cafes operated by our affiliate, Pine, LLC, as company-owned restaurants.

TABLE NO. 2

Transfers of Outlets from Franchisees to New Owners
(other than the Franchisor or an Affiliate)
For Fiscal Years 2017 to 2019

State	Year	Number of Transfers
All States	2017	0
	2018	0
	2019	0
Totals	**2017**	**0**
	2018	**0**
	2019	**0**

TABLE NO. 3

Status of Franchised Outlets
For Fiscal Years 2017 to 2019

State	Year	Outlets at Start of Year	Outlets Opened	Termina-tions	Non-Renewals	Reacquired by Franchisor	Ceased Operations - Other Reasons	Outlets at End of Year
California	2017	0	0	0	0	0	0	0
	2018	0	0	0	0	0	0	0
	2019	0	0	0	0	0	0	0
Totals	**2017**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
	2018	**0**	**0**	**0**	**0**	**0**	**0**	**0**
	2019	**0**	**0**	**0**	**0**	**0**	**0**	**0**

TABLE NO. 4

Status of Company-Owned Outlets*
For Fiscal Years 2017 to 2019

State	Year	Outlets at Start of Year	Outlets Opened	Outlets Reacquired from Franchisee	Outlets Closed	Outlets Sold to Franchisee	Outlets at End of Year
California*	2017	6	1	0	0	0	7
	2018	7	1	0	0	0	8
	2019	8	1	0	0	0	9
Totals	**2017**	**6**	**1**	**0**	**0**	**0**	**7**
	2018	**7**	**1**	**0**	**0**	**0**	**8**
	2019	**8**	**0**	**0**	**0**	**0**	**8**

* For purposes of this Franchise Disclosure Document, we are treating Bakery Cafes operated by our affiliate, Pine, LLC, as company-owned restaurants.

TABLE NO. 5

Projected Openings as of October 2019

State	Franchise Agreements Signed But Outlets Not Opened	Projected New Franchised Outlets in Next Fiscal Year	Projected New Company-Owned Outlets in Next Fiscal Year
California	3	4	7
Connecticut	0	1	1
Totals	**3**	**5**	**8**

Footnotes:

No franchisees were terminated, cancelled, not renewed or otherwise voluntarily or involuntarily ceased to do business during the last fiscal year. No franchisees failed to communicate with La Boulangerie within the 10-week period before the issuance date of this Disclosure Document.

If you buy this franchise, your contact information may be disclosed to other buyers when you leave the franchise system.

As of our formation on May 22, 2018 no current or former franchisees have signed any confidentiality clauses which restrict them from discussing with you their experiences as a franchisee in the La Boulangerie franchise system.

There are no trademark-specific franchisee associations applicable to you, either created, sponsored or endorsed by La Boulangerie, or independent franchisee associations.

The name, address and telephone number of each Franchisee as of the date of this Franchise Disclosure Document is listed in **Exhibit A**.

ITEM. 21
FINANCIAL STATEMENTS

Attached to this Disclosure Document as **Exhibit B** are our audited financial statements for the period ending October 31, 2019 and October 31, 2018.

Our fiscal year end is October 31st.

We have not been in business for three fiscal years or more, and therefore we cannot include three years' worth of financial information as required under this Item.

ITEM. 22
CONTRACTS

Attached as **Exhibit C** is the Franchise Agreement. Attached as **Exhibit D** is the Area Development Agreement.

ITEM. 23
RECEIPTS

The last pages of this Disclosure Document are detachable Receipts.

EXHIBIT A

LA BOULANGERIE

LIST OF FRANCHISED, COMPANY-OWNED BAKERY CAFÉS AND SIGNED BUT NOT OPENED FRANCHISES

EXHIBIT A

LA BOULANGERIE COMPANY-OWNED BAKERY CAFÉS
AS OF OCTOBER 31, 2019

STATE	ADDRESS	CITY	TELEPHONE
California	2325 Pine Street	San Francisco	415-440-0356
California	1000 Cole Street	San Francisco	415-592-8549
California	1909 Union Street	San Francisco	415-738-0722
California	500 Hayes Street	San Francisco	415-400-4451
California	3898 24th Street	San Francisco	415-796-3830
California	222 Sutter Street	San Francisco	628-444-3532
California	655 Montgomery Street	San Francisco	415- 829-8083
California	5500 College Ave	Oakland	510 350-8332

LA BOULANGERIE FRANCHISED BAKERY CAFÉS

STATE	ADDRESS	CITY	TELEPHONE	NAME

LA BOULANGERIE FRANCHISE AGREEMENTS SIGNED BUT NOT YET OPENED

STATE	ADDRESS	CITY	TELEPHONE	NAME
California	17 Skycrest	Irvine	310-447-4423	BeyondTheWheat, Inc.
California	10235 Independence Ave.	Chatsworth	818-687-6871	Hilltop8 Investments, LLC

EXHIBIT B

LA BOULANGERIE

FINANCIAL STATEMENTS

CliftonLarsonAllen LLP
CLAconnect.com

Management
NB Franchising, LLC
Denver, Colorado

We have audited the financial statements of NB Franchising, LLC as of and for the year ended October 31, 2019, and have issued our report thereon dated February 18, 2020. We have previously communicated to you information about our responsibilities under auditing standards generally accepted in the United States of America, as well as certain information related to the planned scope and timing of our audit. Professional standards also require that we communicate to you the following information related to our audit.

Significant audit findings

Qualitative aspects of accounting practices

Accounting policies

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by NB Franchising, LLC are described in Note 1 to the financial statements.

We noted no transactions entered into by the entity during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

As described in Note 1, the entity made an accounting policy election related to revenue recognition by adopting Financial Accounting Standards Board (FASB) Accounting Standards Topic 606, *Revenue from Contracts with Customers* in the year ended October 31, 2019.

Accounting estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. There were no accounting estimates affecting the financial statements which were particularly sensitive or required substantial judgments by management.

Financial statement disclosures

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. There were no particularly sensitive financial statement disclosures.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties encountered in performing the audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Uncorrected misstatements

Professional standards require us to accumulate all misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. The attached schedule summarizes uncorrected misstatements of the financial statements. Management has determined that their effects are immaterial, both individually and in the aggregate, to the financial statements taken as a whole.

Professional standards require us to accumulate all misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements.

Other information in documents containing audited financial statements

Other information is being included in documents containing the audited financial statements and the auditors' report thereon. Our responsibility for such other information does not extend beyond the financial information identified in our auditors' report. We have no responsibility for determining whether such other information is properly stated and do not have an obligation to perform any procedures to corroborate other information contained in such documents. As required by professional standards, we read the Franchise Disclosure Document (the other information) in order to identify material inconsistencies between the audited financial statements and the other information. We did not identify any material inconsistencies between the other information and the audited financial statements.

Disagreements with management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditors' report. No such disagreements arose during our audit.

Management representations

We have requested certain representations from management that are included in the management representation letter dated February 18, 2020.

Management consultations with other independent accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the entity's financial statements or a determination of the type of auditors' opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other audit findings or issues

We have provided a separate letter to you dated February 18, 2020, communicating internal control related matters identified during the audit.

* * *

This communication is intended solely for the information and use of the management of NB Franchising, LLC and is not intended to be, and should not be, used by anyone other than these specified parties.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

St. Louis, Missouri
February 18, 2020

NB FRANCHISING, LLC

FINANCIAL STATEMENTS

OCTOBER 31, 2019 AND 2018

NB FRANCHISING, LLC
TABLE OF CONTENTS
OCTOBER 31, 2019 AND 2018

CliftonLarsonAllen LLP
CLAconnect.com

INDEPENDENT AUDITORS' REPORT

Board of Directors and Management
NB Franchising, LLC
Denver, Colorado

We have audited the accompanying financial statements of NB Franchising, LLC, which comprises the balance sheet as of October 31, 2019 and the related statements of operations, members' equity and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements 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 financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit 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 statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, 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 statements 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 statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Board of Directors and Management
NB Franchising, LLC

Opinion

In our opinion, the 2019 financial statements referred to above present fairly, in all material respects, the financial position of NB Franchising, LLC as of October 31, 2019 and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matter

The 2018 balance sheet of NB Franchising, LLC was audited by other auditors whose report dated November 8, 2018, expressed an unmodified opinion on that statement.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

St. Louis, Missouri
February 18, 2020

NB FRANCHISING, LLC
BALANCE SHEETS
OCTOBER 31, 2019 AND 2018

	2019	2018
ASSETS		
CURRENT ASSETS		
Cash	$ 73,975	$ 922,341
Notes Receivable	144,154	-
Deferred Franchise Costs	4,400	-
Total Current Assets	222,529	922,341
OTHER ASSETS		
Deferred Franchise Costs, Net of Current Portion	36,468	-
Total Other Assets	36,468	-
Total Assets	$ 258,997	$ 922,341
LIABILITIES AND MEMBERS' EQUITY		
CURRENT LIABILITIES		
Accounts Payable - Trade	$ 6,318	$ -
Deferred Franchise Revenue	22,000	-
Total Current Liabilities	28,318	-
LONG-TERM LIABILITIES		
Deferred Franchise Revenue, Net of Current Portion	182,340	-
Total Long-Term Liabilities	182,340	-
Total Liabilities	210,658	-
MEMBERS' EQUITY		
Additional Paid in Capital	200,000	950,000
Accumulated Deficit	(27,659)	-
Net Loss	(124,002)	(27,659)
Total Members' Equity	48,339	922,341
Total Liabilities and Members' Equity	$ 258,997	$ 922,341

See accompanying Notes to Financial Statements.

NB FRANCHISING, LLC
STATEMENT OF OPERATIONS
YEAR ENDED OCTOBER 31, 2019

REVENUE	
Franchise Fees	$ 15,660
Franchise Royalties	-
Advertising Fees	-
Total Revenue	15,660
OPERATING EXPENSES	
Selling, General, and Administrative Expense	139,663
Total Operating Expenses	139,663
LOSS FROM OPERATIONS	(124,003)
OTHER INCOME (EXPENSE)	
Miscellaneous Income	1
Total Other Income (Expense)	1
NET LOSS	$ (124,002)

See accompanying Notes to Financial Statements.

NB FRANCHISING, LLC
STATEMENT OF MEMBERS' EQUITY
YEAR ENDED OCTOBER 31, 2019

	Additional Paid-In Capital	Accumulated Deficit	Total Members' Equity
BALANCE - OCTOBER 31, 2018	$ 950,000	$ (27,659)	$ 922,341
Net Loss	-	(124,002)	(124,002)
Distributions	(750,000)	-	(750,000)
BALANCE - OCTOBER 31, 2019	$ 200,000	$ (151,661)	$ 48,339

See accompanying Notes to Financial Statements.

NB FRANCHISING, LLC
STATEMENT OF CASH FLOWS
YEAR ENDED OCTOBER 31, 2019

CASH FLOWS FROM OPERATING ACTIVITIES		
Net Loss	$	(124,002)
Adjustments to Reconcile Net Loss to		
Net Cash Provided by Operating Activities:		
(Increase) Decrease in Assets:		
Notes Receivable		(144,154)
Deferred Franchise Costs		(40,868)
Increase (Decrease) in Liabilities:		
Accounts Payable		6,318
Deferred Franchise Revenue		204,340
Net Cash Used by Operating Activities		(98,366)
CASH FLOWS FROM FINANCING ACTIVITIES		
Distributions Paid to Members		(750,000)
Net Cash Used by Financing Activities		(750,000)
NET DECREASE IN CASH		(848,366)
Cash - Beginning of Year		922,341
CASH - END OF YEAR	$	73,975

See accompanying Notes to Financial Statements.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations

NB Franchising Investors, LLC (the Company) is a Colorado limited liability corporation that engages in the sale of La Boulangerie bakery and café franchises. The Company has developed a distinctive business for operating and franchising restaurants featuring these French inspired gourmet baked goods, chef inspired sandwiches, specialty food offerings and beverages.

As a franchisor, the Company intends to enter into agreements with franchisees to sell franchisees in the United States. Under the terms of the franchise agreements, each franchisee receives training and a protected area in which to operate its restaurant franchise. In return, the franchisees pay an initial franchise fee to the Company and once operations commence, pay marketing and royalty fees per the franchise agreement.

Franchisee activity for the year ended October 31, 2019 consisted of agreements in place for eight locations. None of the locations were operating as of the end of the period end date.

Basis of Accounting

The accompanying consolidated financial statements are prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

Concentration of Credit Risk

Substantially all cash is deposited in two financial institutions. At times, amounts on deposit may be in excess of the Federal Deposit Insurance Corporation insurance limit.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Company considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

Deferred Franchise Costs

Deferred franchise costs represent commissions that are direct and incremental to the Company and are paid in conjunction with the sale of a franchise. These costs are recognized as an expense when the respective revenue is recognized, which is generally over the term of the related franchise agreement.

Deferred Franchise Revenue

Deferred franchise fees represent franchise fees received that have not been fully earned and will be recognized in future periods.

Advertising Costs

Advertising costs are charged to expense as they are incurred. Advertising expense charged to operations for the period ended October 31, 2019 was $9,500.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income Taxes

The Company is organized as a partnership under provisions of the Internal Revenue Code which provide that, in lieu of Company income taxes, each partner will be taxed on their proportionate share of the Company's taxable income. Therefore, no provision or liability for federal income taxes is reflected in these financial statements.

Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles 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 financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Adoption of New Accounting Standards

The Financial Accounting Standards Board (FASB) issued new guidance that created Topic 606, *Revenue from Contracts with Customers*, in the Accounting Standards Codification (ASC). Topic 606 supersedes the revenue recognition requirements in FASB ASC 605, *Revenue Recognition*, and requires the recognition of revenue when promised goods or services are transferred to customers in an amount that reflects the consideration to which an entity expects to be entitled in exchange for those goods or services. The new guidance also added Subtopic 340-40, *Other Assets and Deferred Costs—Contracts with Customers*, to the ASC to require the deferral of incremental costs of obtaining a contract with a customer.

The Company adopted the requirements of the new guidance as of November 1, 2018. The Company did not have any earned revenue prior to this date. As a result, there was no impact of the new guidance to retained earnings.

The primary impact of the adoption of ASC 606 on the Company's revenue recognition policies is the accounting for initial franchising fees and related commission expense. Upon the initial sale of a franchise, the Company is obligated to provide franchisees access to certain proprietary programs, written materials, trademarks, tools and support associated with their franchise business. Therefore, under ASC 606, initial franchise fees have been recognized as the Company satisfies the performance obligation over the franchise term on a straight-line basis, which is generally ten years. The unrecognized portion of initial franchising fees is recorded as deferred franchise revenue. Similarly, commissions are an incremental cost of obtaining a contract under ASC 606, which are capitalized as deferred franchise costs and amortized over the term of the franchise agreement.

The Company will recognize other fees and royalties as earned when the franchises report the associated revenue to the Company.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue Recognition

The Company generates revenue primarily through royalties, franchise fees, and advertising fund fees.

Franchise Fees

The Company requires the entire nonrefundable initial franchise fee to be paid upon execution of a franchise agreement, which typically has an initial term of ten years. Initial franchise fees are recognized ratably on a straight-line basis over the term of the franchise agreement. The Company’s services under the franchise agreement include: training of franchisees and staff, site approval process, the right to use trademarks and proprietary information, and ongoing operations and technology support. The Company provides no financing to franchisees and offers no guarantees on their behalf. The services provided by the Company are highly interrelated with the franchise license and as such are considered to represent a single performance obligation. Franchise fees also consist of upfront fees from area development agreements (ADAs). The Company's primary performance obligation under the franchise license is granting certain rights to use the Company's intellectual property, and all other services the Company provides under the ADA and franchise agreement are highly interrelated, not distinct within the contract and therefore accounted for under ASC 606 as a single performance obligation, which is satisfied by granting certain rights to use out intellectual property over the term of each franchise agreement.

Renewed Franchise Fees

Franchisees have the option to renew the franchise agreement at the end of the initial franchise term. When a franchisee chooses to renew their agreement, a nonrefundable renewal fee is charged to the franchisee similar to the initial franchise fee. Renewed franchise fees are recognized ratably on a straight-line basis over the term of the renewed franchise agreement.

Royalties and Advertising Fund Revenue

No royalties and advertising fund revenues were recorded for the year ended October 31, 2019 as the Company’s franchisee locations were not yet operational. Royalty revenues are based on percentages of franchisee net sales.

Subsequent Events

In preparing these financial statements, the Company has evaluated events and transactions for potential recognition or disclosure through February 18, 2020, the date the financial statements were issued.

NOTE 2 REVENUE DISCLOSURES

Franchising Fees, Royalty Fees, and Advertising Fund Revenue

The Company currently franchises its concept across one state. The franchise arrangement is documented in the form of a franchise agreement. The franchise arrangement requires the Company to perform various activities to support the brand that do not directly transfer goods and services to the franchisee, but instead represent a single performance obligation, which is the transfer of the franchise license. The intellectual property subject to the franchise license is symbolic intellectual property as it does not have significant standalone functionality, and substantially all of the utility is derived from its association with the Company's past or ongoing activities.

The nature of the Company's promise in granting the franchise license is to provide the franchisee with access to the brand's symbolic intellectual property over the term of the license. The services provided by the Company are highly interrelated with the franchise license and as such are considered to represent a single performance obligation. The transaction price in a standard franchise arrangement primarily consists of (a) initial franchise fees; (b) continuing franchise fees (royalties); (c) training; and (d) advertising fees. Since the Company considers the licensing of the franchising right to be a single performance obligation, no allocation of the transaction price is required.

The Company recognizes the primary components of the transaction price as follows:

- Franchise fees are recognized as revenue ratably on a straight-line basis over the term of the franchise agreement commencing with the execution of the franchise agreement. As these fees are typically received in cash at or near the beginning of the franchise term, the cash received is initially recorded as a contract liability until recognized as revenue over time.

- The Company is entitled to royalties and advertising fees based on a percentage of the franchisee's gross sales as defined in the franchise agreement. Royalty and advertising revenue are recognized when the franchisee's sales occur.

Disaggregation of Revenue

The Company believes that the captions contained on the consolidated statements of operations appropriately reflect the disaggregation of its revenue by major type for the year ended October 31, 2019.

NOTE 2 REVENUE DISCLOSURES (CONTINUED)

Rollforward of Contract Liabilities and Contract Assets

Changes in the Company's contract liability for deferred franchise revenues during the year ended December 31, 2019 was as follows:

		Deferred Revenue Short and Long-Term
Balance at November 1, 2018	$	-
Recognized as Revenue During the Year Ended October		(15,660)
Fees Received and Deferred During the Year Ended		220,000
Balance at October 31, 2019	$	204,340

Changes in the Company's contract assets for deferred franchise costs during the year ended December 31, 2019 were as follows:

		Deferred Franchise Costs Short and Long-Term
Balance at November 1, 2018	$	-
Recognized as Cost of Revenue During the Year Ended		(3,132)
Costs Incurred and Deferred During the Year Ended		44,000
Balance at October 31, 2019	$	40,868

NOTE 3 RELATED PARTY TRANSACTIONS

The Company has notes receivable from two related parties through common ownership in the amount of $144,154 as of October 31, 2019. The receivables are appropriately classified as current assets as the maturity date is within twelve months of October 31, 2019. Collectability related to these notes is reasonably assured.

NOTE 4 MEMBERS' EQUITY

As per the operating agreement, all capital transactions and profits and losses are to be allocated in accordance with members' ownership percentages. Distributions to member owners for the year ended October 31, 2019 totaled $750,000.

EXHIBIT C

LA BOULANGERIE

FRANCHISE AGREEMENT

FRANCHISE AGREEMENT

Franchisee: ______________________________

Date: ___________________________________

Location:_________________________________

____

TABLE OF CONTENTS

ATTACHMENTS:

NB FRANCHISING, LLC
FRANCHISE AGREEMENT

THIS FRANCHISE AGREEMENT (this "**Agreement**") is made, entered into and effective on ___________________ ("**Effective Date**"), by and between NB FRANCHISING, LLC, a Colorado limited liability company ("**Franchisor**"), and ________________________, a(n) __________________________________ ("**Franchisee**"). Capitalized terms not otherwise defined upon their first use shall have the meanings ascribed to such terms in Article 33 below, or as otherwise noted.

INTRODUCTION

The Franchisor has developed a distinctive business system for operating and franchising restaurants featuring French inspired gourmet baked goods, chef inspired sandwiches, specialty food offerings, and beverages which are associated with the Marks (as defined below), copyrights, distinctive interior and exterior building designs, décor, furnishings, menus, uniforms, signs, color combinations, uniformity requirements, standards of consistency and quality, procedures, cleanliness, sanitation, controls, specifications, training, marketing, advertising and instructions promulgated by the Franchisor ("**System**"), and has extensively publicized the name "**La Boulangerie**", "**La Boulangerie of San Francisco**" and "**The American Boulangerie**" and to the public as an organization of restaurant businesses operating under the System.

The Franchisor has the right and authority to license the use of the names "**La Boulangerie**", "**La Boulangerie of San Francisco®**" and **"The American Boulangerie"**, and the other trademarks, trade names, service marks, logos, commercial symbols, phrases, slogans and tag lines designated by the Franchisor in writing now owned, licensed or developed by the Franchisor ("**Marks**") for use in connection with the System to selected persons, businesses or Entities that will comply with the Franchisor's uniformity requirements and quality standards.

The Franchisor will continue to develop, use and control the use of the Marks in order to identify for the public the source of the Foods, Beverages and Products and related services marketed under the System, and to represent to the public the System's high standards of quality, appearance, cleanliness and service.

The Franchisee desires to develop, own and operate a Bakery Café ("**Bakery Café**") in conformity with the System and the Franchisor's uniformity requirements and quality standards as established and promulgated from time to time by the Franchisor.

The Franchisee understands and acknowledges the importance of the high standards of quality, appearance, procedures, controls, cleanliness and service established by the Franchisor, and the necessity of operating the Franchisee's Bakery Café in strict conformity with the standards and specifications established by the Franchisor.

Pursuant to this Introduction and in consideration of the mutual promises and covenants set forth in this Agreement, the Franchisor and the Franchisee agree and contract as follows:

1. GRANT OF FRANCHISE

1.1. Franchised Location. The Franchisor hereby grants the Franchisee the personal right to operate one Bakery Café in conformity with the System using the name "**La Boulangerie**", "**La Boulangerie of San Francisco**" or "**The American Boulangerie**" (as we specify) and other specified Marks only at the Franchised Location described in the Addendum attached to this Agreement.

1.2. Territory. Except as provided to the contrary in this Article, the Franchisee will receive the "**Territory**" defined in the Addendum attached to this Agreement. So long as the Franchisee is not in default of this Agreement, the Franchisor and its Affiliates will not have the right to Develop Bakery Cafés that are physically located within the Franchisee's Territory. Notwithstanding the foregoing, the Franchisor and its Affiliates will have the absolute right to:

(a) Develop other restaurant business concepts under other brand names, provided such concepts are not Competitive Restaurants, even if the locations for the concepts are within the Territory;

(b) Develop Bakery Cafés and/or Competitive Restaurants in the Territory if they are located on a college or university campus, a military facility, a regional or international airport, a theme or entertainment park, an interstate service plaza, a stadium or arena used for sporting events and/or a casino;

(c) Market, distribute and sell, on a wholesale or retail basis, packaged food products, merchandise, gift cards or other goods under any of the Marks or other brand names, by direct sale, the Internet, mail order, infomercials, telemarketing or by any other method of marketing or distribution, even if such sales are made to customers, distributors or retailers who are located in the Territory; and

(d) Own, operate, manage, franchise and/or license other individuals or Entities to own, manage and/or operate Competitive Restaurants in the Territory if the Franchisor or an Affiliate derived its Ownership Interests or other rights to such restaurants as part of an acquisition or purchase of a majority of the Ownership Interests in, or substantially all of the assets of, another Entity.

1.3. Undetermined Franchised Location. If the Franchised Location has not yet been determined as of the Effective Date of this Agreement, then when the address of the Franchised Location is determined, the street address, city and state for the Franchised Location will be inserted in the attached Addendum to this Agreement and signed by both the Franchisor and the Franchisee.

1.4. Relocation. Provided the Franchisee is not in default of this Agreement, the Franchisee may, with the prior written approval of the Franchisor, relocate the Franchised Location if: (a) the proposed new location is located in the Franchisee's original Territory, as defined in the Addendum to this Agreement when this Agreement was signed by the parties; (b) the proposed new location meets the Franchisor's then-current requirements; and (c) the Franchisee's new Territory, as defined in the Addendum to this Agreement based upon the proposed new location, does not infringe upon (i) the market area of any existing or proposed Bakery Café or any other restaurant owned or operated by the Franchisor or any of its Affiliates; or (ii) any Territory granted to any other franchisee, master franchisee, developer, area developer, or sub-franchisee of Bakery Cafés. The new Franchised Location of the Restaurant, including the real estate and the building, must comply with the Franchisor's then-current image, décor, standards and specifications. The Franchisee will pay the Franchisor a relocation fee ("**Relocation Fee**") equal to 30% of the Franchisor's then-current initial franchise fee for a single franchise. The Franchisee will pay 60% of the Relocation Fee amount upon requesting the Franchisor's review of a relocation site, and will pay the balance on the date the Franchisor approves the Franchisee's right to relocate to the new location. In order to receive approval to relocate, the Franchisee may be required to sign the Franchisor's then-current Franchise Agreement for a full initial franchise term as provided in the Franchisor's then-current Franchise Agreement and execute a general release in a form satisfactory to Franchisor of any and all claims against Franchisor, its parent, subsidiaries and Affiliates (if applicable) and their respective officers, directors, attorneys, Owners and employees. The Franchisee will pay the Franchisor a fee of $250 per Week during all Weeks that the Franchisee's Bakery Café is closed due to relocation.

1.5. Conditions. The Franchisee will not have the right to franchise, sub-franchise, license or sublicense its rights under this Agreement. The Franchisee will not have the right to Transfer this Agreement or its rights under this Agreement, except as specifically provided for in this Agreement.

2. TERM OF AGREEMENT

2.1. Term. The term ("**Initial Term**") of this Agreement will commence on the Effective Date and will be for a period of 10 years. This Agreement will not be enforceable until it has been signed by both the Franchisee and the Franchisor.

2.2. Renewal Term. Provided that, at the end of the Initial Term of this Agreement or any Renewal Term (as defined below), as the case may be, (a) the Franchisee has timely complied with all terms and conditions of this Agreement, including the timely payment of all Royalty Fees, Advertising Fees, Marketing Administration Fees, and other Fees due to the Franchisor; (b) the Franchisee has paid or satisfied all monetary obligations owed by the Franchisee to the Franchisor, Franchisor's Affiliates, Approved Suppliers, and Designated Suppliers; (c) the Franchisee is not in default under this Agreement; and (d) the Franchisee has not been in default under this Agreement more than two times in any 12 month period or more than six times during the Initial Term (or the immediately preceding Renewal Term, as the case may be) and no default by the Franchisee has remained uncured for longer than 60 days, the Franchisee may, at its option, have the right to operate the Franchise at the Franchised Location for an additional term ("**Renewal Term**") commencing on the end of the Initial Term (or immediately preceding Renewal Term, as the case may be) and continuing for a period equal to the length of the term then offered by the Franchisor to new franchisees at such time. The Franchisee must exercise its option for a Renewal Term by giving the Franchisor written notice of Franchisee's election to do so at least 180 days and no more than one (1) year prior to the expiration of the Initial Term (or immediately preceding Renewal Term, as the case may be). As a condition for any Renewal Term, the Franchisee must cause all of the following to occur:

(a) The Franchisee must provide written evidence to the Franchisor that the Franchisee either owns or has the right to lease the Franchised Location for at least five (5) additional years after the end of the Initial Term;

(b) The Franchisee must sign Franchisor's then-current form of franchise agreement ("**Successor Franchise Agreement**"), which may include terms and conditions materially different from those in this Agreement, such as different performance standards, fee structures and/or increased fees, and an option to operate the Franchise for any additional terms;

(c) In lieu of paying the Initial Franchise Fee specified in the Successor Franchise Agreement, the Franchisee must pay to Franchisor a renewal fee ("**Renewal Fee**") in an amount equal to 50% of the Initial Franchise Fee specified in the Successor Franchise Agreement;

(d) The Franchisee must execute a general release in a form satisfactory to Franchisor of any and all claims against Franchisor, its parent, subsidiaries or Affiliates (if applicable) and their officers, directors, attorneys, Owners and employees;

(e) The Franchisee and its Management Staff must complete any new training requirements designated by the Franchisor; and

(f) The Franchisee must agree in writing to make, within six months after the effective date of the Successor Franchise Agreement, all capital expenditures necessary to remodel the Franchised Location, as determined by the Franchisor, to comply with the then-current La Boulangerie image, décor, and specifications established by the Franchisor, and provide evidence to the Franchisor's reasonable satisfaction that the Franchisee has received a written loan commitment from a commercial lender for the amount of the estimated cost of the remodeling or has the financial capability of making such expenditures.

2.3. Interim Period. If the Franchisee does not sign a Successor Franchise Agreement prior to the expiration of this Agreement and the Franchisee continues to accept the benefits of this Agreement after the expiration of this Agreement, then at the Franchisor's option, this Agreement may be treated either as (i) expired as of the date of expiration with the Franchisee then operating without a license to do so and in violation of Franchisor's rights; or (ii) continued on a month-to-month basis ("**Interim Period**") until one party provides the other with written notice of such party's intent to terminate the Interim Period, in which case the Interim Period will terminate thirty (30) days after receipt of the notice to terminate the Interim Period and the provisions of Article 20 will apply. In the latter case, all of the Franchisee's obligations shall remain in full force and effect during the Interim Period as if this Agreement had not expired, and all obligations and restrictions imposed on the Franchisee upon expiration of this Agreement shall be deemed to take effect upon termination of the Interim Period.

3. FEES

3.1. Initial Franchise Fee. In consideration of the Franchise granted herein, the Franchisee must pay to Franchisor an initial franchise fee ("**Initial Franchise Fee**") of $40,000 for the right to operate one Bakery Café in the Territory. The Franchisee acknowledges and agrees that the Initial Franchise Fee is payable upon signing this Agreement and is fully earned upon receipt by the Franchisor and is non-refundable under any circumstances.

3.2. Training Fee. If training is required, the Franchisee will pay the Franchisor and initial training fee of $8,000 for the Training Program (as defined below). This will enable mandatory initial and opening training for up to two people, including the Operator (as defined below). The Franchisee acknowledges and agrees that this initial training fee is payable upon signing this Agreement and is fully earned upon receipt by the Franchisor and is non-refundable under any circumstances.

3.3. Royalty Fee. The Franchisee will pay to the Franchisor a Royalty Fee equal to 5% of the Net Sales generated by the Franchisee's Bakery Café during the preceding Week ("**Royalty Fee**").

3.4. Date Payable. The Royalty Fee will be payable by the Franchisee on Monday of each Week (or such other day of the Week as may be designated in writing by the Franchisor) based upon the Net Sales generated in the preceding Week. The Franchisee's obligation to pay the Royalty Fee to the Franchisor will commence on the first Monday after the Week (or partial Week) in which the Franchisee's Bakery Café commences business. The Royalty Fee will be payable by the Franchisee during the term of this Agreement by EFT as provided for in Article 6.2 of this Agreement. The Franchisor may elect to collect the Royalty Fee on another basis upon 30 days' prior written notice to the Franchisee specifying the payment period and payment date, which election may be rescinded or modified at any time upon 30 days' prior written notice to the Franchisee.

3.5 Technology Fee. The Franchisee will pay the Franchisor or the Franchisor's Designated Supplier the then current monthly technology fee for the computer system ("**Technology Fee**").

4. ADVERTISING FEE; MARKETING ADMINISTRATION FEE; AND ADVERTISING FUND

4.1. Advertising Fee. In addition to all amounts payable to the Franchisor by the Franchisee pursuant to this Agreement, on Monday of each Week (or such other day of the Week as may be designated in writing by the Franchisor) during the entire term of this Agreement, the Franchisee will pay the Franchisor an Advertising Fee ("**Advertising Fee**") up to 3% of the Net Sales generated by the Franchisee's Bakery Café in the preceding Week for deposit into the advertising and advertising fund ("**Advertising Fund**") which will be administered and controlled exclusively by the Franchisor. The Franchisor may elect to collect the Advertising Fee on another basis upon 30 days' prior written notice to the Franchisee specifying the payment period, payment date, which election may be rescinded at any time upon 30 days' prior written notice to the Franchisee.

4.2. Marketing Administration Fee. On Monday of each Week (or such other day of the Week as may be designated in writing by the Franchisor) Franchisee will also pay Franchisor a continuing weekly marketing administration fee of 0.5% of Net Sales from the preceding week ("**Marketing Administration Fee**"). The Marketing Administration Fee is Franchisor's exclusive property and will be used by Franchisor to cover costs of, amount other items, supporting and conducting marketing research activities, concept development, design development and maintenance, and administration and direction of the foregoing. Franchisor is not required to separately account to you for the contributions or expenditures of the Marketing Administration Fee.

4.3. Advertising Fund. The Franchisor will have the absolute and unilateral right to determine when, how and where the Advertising Fees and other payments deposited into the Advertising Fund will be spent. This includes, without limitation, the right of the Franchisor to purchase and pay for product and market research; customer research; real estate research; development of real estate computer models and software; demographic research; conventions; guest satisfaction programs and services; independent shopping service evaluations; production development and materials; ad slicks; brochures; radio and television commercial production; services provided by advertising agencies; table tents, in-store advertising and menu boards; signs; public relations; telemarketing; print advertising; direct mail advertising; promotional programs; sponsorships, loyalty programs, and incentive programs; advertising market research; graphics and design costs; printing plates and cutting dies; creation, hosting, software development, upgrades, and maintenance for the La Boulangerie Website, mobile applications, and any additional websites deemed necessary by the Franchisor, including intranet websites; Internet, social media and other electronic promotions and advertising; miscellaneous advertising; the administration of the Advertising Fund whether by the Franchisor or a third party; the disposal of obsolete products and packaging; and other business products and services the Franchisor deems appropriate and in the best interests of all Bakery Cafés and the System. All administrative and other costs associated with or incurred in the administration of the Advertising Fund including, but not limited to, marketing and administrative personnel salaries (excluding the salaries of the Executive Management of the Franchisor or a third party administrator selected by the Franchisor), fringe benefits and Travel Expenses, long-distance telephone charges, office rental, FF&E, leasehold improvements, collection costs (including attorneys' fees paid in collecting past-due Advertising Fees) and office supplies will be paid from the Advertising Fund. The Franchisor will not be required to spend the Advertising Fees deposited into the Advertising Fund in: (a) any particular geographic or market area, (b) the Franchisee's market area in proportion to the Advertising Fees paid by the Franchisee, or (c) the calendar year in which the payments were made. All interest accrued by the Advertising Fund will be the property of the Advertising Fund. A summary showing the income and expenditures of the Advertising Fund during each calendar year will be prepared by the Franchisor on or before March 31 for the preceding calendar year and copies of the summary will, upon written request, be provided to the Franchisee.

4.4. Management of Advertising Fund. The Advertising Fund will be managed by the Franchisor, and the Franchisor will have the right to, in its Reasonable Business Judgment (as defined in Article 28.12 below), do any of the following: (a) compensate the Franchisor and/or its Affiliates for salaries, administrative costs, overhead and other expenses incurred in Advertising Fund related programs/activities including, but not limited to, production, research, insurance, and collection expenses, as well as any legal expense related to the activities and purposes of the Advertising Fund consistent with the provisions of this Agreement; (b) charge the Advertising Fund for attorneys' fees and other costs related in any way to Claims against the Franchisor regarding the Advertising Fund; (c) spend in any fiscal or calendar year an amount greater or less than the aggregate contributions to the Advertising Fund in that year, and the Advertising Fund may borrow from the Franchisor or other lenders to cover deficits of the Advertising Fund or cause the Advertising Fund to invest any surplus; (d) loan money to the Advertising Fund for the purposes set forth herein; (e) in accordance with Article 10.8 of this Agreement, collect for remission to the Advertising Fund any Payments (as defined in Article 10.8 below) made by any supplier based upon franchisee purchases; provided however, that any such contributions, whether or not made with respect to direct or indirect purchases by the Franchisee, will not count toward the Franchisee's required Advertising Fees; (f) revise marketing and other programs, and/or make expenditures from the Advertising Fund, to take account of cultural and other differences; (g) defer, waive and/or compromise Claims for current/future contributions to, and/or Claims against or with respect to, the Advertising Fund and pay the same from the Advertising Fund; (h) take legal or other action against any franchisee or developer in default of their obligations to the Advertising Fund; (i) merge the Advertising Fund with any other advertising, production or Advertising Fund otherwise established for Bakery Cafés, so long as the restrictions of the relevant Franchise Agreement(s) continue to apply to contributions made by franchisees and developers under such arrangements; (j) maintain the Advertising Fund assets in one or more accounts designated as "**trust accounts**" for purposes of protecting such assets from Claims of third-party creditors (however, such action shall not be deemed to create any "**trust**," "**fiduciary relationship**" or similar special arrangement); (k) charge the Advertising Fund for attorneys' fees, consultant fees, and other fees related in any way to the Franchisor's management of the Advertising Fund; (l) make expenditures from the Advertising Fund for the purpose of attempting to generate additional Payments from any supplier or other third party based upon franchisee purchases; and (m) take such other actions in connection with the Advertising Fund as the Franchisor considers to be appropriate and as are consistent with the provisions of this Article.

5. OTHER MARKETING, ADVERTISING AND PROMOTION

5.1. Approved Marketing and Advertising. The Franchisee will not conduct any advertising, promotion, marketing and/or sponsorship programs for its Bakery Café, without the written approval of the Franchisor. For purposes of this Article 5.1, the Franchisee's use of advertising, marketing and promotional materials provided to the Franchisee in the Manual or otherwise furnished by the Franchisor to the Franchisee will be deemed to have been approved by the Franchisor. The Franchisee will not permit any party to advertise its business, services or products on the premises of the Franchised Location without the Franchisor's authorization.

5.2. Local Marketing. The Franchisee will, in addition to payment of the Advertising Fee and the Marketing Administration Fee to the Franchisor, spend an amount equal to at least 2% of its Net Sales on a monthly basis for approved local marketing and advertising as specified in the Manual for its Bakery Café ("**Local Marketing**"). Upon demand by the Franchisor, the Franchisee will furnish the Franchisor with an accurate accounting of the Franchisee's expenditures for Local Marketing. If the Franchisee fails to meet the minimum Local Marketing requirement for any given month, the Franchisee will pay the Franchisor the difference between what it should have spent and what it actually spent, and such amount will be deposited in the Advertising Fund.

5.3. Regional Advertising Cooperative. When two or more franchised Bakery Cafés, including the Franchisee's Bakery Café, are opened in a market area designated by the Franchisor, the Franchisor will have the right to require, in its sole discretion, that the Franchisee's Bakery Café (and the other Bakery Cafés in the market are) participate in a regional advertising cooperative ("**Regional Advertising Cooperative**") which will conduct and administer media advertising, promotion, marketing and public relations ("**Production and Marketing**") for the benefit of the Bakery Cafés located in the market area. At such time as the Franchisor requires that the Franchisee participate in a Regional Advertising Cooperative for the Bakery Cafés in its market area, the Regional Advertising Cooperative will be subject to the following terms and conditions:

(a) The Regional Advertising Cooperative will consist of all Bakery Cafés in the market area, including the Bakery Cafés in the market area owned by the Franchisor or an Affiliate of the Franchisor.

(b) Each Bakery Café in the market area, including the Bakery Cafés owned by the Franchisor or an Affiliate will be a "**Member**" of the Regional Advertising Cooperative. Each Member will have one vote for each franchised or company-owned Restaurant operated by it in the market area on all matters to be voted upon at duly convened meetings.

(c) Each Member will be given five days written notice of any proposed meeting. A quorum consisting of a majority of all Members of the Regional Advertising Cooperative will be required to convene any meeting of the Regional Advertising Cooperative. A majority vote by the Members present at a duly convened meeting will be required to pass any proposed resolutions or motions. All meetings will be conducted according to Robert's Rules of Order.

(d) The purpose of the Regional Advertising Cooperative will be to conduct Production and Marketing for the benefit of all Bakery Cafés located in the market area.

(e) The Regional Advertising Cooperative will not conduct any Production and Marketing program or campaign for the Bakery Cafés in the market area unless and until the Franchisor has given the Regional Advertising Cooperative prior written approval for all concepts, materials or media proposed for any such Production and Marketing program or campaign.

(f) On or before Monday of each Week, or another day solely designated by the Franchisor, each Member of the Regional Advertising Cooperative will contribute to the Regional Advertising Cooperative at least an amount equal to 1.5% of the Net Sales generated during the previous Week by the Member's Bakery Café ("**Local Advertising Fee**"). The Local Advertising Fee contributed by the Members will be used by the Regional Advertising Cooperative for Production and Marketing programs and campaigns for the benefit of all Bakery Cafés in the market area. The cost of all Production and Marketing in the market area must be approved by a majority vote of all Members present at a duly convened meeting. If the cost of the Production and Marketing approved by the Members exceeds the amount of funds available to the Regional Advertising Cooperative, then the Local Advertising Fee payable by the Franchisee and all other Members to the Regional Advertising Cooperative pursuant to this subsection (f) may be increased by vote of a majority of the Members present at a duly convened meeting. The Franchisee will contribute the amount of the Local Advertising Fee agreed to by the Members to the Regional Advertising Cooperative in accordance with this provision. The Regional Advertising Cooperative may elect to collect the Local Advertising Fee on another basis upon majority vote of all Members present at a duly convened meeting.

(g) The Regional Advertising Cooperative will, within 20 days after the end of each calendar quarter, furnish to the Franchisor and its Members in the form prescribed by the Franchisor, a written summary of the Members' contributions to the Regional

Advertising Cooperative and an accurate accounting of the Regional Advertising Cooperative's expenditures for approved Production and Marketing.

(h) The Local Advertising Fee paid by the Franchisee to the Regional Advertising Cooperative will be applied to satisfy the Franchisee's Local Marketing requirement set forth in Article 5.2.

5.4. Grand Opening. During the period commencing 60 days prior to the opening of the Franchisee's Bakery Café, the Franchisee will spend a minimum of $15,000 on grand opening marketing, advertising and promotions for the Franchisee's Bakery Café previously approved by the Franchisor. The Franchisee will provide the Franchisor with an accurate accounting (in the form prescribed by the Franchisor) of its expenditures for grand opening marketing, advertising and promotion within 90 days after the opening of the Bakery Café. All expenditures for grand opening marketing, advertising and promotion will be in addition to the Franchisee's other marketing, advertising and promotion obligations under this Agreement.

6. PAYMENT OF FEES

6.1. Interest on Unpaid Fees. If the Franchisee fails to timely remit any of the Fees due to the Franchisor, then the amount of the past-due payment will bear simple interest at the lesser of 1.5% per month or the maximum legal rate allowable by applicable law, not to exceed 10% annually. The Franchisee will, immediately upon receipt of an invoice from the Franchisor, reimburse the Franchisor for the actual costs incurred by the Franchisor in the collection of any past-due Fees from the Franchisee, including reasonable attorneys' fees and costs.

6.2. Electronic Funds Transfers. The Franchisee will, from time to time during the term of this Agreement, execute such documents as the Franchisor may request to provide the Franchisee's unconditional and irrevocable authority and direction to its bank or financial institution authorizing and directing the Franchisee's bank or financial institution to pay the Franchisor directly by electronic funds transfer ("**EFT**") the full amount of the Fees payable by the Franchisee under this Agreement, and to charge to the account of the Franchisee. The EFT withdrawal authorizations will be in the form prescribed by the Franchisor. EFT withdrawals will be initiated by the Franchisor on Monday of each Week for the Fees payable for the preceding Week (or such other day following the end of a payment period designated by the Franchisor pursuant to Article 3.2 and Article 4.1 for the Fees payable in such payment period), and upon the issuance of an invoice by the Franchisor for other amounts payable by the Franchisee. The Franchisee's EFT authorizations will permit the Franchisor to designate the amount to be withdrawn from the Franchisee's account, and to adjust such amount from time to time for the Fees. If the Franchisee fails at any time to provide the reports of its Net Sales required under this Agreement, then the Franchisor will have the right, in its sole discretion, to estimate the amount of Fees payable by the Franchisee for that Week, and to withdraw the amount of the estimated Fees by EFT from the Franchisee's bank account in accordance with the provisions of this Article 6.2. The Franchisee will at all times maintain a balance in its account at its bank or financial institution sufficient to allow the appropriate amount to be withdrawn from the Franchisee's account and paid directly to the Franchisor for all current Fees payable by the Franchisee. It will be a default under this Agreement if the Franchisee fails to maintain an account balance sufficient to pay the Fees or if the Franchisee closes the account designated to pay the Fees without first designating a new account and notifying the Franchisor of the new account information. The Franchisee will be responsible for all fees imposed by its bank or financial institution in connection with the Franchisee's EFT payment of the Fees.

6.3. Franchisee's Obligation to Pay. The Franchisee's obligation to pay the Franchisor the Fees pursuant to the terms of this Agreement are absolute and unconditional, and will remain in full force and effect for the entire term of this Agreement. The Franchisee will not have "**right of offset**," and as a consequence, the Franchisee will timely pay all Fees due to the Franchisor under this Agreement regardless of any Claims or allegations the Franchisee may allege against the Franchisor.

7. REPORTS AND FINANCIAL STATEMENTS

7.1. Financial Statements. The Franchisee will maintain and preserve for at least 5 years from the dates of their preparation, full, complete and accurate books, records and accounts in accordance with generally accepted accounting principles and in the form and manner prescribed by the Franchisor from time to time. The Franchisee will send the Franchisor annual income and expense statements within 60 days of the end of your fiscal year. The Franchisee will also send The Franchisor weekly summary reports each Monday based on the preceding week, monthly profit and loss statements by the 15th day of the following month and any other information or reports including copies of balance sheets, copies of sales tax returns, and such other financial reports and information as the Franchisor may reasonably request. However, the Franchisee will not be obligated to disclose confidential tax returns if such disclosure would violate applicable state law. All reporting data will be prepared in accordance with generally accepted accounting principles, consistently applied. At all times, the Franchisor will have access to and may use the information contained in your books, records and accounts for any purpose the Franchisor deems appropriate, including, but not limited to, disseminating such information to our creditors and potential franchisees (except that we will not disclose social security number, birth date or home address information without your consent, unless required or permitted by law).

7.2. Income Tax Returns. Within 120 days after the Franchisee's fiscal year end, the Franchisee will furnish the Franchisor with signed copies of all pages of its federal income tax returns pertaining to the Franchisee's Bakery Café for the fiscal year or any other period requested by the Franchisor. Subject to Article 11.6 below, the Franchisor will maintain the confidentiality of the information provided by the Franchisee pursuant to this provision.

7.3. Audit Rights. Within three business days after receiving written notice from the Franchisor, the Franchisee and the Franchisee's accountants will make all of their Financial Records available during business hours for the Franchisor or its designees to review, copy and audit. The Financial Records for each fiscal year will be maintained by the Franchisee in a safe place for each of the last three fiscal years. The audit will be conducted at the location where the Franchisee maintains the Financial Records and the Franchisor will be provided with adequate facilities by the Franchisee to conduct the audit. Subject to Article 11.6 below, the Franchisor will maintain the confidentiality of all Financial Records; however, if the Financial Records are relevant to any issue in any mediation, court or other proceeding between the parties, then the Franchisor will have the right to disclose the Financial Records accordingly.

7.4. Payment of Audit Costs. If an audit establishes that the Franchisee's Net Sales were understated by more than 2% in any payment period or Fiscal year, then the Franchisee will, within 10 days after receipt of an invoice, pay the Franchisor for all costs and expenses incurred for the audit of the Franchisee's Financial Records (including employee Salaries and Benefits, Travel Expenses, and audit fees).

7.5. Under-Reporting. If it is found that the Franchisee under-reported Net Sales, the Franchisee will reimburse the Franchisor of the amount of the Fees that would have been due had Net Sales been reported accurately, plus interest on those amounts at a rate of the lesser of 1.5% per month or the maximum legal rate allowable by applicable law.

7.6. Late Reporting. If the Franchisee fails to send the Franchisor any report that is due on a weekly basis, the Franchisor may charge the Franchisee, to the extent permitted by applicable law, a late report fee of $100 plus $100 for each week the reports are late. If Franchise fails to send the Franchisor any report that is due on a monthly basis, annual basis, or quarterly basis, the Franchisor may charge the Franchisee, to the extent permitted by law, a late report fee of $100 plus $100 for each month the report is late.

8. OPERATOR

When the Franchisee signs this Agreement, the Franchisee will designate an individual as the "**Operator**." If the Franchisee is an individual, then the Operator will be the Franchisee. The Franchisee's Operator must be an individual approved by the Franchisor who (a) owns and controls, or has the right to own and control (subject to conditions reasonably acceptable to us) not less than 10% of the ownership equity in the Franchisee, and (b) has the authority to bind the Franchisee regarding all operational decisions with respect to Franchisee's Bakery Café. As a member of the Management Staff, the Operator must successfully complete the Training Program and be certified in writing by the Franchisor prior to the actual opening of the Franchisee's Bakery Café. The Operator will, during the entire period he or she serves as the Operator, devote his or her full time and best efforts to the supervision, conduct and operations of the Franchisee's Bakery Café. The Operator will execute a personal guaranty of this Agreement in the form attached hereto as **Attachment A** ("**Personal Guaranty**") and execute this Agreement as one of the Owners of the Franchisee if he or she is the Owner of at least 10% of the issued and outstanding Ownership Interests in the Franchisee. If during the term of this Agreement, the Operator is not able or is not qualified to continue to serve in the capacity of Operator, then the Franchisee will promptly notify the Franchisor in writing and will designate a duly qualified replacement Operator within 30 days after the former Operator ceases to serve in that capacity.

9. STANDARDS REQUIRED OF FRANCHISEE

9.1. Quality and Service Standards. The Franchisor has developed and will continue to develop uniform standards of quality, cleanliness, service, and safety applicable to all Bakery Cafés, including the Franchisee's Bakery Café, to protect and maintain for the benefit of the Franchisor and all of its franchisees and developers the distinction, valuable goodwill and uniformity represented and symbolized by the Marks and the System. The Franchisee agrees to maintain the uniformity and quality standards required by the Franchisor for all Foods, Beverages and Products, and the services associated with the Marks and the System, and agrees to the terms and conditions contained in this Article to assure the public that all Bakery Cafés will be uniform in nature and will sell and dispense quality Foods, Beverages and Products.

9.2. Identification of Restaurant. The Franchisee will operate the Restaurant so that it is clearly identified and advertised as a Bakery Café. The style and form of "**La Boulangerie**", **"La Boulangerie of San Francisco**" or "**The American Boulangerie**" and the other Marks used in any advertising, marketing, public relations or promotional program must have the prior written approval of the Franchisor. The Franchisee will use the name "**La Boulangerie**,", "**La Boulangerie of San Francisco**" or "**The American Boulangerie"** (as we designate), the approved logos and all graphics commonly associated with the System and the Marks on all materials in the manner prescribed by the Franchisor.

9.3. Compliance with Standards. The Franchisee will use the Marks and the System in strict compliance with the moral and ethical standards, quality standards, health standards, operating procedures, specifications, requirements and instructions required by the Franchisor.

9.4. Franchisee's Name. The Franchisee will not use any of the words "**La Boulangerie**,", "**La Boulangerie of San Francisco**", "The American Boulangerie" or any name that is confusingly similar to any of the words used in any of the other Marks in the name of any Entity formed by the Franchisee or any Affiliate of the Franchisee. The Franchisee will at all times hold itself out to the public as an independent contractor operating its Bakery Café pursuant to a Franchise Agreement with the Franchisor. The Franchisee will file for a certificate of assumed name in the manner required by applicable state law to notify the public that the Franchisee is operating its Bakery Café as an independent contractor.

9.5. Interests of Franchisee. If the Franchisee is an entity, it will be dedicated solely to the operation of the Bakery Café and will not hold any interest in, operate, or manage any other business of any kind without the prior written approval of the Franchisor. If the Franchisee is an individual, he or she will not hold any interest in, operate, or manage any Competitive Business without the prior written approval of the Franchisor.

9.6. Default Notices and Significant Correspondence. The Franchisee will deliver to the Franchisor, immediately upon receipt by the Franchisee or delivery at the Franchised Location, an exact copy of all (a) notices of default received from the landlord of the Franchised Location or any mortgagee, trustee under any deed of trust, contract for deed holder, lessor, or any other party, (b) notifications or other correspondence relating to any legal proceeding for any Claim in excess of $10,000 relating in any way to the Franchisee's Bakery Café or to the Franchised Location, and (c) inspection reports or any other notices, warnings or citations from any Governmental Authority, including any health and safety, taxing and/or licensing authorities. The Franchisee will notify the Franchisor in writing within five days of the commencement of any proceeding and/or of the issuance of any governmental order or action impacting the Franchisee and/or the operation of the Bakery Café. The Franchisee will provide the Franchisor with a written summary of all written (including electronic) consumer and employee complaints within 10 days after the end of each quarter of the Franchisee's Fiscal Year in such method and format as the Franchisor may designate from time to time. The Franchisee will provide all additional information requested by the Franchisor relating to any of these matters.

9.7. Damage or Destruction. If the Franchised Location is either partially or completely destroyed by fire or any catastrophe during the term of this Agreement and the term of the underlying Lease for the Franchised Location, then the Franchisee will (a) subject to the provisions of the Lease, use the building insurance proceeds to repair or reconstruct the Franchised Location as set forth herein and, if such proceeds are insufficient to fully restore the Franchised Location (or relocate from the Franchised Location), the Franchisee shall be responsible for making up any such deficit, (b) within 30 days thereafter, initiate the process to commence the repairs and reconstruction necessary to restore the Bakery Café to its original condition prior to such casualty, and (c) recommence the Bakery Café's business operations as soon as commercially practicable. If the Bakery Café cannot be restored to its original condition, then the Franchisee will relocate the Bakery Café as provided for in Article 1.4 (except the Franchisee will not be required to pay a Relocation Fee). In any event, the term of this Agreement will be extended for the period from the date the Bakery Café closed as a result of the casualty until the date it re-opens if the Franchisee elects to extend the term by the duration of such period. The Franchisee will relocate the Bakery Café as provided in Article 1.4 or repair or reconstruct the premises of the Bakery Café in conformance of the then-current standard décor specifications and will open the Bakery Café or the relocated Bakery Café for business within 18 months after the date of such casualty. Notwithstanding the foregoing, the Franchisee will pay the Franchisor a minimum fee of $250 per Week during all Weeks that the Franchisee's Bakery Café is closed as a result of a casualty or any other reason.

9.8. Vending and Gaming Machines; Tickets. The Franchisee will not, except with the written permission of the Franchisor, permit any televisions, jukeboxes, electronic games, vending machines (including cigarette, gum and candy machines), ATM machines, newspaper racks, entertainment devices, coin- or token-operated machines, gambling devices, payphones, or other concessions to be used on the Bakery Café premises at the Franchised Location and will not sell or allow employees to sell any tickets, subscriptions, chances, raffles, lottery tickets or pull tabs at the Franchised Location.

9.9. Compliance with Applicable Law. The Franchisee will be responsible for the operation of its Bakery Café, and will control, supervise and manage all the employees, agents and independent contractors who work for or with the Franchisee. The Franchisor will not have any right, obligation or responsibility to control, supervise or manage the Franchisee's employees, agents or independent contractors. The Franchisee will comply with all applicable federal, state, city, local and municipal laws, statutes, ordinances, rules and regulations pertaining to the construction or remodeling of the Franchised Location and/or the operation of the Franchisee's Bakery Café including, but not limited to: (a) health and food service laws; (b) health and safety regulations and laws; (c) menu disclosure laws; (d) environmental laws; (e) employment laws (including all wage and hour laws, employment laws, workers' compensation laws, discrimination laws, sexual harassment laws, disability and discrimination laws); (f) credit card and debit card laws applicable to consumers, including all privacy laws; and (g) tax laws (including those relating to individual and corporate income taxes, sales and use taxes, franchise taxes, gross receipts taxes, employee withholding taxes, F.I.C.A. taxes, inventory taxes, personal property taxes, real estate taxes and federal, state and local income tax laws). The Franchisee will, at its expense, be solely and exclusively responsible for determining the licenses and permits required by law for the Franchisee's Bakery Café, for obtaining and qualifying for all licenses and permits, and for compliance with all applicable laws by its employees, Executive Management, agents and independent contractors. The Franchisor makes no representations or assurances as to what (if any) licenses, permits, authorizations or otherwise may be required in connection with the Bakery Café. It is the Franchisee's sole responsibility to identify and obtain all authorizations necessary to operate the Bakery Café.

9.10. Tax Laws. The Franchisee will be responsible for and will timely pay all federal, state and local taxes imposed by law in connection with the operation of the Bakery Café, and will timely file all returns, notices and other forms required to comply with all applicable tax laws. The Franchisor will have no liability for any taxes which arise out of or result from the Franchisee's Bakery Café, and the Franchisee will indemnify the Franchisor for any such taxes that may be assessed or levied against the Franchisor which arise out of or result from the operation of the Franchisee's Bakery Café. If any "**franchise**" or other tax which is based upon the Net Sales, receipts, sales, business activities or operation of the Franchisee's Bakery Café is imposed upon the Franchisor by any taxing authority, then the Franchisee will reimburse the Franchisor for all such taxes paid by the Franchisor within 15 days after receiving an invoice from the Franchisor for such taxes.

9.11. Privacy Laws. In the operation of the Bakery Café, Franchisee will receive "Customer Data." "Customer Data" is information, records, lists or data that contains "Personal Information." "Personal Information" includes information that identifies, relates to, describes, is capable of being associated with, or could reasonably be linked, directly or indirectly, with a particular consumer, potential consumer, individual or household, as such term may be further defined or amended by applicable federal, state and local statutes, regulations, ordinances and requirements, including but not limited to, the California Consumer Privacy Act. Personal Information is collected, maintained or generated in the operation of the Bakery Café business, including through the use of a point of sale system.

Franchisee agrees, at its sole cost and expense, to at all times:

(a) comply with the data protection, collection, maintenance and use requirements for Customer Data set out in the Operations Manual and this Franchise Agreement, including all policies, procedures and controls that Franchisor implements now or in the future;

(b) comply with all applicable federal, state and local statutes, regulations, ordinances and requirements, including but not limited to, the California Consumer Privacy Act, relating to the data protection, collection, maintenance and use of Customer Data (collectively, "Privacy Laws");

(c) assist and otherwise cooperate with Franchisor to ensure Franchisor's and Franchisee's compliance with applicable Privacy Laws;

(d) promptly notify Franchisor in writing of any Security Incident (defined below) that Franchisee becomes aware of or discovers. Franchisee will assist and otherwise cooperate with Franchisor to investigate any such Security Incident and will take all required steps, as determined by Franchisor, to remedy Franchisee's noncompliance with applicable Privacy Laws, this Agreement or the Operations Manual. For purposes of this Section 9.11, "Security Incident" means any actual or suspected accidental or unlawful destruction, loss, alteration, unauthorized disclosure of, or access to Customer Data in violation of applicable Privacy laws, this Agreement or the Operations Manual.

(e) promptly provide Franchisor with the ability to delete, access or copy Customer Data in Franchisee's possession or control;

(f) promptly notify Franchisor of any request regarding Customer Data received by the Franchisee from a "consumer" as defined by applicable Privacy Laws;

(g) adopt policies, procedures, and controls, including those set out in the Operations Manual, if any, that enable Franchisee to respond, and to cause its agents and employees to respond, promptly to any rights request made pursuant to applicable Privacy Laws, including any disclosure request, deletion request, or opt-out request;

(h) adopt policies, procedures, and controls, including those set out in the Operations Manual, if any, that limit access to Customer Data to only those employees that have a need-to-know basis based on specific job function or role. Franchisee will provide data privacy and security training to employees who have access to Customer Data or who operate or have access to system controls and will require employees to adhere to data confidentiality terms providing for the protection of Customer Data in accordance with this Agreement and the Operations Manual; and

(i) maintain Customer Data in confidence in accordance with Section 6 of this Franchise Agreement.

9.12. Other Laws. The Franchisee will comply and/or assist the Franchisor in its compliance efforts, as applicable, with any and all laws, regulations, Executive Orders or otherwise relating to anti-terrorist activities including, without limitation, the U.S. Patriot Act, Executive Order 13224, and related U.S. Treasury and/or other regulations. In connection with such compliance efforts, the Franchisee will not enter into any prohibited transactions and will properly perform any currency reporting and other activities relating to the Bakery Café business as may be required by the Franchisor or by law. The Franchisee confirms that it is not listed in the Annex to Executive Order 13224 (http://www.treasury.gov/offices/enforcement/ofac/sanctions/terrorism.html), and agrees not to hire any person so listed or have any dealing with a person so listed. The Franchisee is solely responsible for ascertaining what actions must be taken by it to comply with all such laws, orders and/or regulations, and specifically acknowledges and agrees that its indemnification responsibilities as provided in Article 25 of this Agreement pertain to its obligations hereunder.

9.13. Bakery Café Hours; Personnel. The Franchisee's Bakery Café will be open during the hours specified in the Manual. During business hours, the Franchisee will have Management Staff on duty responsible for supervising the Bakery Café's employees and operations. The Franchisee will have a sufficient number of adequately trained and competent service, kitchen and other personnel on duty to guarantee efficient service to the customers of the Bakery Café. The Franchisee will require its employees to meet the appearance standards and to wear the prescribed attire or uniforms described in the Manual.

9.14. Inspection Rights. The Franchisee will permit the Franchisor or its representatives to enter, remain on, and inspect the Bakery Café without prior notice. The Franchisee agrees that the Franchisor may: (a) interview the Franchisee's employees and customers; (b) take photographs and videotapes of the interior and exterior of the Franchised Location; (c) examine and remove samples of the Foods, Beverages and Products and other products sold or used at the Franchisee's Bakery Café; and (d) evaluate the quality of the Foods, Beverages and Products, and the services provided by the Franchisee to its customers. The Franchisor will have the right to use all interviews, photographs and videotapes of the Franchisee's Bakery Café for such purposes as the Franchisor deems appropriate, including use in advertising, marketing and promotional materials, without any approval of or any compensation to the Franchisee.

9.15. Security Interest in Franchise Agreement. This Agreement and the Franchise granted to the Franchisee hereunder may not be used by the Franchisee as collateral or be the subject of a security interest, lien, levy, attachment or execution by the Franchisee's creditors, any financial institution, or any other party, except with the prior written approval of the Franchisor.

9.16. Credit Cards; Security Breach. The Franchisee will honor all credit, charge, courtesy and cash cards approved by the Franchisor in writing. The Franchisee acknowledges it is responsible for the security of cardholder data, financial data, and personally identifiable information (collectively, "**Sensitive Information**") in its possession or in the possession or control of any service provider or third party-provided payment application provider that the Franchisee engages to perform under this Agreement. Upon request by the Franchisor, such subcontractors must be identified to the Franchisor in writing prior to sharing Sensitive Information with the subcontractor. To the extent the Franchisee stores, processes, transmits or otherwise accesses or possesses Sensitive Information, the Franchisee agrees it will adhere to, and cause any service provider or third party-provided payment applications to adhere to cardholder data security standards according to the then-current Payment Card Industry Data Security Standards ("**PCI DSS**") throughout the term of this Agreement. At a minimum, the Franchisee shall, at its sole cost and expense, implement and maintain, and hereby represents and warrants that it has implemented and maintained, all appropriate technical, organizational and physical measures, but no less than PCI DSS, to ensure the security, reliability and confidentiality of the Sensitive Information submitted to it or otherwise obtained by the Franchisee, including protecting against any threats or hazards to the security or integrity of the Sensitive Information that the Franchisee should reasonably be able to anticipate, and against unauthorized access to or use of the Sensitive Information. Upon the Franchisor's request, the Franchisee shall allow, and shall require any subcontractor(s) to allow, the Franchisor (or the Franchisor's designees) to inspect the implementation of associated administrative, physical and technical security measures, as the case may be, to assess whether its security program complies with applicable information security requirements. The Franchisee shall encrypt all Sensitive Information that will be transmitted over networks or in storage, and all Sensitive Information at rest. These security measures shall be reviewed at least annually.

The Franchisee shall notify the Franchisor immediately, but in no event later than two (2) hours, of becoming aware of any actual or suspected Breach of Security (defined below). Such notice shall include the following: (i) date and time that the Franchisee discovered the Breach of Security and the date and time when the breach actually occurred, if discoverable; (ii) a detailed description of the Breach of Security; (iii) a list of the systems and data at risk, including a list of affected individuals; and (iv) a description of remediation actions taken after the Breach of Security was discovered, and what remediation actions the Franchisee proposes to take to prevent further loss, misuse, compromise or unauthorized access to Sensitive Information. Thereafter, the Franchisee shall provide to the Franchisor regular (but at least weekly) reports and updates describing the investigation into the Breach of Security and all corrective or remedial actions taken or to be taken by the Franchisee or its subcontractor, as the case may be, promptly provide any further information that the Franchisor may request in connection with Breach of Security, cooperate with the Franchisor with respect thereto, and comply with applicable laws and regulations. For purposes of this Agreement, "**Breach of Security**" shall mean unauthorized access to, acquisition of, or disclosure of, Sensitive Information submitted to, or otherwise obtained, held by, or in the custody or control of, the Franchisee or its subcontractors of any tier, agents or other representatives, or a reasonable belief by either the Franchisee or its subcontractor of any tier, agent or representative that such unauthorized access, acquisition or disclosure has occurred.

The Franchisor may, in its sole discretion, take any and all actions necessary or reasonable to remedy a Breach of Security, including conducting an investigation into the cause of the Breach of Security and notifying affected persons or government agencies accordingly. The Franchisee shall cooperate and provide the Franchisor with all information reasonably necessary to (i) aid the Franchisor's compliance with all federal and state data breach notification laws and any other laws or regulations that may be applicable to a Breach of Security; and (ii) facilitate the Franchisor's determination of whether the breach was effectively mitigated. The Franchisee shall bear all costs and expenses incurred by the Franchisor related to the Breach of Security and compliance with law, including but not limited to any government fines or penalties imposed on the Franchisor as a result of the Breach of Security. Alternatively, the Franchisor may require that the Franchisee take action to remedy the Breach of Security at the Franchisee's expense.

9.17. Gift Cards; Customer Loyalty Programs. The Franchisee will not create or issue any gift certificates or gift cards and will only sell gift certificates or gift cards that have been issued by the Franchisor that are accepted at all Bakery Cafés. The Franchisee will participate in all gift certificate and/or gift card administration programs as may be designated by the Franchisor from time to time. The Franchisee will honor all coupons, gift certificates, gift cards and other programs or promotions as directed by the Franchisor, even if the Franchisee is not required by the Franchisor to actively offer or promote such programs or promotions within the Franchisee's Territory. The Franchisee will fully participate in all customer loyalty or frequent customer programs approved by the Franchisor, even if the Franchisee is not required by the Franchisor to actively promote such programs within the Franchisee's Territory. The Franchisee acknowledges that a customer loyalty program may include technology and system components or applications involving third-party vendors identified by the Franchisor, and the Franchisee agrees to timely execute and deliver such documents, contracts, or agreements as the Franchisor may reasonably require to facilitate such programs. The Franchisee will not issue coupons or discounts of any type for use at its Bakery Café except as approved by the Franchisor in writing, which may be withheld in its sole and absolute discretion.

9.18. Music and Music Selection. The Franchisee will play only the music and music selections that have been approved by the Franchisor as set forth in the Manual or otherwise in writing. The Franchisee will install the equipment necessary to receive and play the approved music.

9.19. Security and Fire Monitoring Systems. The Franchisee will utilize a security and fire monitoring system sufficient to provide notification of life and safety hazards and unauthorized access to the Franchised Location.

9.20. Maintenance. The Franchisee will, at its expense, repair and maintain the Bakery Café in a clean and sanitary condition consistent with the Franchisor's then-current operating standards and will replace all décor items and FF&E as they become worn-out, soiled or in disrepair. All food preparation, mechanical, service, and other equipment must be kept in good working order and repair by the Franchisee. All replacement FF&E and décor items used in the Bakery Café must comply with the standards and specifications in the then-current Manual.

9.21. Remodeling of Restaurant Premises. The Franchisee will make the reasonable capital expenditures necessary to extensively remodel, modernize, redecorate and renovate ("**remodel**" or "**remodeling**") the Franchisee's Bakery Café and to replace and modernize the FF&E so that the Franchisee's Bakery Café will reflect the then-current image of a Bakery Café and conform to the Franchisor's then-current specifications. The Franchisee acknowledges and agrees that the requirements to remodel and modernize the Bakery Café as set forth in this provision are reasonable and necessary to maintain uniformity among all Bakery Cafés, to update the image of Bakery Cafés and to avoid the deterioration of the appearance and operation of the Franchisee's Bakery Café. The Franchisee will complete remodeling the Restaurant within nine months after receiving written notice from the Franchisor specifying the required remodeling. Except for repairs and maintenance as provided for in Article 9.20 of this Agreement, the Franchisee will not be required to remodel the Bakery Café more than once every five years from the date of this Agreement; provided, however, the Franchisee acknowledges that there is no cap on the expenses the Franchisee will have to incur relating to such required remodeling, replacement or modernization. However, this does not restrict the Franchisor from requiring the Franchisee to purchase or lease new equipment or products for the operation of your Bakery Café. Compliance with these standards may be an ongoing obligation of the Franchisee, and may be a condition of the Franchisor consenting to renewal of this Agreement, or Franchisor's consent to a Transfer of this Agreement.

9.22. Working Capital. The Franchisee will, at all times, maintain sufficient working capital to operate the Bakery Café and to fulfill its obligations under this Agreement, and will take steps to ensure availability of capital to fulfill the Franchisee's obligations to maintain, remodel and modernize the premises and operations of the Restaurant as required by the provisions of this Agreement.

9.23. Required Opening Date. The Franchisee must open the Bakery Café for business and commence operations one year after the Effective Date of this Agreement.

9.24. Other Business. The Franchisee will use the Franchised Location solely for the operation of a Bakery Café and will not directly or indirectly operate or engage in any other business or activity from the Franchised Location. The Franchisee will not participate in any dual branding program, or in any other program, promotion or business pursuant to which another trademark, service mark, trade name, or commercial symbol is used in connection with the Franchisee's Bakery Café or at the Franchised Location.

9.25. Conventions. The Operator, the Owners, and such other persons as may be required by the Franchisor, will attend the conventions, meetings, seminars and other gatherings or group sessions (collectively, "**Conventions**") held by the Franchisor. The topics covered, duration, date and location of all Conventions held by the Franchisor will be at the sole discretion of the Franchisor. The Franchisee will pay the registration fees, if any, established by the Franchisor for each person attending a Convention held by the Franchisor, and will also pay the Salaries and Benefits, the Travel Expenses and all other expenses incurred by the persons attending the Convention on the Franchisee's behalf.

9.26. Quality Assurance Programs. The Franchisee will participate, at its expense, in any quality assurance monitoring programs specified by the Franchisor, including telephonic or electronic customer polling or onsite "**secret shopper**" programs, and will share the results of such programs with the Franchisor.

9.27. Collection of Restaurant Customer Contact Information Prohibited. The Franchisee acknowledges that the Franchisee is prohibited from collecting the contact information of customers of the Restaurant including, but not limited to, such customers' e-mail addresses and telephone numbers.

9.28. Disclosure. The Franchisor will have the right to disclose in its Franchise Disclosure Document as required by law, and in other documents and places as determined by the Franchisor, any information relating to the Restaurant, including the Franchisee's name, any address and/or telephone number(s), Net Sales, expenses, results of operations and/or other information. Any disclosure by the Franchisor will be for reasonable business purposes, and its rights under this provision will survive the Transfer, termination or expiration of this Agreement.

10. FOODS, BEVERAGES AND PRODUCTS

10.1. Limitations on Foods, Beverages and Products. The Franchisee will only sell the Foods, Beverages and Products specified in writing by the Franchisor or in the Manual, and will offer and sell all of the Foods, Beverages and Products specified by the Franchisor in writing or in the Manual. The Franchisee will maintain sufficient inventories to realize the full potential of the Bakery Café and will conform to all customer service standards prescribed by the Franchisor in writing and in video training. The Franchisee will only sell the Foods, Beverages and Products on a retail basis and will not offer or sell the Foods, Beverages and Products: (a) on a wholesale basis; (b) on a retail basis at any other location; (c) by means of the Internet, catalogue or mail order sales, or telemarketing, provided that the Franchisee will have the right to accept and fill electronically-submitted orders for Foods, Beverages and Products provided at the Franchised Location; or (d) by any other method of distribution. The Franchisor does not represent that any of the Foods, Beverages and Products will be available to the Franchisee in any particular market area or that any pricing or payment terms extended by any supplier to the Franchisor or any of its Affiliates will be offered to the Franchisee. The Franchisee will comply with the Franchisor's requirements for the retail prices charged to consumers by the Franchisee for certain Foods, Beverages and Products as designated by the Franchisor from time to time.

10.2. Catering and Delivery. The Franchisee will not offer catering or delivery from the Franchised Location except as may be specified in the Manual or otherwise approved by the Franchisor in writing. The Franchisor will have the absolute right to withdraw its approval for the Franchisee to offer catering and delivery services on 30 days' prior written notice. All catering and delivery services must comply with the Franchisor's standards, policies and requirements set forth in the Manual or otherwise in writing by the Franchisor.

10.3. Approved Suppliers. The Franchisee will purchase certain Foods, Beverages and Products which will be used or sold by the Franchisee at its Bakery Café only from Approved Suppliers. Certain of these Foods, Beverages, and Products include or comprise proprietary ingredients ("**Proprietary Ingredients**") necessary to produce food that satisfies the Franchisor's quality and consistency standards, including baked goods, and other Foods, Beverage and Products designated by the Franchisor from time to time. The Franchisor reserves the absolute right to update or otherwise modify the list of Proprietary Ingredients from time to time upon written notice to the Franchisee. The Franchisor or an Affiliate may be an Approved Supplier for the foods, food items, products and services used or sold in the Franchisee's Bakery Café. The Franchisee will have the right to purchase such Foods, Beverages and Products from other suppliers so long as such suppliers conform to the Franchisor's standards and specifications and provided that the Franchisor determines that the supplier's business reputation, quality standards, delivery performance, credit rating, and other criteria meet commercial business standards. The Franchisor may deny or revoke the Franchisor's approval of any supplier at any time based upon the lack of any of the above items. If the Franchisee desires to purchase any Foods, Beverages and Products from other suppliers which are not Approved Suppliers, then the Franchisee must, at its expense, submit samples, specifications, and product information requested by the Franchisor, for review and testing to determine whether these Foods, Beverages and Products comply with the Franchisor's standards and specifications. The Franchisor will also have the right to inspect the facilities of the proposed supplier, and the Franchisee will reimburse the Franchisor for the costs and expenses incurred to conduct the inspection. The Franchisor will complete all product testing within 30 days, and will notify the Franchisee of its determination within 45 days after the Franchisor receives the samples and other requested information from the Franchisee. If the Franchisor does not notify the Franchisee of its determination with such 45 days, the Franchisor will be deemed to have rejected the Franchisee's request. The written approval of the Franchisor must be obtained before any previously unapproved Foods, Beverages and Products are purchased, sold or used by the Franchisee. The Franchisor reserves the right to revoke any written approval previously provided to the Franchisee. The Franchisor is not required to approve any particular proposed supply or supplier.

10.4. Designated Suppliers. The Franchisee will purchase the certain Foods, Beverages and Products, Proprietary Ingredients, Bakery Café design elements, furnishings and equipment as specified in the Manual or otherwise in writing by the Franchisor solely and exclusively from Designated Suppliers. The Franchisor or an Affiliate may be a Designated Supplier for the foods, food items, recipe ingredients, proprietary products, Proprietary Ingredients, other products and services used or sold in the Bakery Café.

10.5. Brand Name Products. The Franchisee will purchase and use in the operations of its Bakery Café all of the brand name Foods, Beverages and Products specified in the Manual or otherwise in writing by the Franchisor.

10.6. Branding of Foods, Beverages or Products. The Franchisee will not have the right to: (a) use or display the Marks on or in connection with any foods, beverages or products that have not been approved by the Franchisor; (b) acquire, develop or manufacture any food, beverage or product using the name "**La Boulangerie**", "**La Boulangerie of San Francisco**", "**The American Boulangerie**" or any of the Marks, or direct any other person or Entity to do so; (c) acquire, develop or manufacture any Foods, Beverages or Products that have been developed or manufactured by or for the Franchisor for use in conjunction with the operations of the Bakery Café and which are sold under any of the Marks, or direct any other person or Entity to do so; or (d) use, have access to, or have any rights to any proprietary formulas, ingredients, or recipes for any Foods, Beverages or Products created by or at the direction of the Franchisor and sold under any of the Marks.

10.7. Payments by Suppliers. The Franchisee acknowledges that the Franchisor and/or its Affiliates will have the right to receive commissions, volume discounts, purchase discounts, performance payments, bonuses, rebates, marketing and advertising allowances, co-op advertising, administrative fees, enhancements, price discounts, economic benefits and other payments ("**Payments**") based upon the actual purchases of the Foods, Beverages and Products by the Franchisee, the Franchisor, its Affiliates, other franchisees and developers from Designated Suppliers, Approved Suppliers, the Franchisor, and/or other suppliers, vendors and distributors ("**Suppliers**"). The Franchisee's does not have any right to receive Payments made to the Franchisor or an Affiliate of the Franchisor as a result of or based on the Franchisee's purchases from Suppliers. All Payments made by the Franchisee to the Franchisor or an Affiliate as a result of direct purchases by the Franchisee from the Franchisor or the Affiliate for Foods, Beverages or Products will be retained by the Franchisor or the Affiliate. The Franchisor will have the right to offset or deduct the amount of any Payments due to the Franchisee against any amounts owing by the Franchisee to the Franchisor or its Affiliates.

10.8. Suggested Retail Prices. The Franchisee will have the discretion to set pricing for the Foods, Beverages and Products provided that, subject to applicable antitrust laws, such pricing: (1) is at or below any maximum price cap programs, if any, established by the Franchisor for the System; or (2) is at or above any minimum price threshold programs, if any, established by the Franchisor for its System, unless otherwise prohibited by state law; or (3) conforms to any bona fide promotional programs or national or regional accounts programs established from time to time by the Franchisor for the System.

10.9. Liquidated Damages for the Sale of Unauthorized Products or Services. In order to assure uniformity throughout the La Boulangerie System, if the Franchisee offers to sell or does sell products or services which are not authorized or are not prepared in accordance with the Manual, the Franchisee agrees that the Franchisor will be damaged by the Franchisee's non-compliance. These damages will be calculated at the rate of $200 per day for each day unauthorized products or services are offered or sold at Franchised Location, and will be in addition to any other rights or remedies the Franchisor may have against the Franchisee. The Franchisor has the right to collect these amounts in addition to any and all of the Franchisor's other rights for non-compliance provided for under this Agreement. The Franchisee and the Franchisor agree that these amounts are reasonable, constitute liquidated damages, and are not a penalty.

11. MANUAL; CONFIDENTIAL INFORMATION

11.1. Compliance with Manual. The Franchisee covenants and agrees that the Franchisee will at all times comply with the terms of the Manual. The Franchisor will provide Franchisee with access to the Manual electronically, or on a secure Internet webpage, or by another method reasonably adopted by the Franchisor. The Franchisee will conform to the common image and identity created by the Foods, Beverages and Products, music, recipes, ingredients, cooking techniques and processes, cleanliness, sanitation, and services associated with Bakery Cafés which are portrayed and described by the Manual. The Franchisee will modify the operations of the Bakery Café to implement all changes, additions and supplements made by the Franchisor to the System which are reflected by the

Manual as promptly as reasonably possible. The Franchisee will not use the Manual or any information contained therein for any purpose other than the operation of the Franchisee's Bakery Café.

11.2. Revisions to Manual. The Manual will at all times remain the sole and exclusive property of the Franchisor. The Franchisor may, from time to time, revise and update the Manual to address changes or improvements to the System, and the Franchisee expressly agrees to operate its Bakery Café in accordance with all such revisions and updates. The Franchisee will at all times keep its copy of the Manual current and up-to-date, and in the event of any dispute regarding the Manual, the terms of the master copy of the Manual maintained by the Franchisor will be controlling in all respects. The Franchisor will have the option of providing the revisions and updates to the Manual to the Franchisee electronically.

11.3. Confidential Information. The Franchisor and the Franchisee expressly understand and agree that the Franchisor will be disclosing and providing the Franchisee and its employees and agents with Confidential Information. The Franchisee, its existing and future Owners, and its employees and agents will not, during the term of this Agreement or thereafter, reveal, communicate, sell, use, employ, copy, reverse engineer, lecture upon, rewrite, reproduce, disseminate, publish, disclose, or divulge any Confidential Information of the Franchisor, or any abstracts thereof, to any person or Entity except as expressly authorized by this Agreement or by the Franchisor in writing. The Franchisee will only disclose or provide the Franchisor's Confidential Information to its employees who must have access to it to properly execute their job functions and to operate the Franchisee's Bakery Café. All Confidential Information is and will remain the sole and absolute property of the Franchisor and the Franchisee will have no rights or interests in any Confidential Information, except the right to use the Confidential Information in the operations of the Bakery Café as provided in this Agreement. Any additions, changes, modifications and/or improvements made to any of the Franchisor's Confidential Information by the Franchisee or its employees and agents will be the sole and exclusive property of the Franchisor.

11.4. Confidentiality of Manual. The Franchisee will treat the Manual and any other manuals created for or approved for use in the operation of the Franchisee's Bakery Café as Confidential Information. The Franchisee will use all reasonable means to keep the contents of the Manual secret and will only grant access to the Manual to those employees who must use the Manual in the performance of their employment duties in the Franchisee's Bakery Café.

11.5. Confidentiality Agreements; Noncompetition Agreements. The Franchisee's Owners, Management Staff and all of the Franchisee's employees who have access to the Manual or any Confidential Information must execute a form of Nondisclosure and Noncompetition Agreement acceptable to Franchisor agreeing (i) to maintain the confidentiality, during the course of their employment and thereafter, of all Confidential Information of the Franchisor; and (ii) not to participate in the ownership, management, control, or operation of a Competitive Restaurant ("**Nondisclosure and Noncompetition Agreement**"); provided, however, employees of the Franchisee whom the Franchisee deems qualify as nonexempt under the Fair Labor Standards Act (FLSA) ("**Nonexempt Employees**") are not required to sign any such agreement. The Franchisee will be responsible for (i) insuring that each person required to execute a Nondisclosure and Noncompetition Agreement does so; (ii) enforcing such confidentiality and noncompetition agreements, and (iii) paying for the legal fees, costs, and expenses associated with such enforcement. The Franchisor has the right to regulate the form of Nondisclosure and Noncompetition Agreement to be executed and to be a third-party beneficiary of or a party to such agreement with independent enforcement rights. **Attachment H-1** sets forth the current form of Nondisclosure and Noncompetition Agreement for a Franchisee Owner and **Attachment H-2** sets forth the current form of Nondisclosure and Noncompetition Agreement for Management Staff.

11.6. Disclosure by the Franchisor. Notwithstanding anything contained herein to the contrary, the Franchisee acknowledges and agrees that the Franchisor may disclose information related to or concerning this Franchise Agreement, the Leases, the Franchisee, Owner(s), the Operator(s), and Financial Records of the foregoing parties, even if such information is marked or otherwise designated as "confidential", in Franchisor's commercially reasonable discretion, including but not limited to as follows:

(a) to attorneys, accountants, bankers, financial advisors, consultants, advisors, agents and related personnel in connection with: (i) a merger, acquisition, reorganization or consolidation; (ii) any private or public offering of the securities of Franchisor or any Affiliate; (iii) incurrence of any indebtedness by Franchisor or any Affiliate; (iv) a sale of all or substantially all of Franchisor or any Affiliate's assets or business; or (v) any other change of control or ownership of Franchisor or any Affiliate; or

(b) as required by applicable law or regulation (including that of an applicable stock exchange) or as legally required pursuant to an order of a court or agency with competent jurisdiction over the Franchisor.

11.7. Ownership of Business Records. The Franchisee acknowledges and agrees that the Franchisor shall at all times have unrestricted access to all business records ("**Business Records**") with respect to customers, and other service professionals of, and/or related to, the Restaurant including, without limitation, all databases (whether in print, electronic or other form), including all names, addresses, phone numbers, e-mail addresses, customer purchase records, and all other records contained in the database, and all other Business Records created and maintained by the Franchisee are the sole property of the Franchisor. The Franchisee further acknowledges and agrees that all Business Records are the sole property of the Franchisor.

12. SITE SELECTION; CONSTRUCTION; SIGNS

12.1. Site Selection; Purchase or Lease of Site. The Franchisee will be solely responsible for selecting the site of the Franchised Location for the Franchisee's Bakery Café. The Franchisor recommends that the Franchisee retain an experienced attorney to provide advice and counsel on the terms, conditions and economics of the legal and other documents required to lease or purchase the site for the Franchised Location. The Franchisee will provide the Franchisor with a copy of the proposed Lease for the site selected by the Franchisee at least four weeks before the date the Lease is to be signed. The Franchisor may assist the Franchisee in negotiating the Terms of the Lease. The Franchisor's review of the Lease will be only to determine whether the terms of the Lease comply with the terms and conditions of this Agreement, and not to provide any business, economic, legal or real estate advice or analysis. The Franchisee will be solely responsible for all terms of the Lease, including the enforceability, economics and legality of all provisions in the Lease. The enforceability of the Lease must be conditioned upon the approval of the Franchisee by the Franchisor and the enforceability of this Agreement. The Franchisee will not sign the Lease until (a) this Agreement has been signed by both the Franchisee and the Franchisor and (b) the Lease contains the terms required under this Article and the terms set forth in the Form of Lease Addendum attached to this Agreement as **Attachment G**. The Franchisee will use its best efforts to negotiate and secure from the lessor of the Franchised Location the terms and conditions set forth herein and in the Form of Lease Addendum attached hereto. In addition, the terms of the Lease must also give the Franchisor the right to enter the premises of the Franchised Location to conduct inspections during regular business hours. Further, the Franchisee must execute a Collateral Assignment of Lease attached to this Agreement as **Attachment G-1**, whereby the Franchisee agrees to assign the Franchisee's rights in the Lease to the Franchisor in the event of a termination or expiration of the term of this Agreement or a default under the Lease.

12.2. Site Information. The Franchisee will provide to the Franchisor the information specified by the Franchisor in writing for the proposed site ("**Site Information**"). The Franchisor will have the right to require that the Franchisee obtain, at the Franchisee's expense, an economic feasibility study for the proposed site for the Franchised Location. Any such feasibility study required by the Franchisor will be completed by an expert mutually agreed upon by the Franchisor and the Franchisee in writing. The Franchisor will visit the site proposed by the Franchisee and review the site submittal package. The Franchisee will not purchase or lease a proposed site until the Franchisee has provided the Site Information to the Franchisor, the Franchisor has reviewed the proposed site, and the Franchisor has provided the Franchisee with a no-objection letter for the proposed site. The Franchisee will provide executed copies of the Lease or purchase closing documents for the Franchised Location within 10 days after their execution. The review of any Site Information, any visits by the Franchisor to a proposed site, the review of the site, and/or the issuance of a no-objection letter by the Franchisor will not constitute an approval of the site by the Franchisor or a warranty or representation by the Franchisor or any other party that the site for the Franchised Location chosen by the Franchisee will be a financial or operational success. The issuance of a no-objection letter by the Franchisor will mean only that it has received the Site Information provided by the Franchisee and reviewed the site, and will not be deemed to be an approval of the site by the Franchisor.

12.3. Site Release. The Franchisor will have no duty or obligation to assist the Franchisee in the selection of a site for the Franchised Location, or to provide any assistance to the Franchisee in the purchase or lease of the Franchised Location. The Franchisor has informed the Franchisee that it does not have any experience or expertise in selecting real estate sites in the geographic area where the Franchisee's Bakery Café will be located and therefore, the Franchisor will not have any obligation, duty or liability to the Franchisee as a result of the site selected by the Franchisee and/or the purchase or lease of the Franchised Location. The Franchisee hereby releases the Franchisor and its Affiliates and their respective Executive Management, agents and employees, in their corporate and individual capacities, from any and all Claims by the Franchisee arising from, in connection with, or as a result of the Franchisee's purchase or lease of the site selected by the Franchisee for the Franchised Location.

12.4. Standard Plans and Specifications. The Franchisor will, at its expense, provide the Franchisee with a set of the plans and specifications for an existing Bakery Café. The Franchisee acknowledges that unique aspects of each real estate site may require significant modifications to the standard plans. Consequently, the Franchisee will, at its cost, retain a licensed architect and will be responsible for the preparation of working drawings and construction and architectural plans and specifications for the Franchisee's Bakery Café. The Franchisee will be responsible for the accuracy of all drawings, plans and specifications for its Bakery Café, subject to the Franchisor's review and approval.

12.5. Compliance with Specifications and Standards. The Franchised Location and the Franchisee's Bakery Café will conform to all standards, specifications and other requirements ("**Design Standards**") established by the Franchisor for the design, decoration, layout, FF&E and other items of the Bakery Café. Any changes or modifications to the Design Standards must be submitted to the Franchisor for its prior approval. Compliance with the Design Standards does not release the Franchisee from its obligation to ensure that the Bakery Café is designed and constructed in compliance with all federal, state, and local laws including, without limitation, the Americans with Disabilities Act. The Franchisee will purchase and install the FF&E specified in the Manual or otherwise in writing by the Franchisor for the Franchisee's Bakery Café in compliance with the Design Standards.

12.6. Construction Costs. The Franchisee will retain a licensed and bonded contractor with experience in restaurant construction for the construction or renovation of the Franchisee's Bakery Café. The Franchisee will be solely responsible for all costs and expenses incurred for the construction or renovation of the Franchisee's Bakery Café at the Franchised Location including, but not limited to, all costs for architectural plans and specifications, all modifications to the plans and specifications necessitated by the structure, construction or layout of the Franchised Location, building permits, site preparation, demolition, construction of the parking lot, landscaping, heating, ventilation and air conditioning, interior décor and decorations, FF&E, leasehold improvements, labor, architectural and engineering fees, electricians, plumbers, general contractors and subcontractors.

12.7. Inspection. The Franchisee will be solely responsible for inspections during construction or renovation to confirm that the Franchised Location is being constructed or renovated in a workmanlike manner and according to the specifications established by the Franchisor. The Franchisee will be solely responsible for complying with all federal, state and local laws, ordinances, statutes and building codes, and for acquiring all licenses and building, occupancy, and other permits required by law in connection with the construction or renovation of the Franchisee's Bakery Café at the Franchised Location. The Franchisor will have no responsibility to the Franchisee or any other party if the Bakery Café is not constructed or renovated by the Franchisee or its architect or contractor: (a) according to the specifications established by the Franchisor; (b) in compliance with all applicable federal, state or local laws or ordinances; or (c) in a workmanlike manner. The Franchisee will not open the Bakery Café for business without the prior written approval of the Franchisor.

12.8. Approved Signs. All exterior and interior signs at the Franchised Location ("**Signs**") must comply with the standard sign plans and specifications established by the Franchisor and provided to the Franchisee and must be purchased from an Approved Supplier. The Franchisee will, at its expense, prepare or cause the preparation of complete and detailed plans and specifications for the Signs and will submit them to the Franchisor for written approval. The Franchisor will have the absolute right to inspect, examine, videotape and photograph the Signs during the term of this Agreement. The Franchisee will be responsible for any and all installation costs, sign costs, architectural fees, engineering costs, construction costs, permits, licenses, repairs, maintenance, utilities, insurance, taxes, assessments and levies in connection with the construction, erection, maintenance or use of the Signs including, if applicable, all electrical work, construction of the base and foundation, relocation of power lines and all required soil preparation work. The Franchisee will comply with all federal, state and local laws, regulations, building codes and ordinances relating to the construction, erection, maintenance and use of the Signs. The Franchisee may not alter, remove, change, modify, or redesign the Signs unless approved by the Franchisor in writing. The Franchisor will have the right to redesign the specifications for the Signs without the approval or consent of the Franchisee. Within 90 days after receipt of written notice from the Franchisor, the Franchisee will, at its expense, either modify or replace the Signs so that the Signs displayed at the Franchised Location will comply with the new specifications. The Franchisee will not be required to modify or replace the Signs more than once every five years from the date of this Agreement.

12.9. Ownership of Franchised Location. If the Franchisee, any of the Owners, or an Entity owned by the Franchisee and/or any of the Owners, owns, leases or otherwise controls the Franchised Location, including the land, building and related real estate, or if the Franchisee, any of the Franchisee's Owners, or an Entity owned by the Franchisee and/or any of the Owners owns 50.1% or more of an Entity that owns, leases or otherwise controls the Franchised Location, then the Franchisee will, as the lessee, enter into a Lease for the Franchised Location for a term coextensive with the term of this Agreement containing terms and conditions that are commercially reasonable and substantially similar to a commercial lease that would be executed by unrelated parties in an arm's length transaction for similarly situated real estate. The Lease will be deemed to be a Major Asset of the Franchisee. This provision will not apply if the Franchisee owns the Franchised Location, and the Franchised Location is reflected as an asset on the Franchisee's Financial Statements, in which event, the Franchised Location will be deemed a Major Asset of the Franchisee.

13. EQUIPMENT; COMPUTER HARDWARE AND SOFTWARE

13.1. Communications Equipment; Telephone Lines. The Franchisee will, at its sole expense, obtain and maintain the dedicated telephone lines, high speed Internet connections, and other communication and transmission equipment and systems for the Franchisee's Bakery Café as are specified in the Manual or otherwise in writing. The Franchisee will install and maintain telephone answering systems and other telephonic devices at the Bakery Café, and will operate all communication and transmission systems and devices as specified by the Franchisor in the Manual or otherwise in writing.

13.2. Computer Hardware and Software; Point-of-Sale System. The Franchisee will, at its sole expense, lease, license or purchase the computer hardware, computer software, peripheral devices and point-of-sale, cash register, credit card processing, online ordering, loyalty scanner, EMV or other systems related to credit card processing, and operating systems ("**Computers and Software**") that meet the standards, specifications and requirements established by the Franchisor as set forth in the Manual or otherwise in writing. The Franchisee's Computers and Software will be configured to provide the Franchisor with direct electronic access to the Franchisee's Computers and Software, and databases to upload the data, financial information and other information the Franchisee is required to provide to the Franchisor pursuant to this Agreement or the Manual, including Net Sales, and by category, direct labor costs and food costs. The Franchisee will, upon written notice from the Franchisor, modify, enhance, update and upgrade the Computers and Software (including timely executing and delivering any documents, contracts, or agreements as Franchisor may reasonably require), at its sole expense, to the standards, specifications and requirements specified in the Manual or otherwise in writing by the Franchisor, provided that the Franchisee will not be required to make any such modifications, enhancements, updates or upgrades during the first two years of the Initial Term of this Agreement.

13.3. Internet Provider; E-Mail Address. The Franchisee will, at the Franchisee's expense, have access to the Internet and will maintain an e-mail address. The Franchisee's e-mail address will be provided to the Franchisor and will be used for the Franchisee and the Franchisor to communicate and to transmit documents and other information. The Franchisee will not use the words "**La Boulangerie**", "**La Boulangerie of San Francisco"** or "**The American La Boulangerie**" as any part of its e-mail address, e-mail alias, or its domain name (Uniform Resource Locator) for any website maintained by the Franchisee on the Internet. The Franchisee will not transmit any Confidential Information, Sensitive Information, documents or data without complying with the security measures set forth in Article 9.16 or as otherwise may be adopted by the Franchisor. The Franchisor reserves the right to require encrypted transmissions of Confidential Information and/or Sensitive Information. The Franchisee will not make any derogatory, defamatory or libelous statements in any transmission made via the Internet, through any Intranet network or by any other means.

13.4. La Boulangerie Website; Mobile Application. The Franchisor will establish and maintain a website and, in the Franchisor's sole discretion, a mobile application (collectively, "**La Boulangerie Website**") to advertise and promote the Bakery Cafés, including the Franchisee's Bakery Café. All features of the La Boulangerie Website, including the domain name, mobile application name, content, features, format, procedures and links to other websites or applications, will be determined by the Franchisor in its sole discretion. The Franchisor will have the right to modify, enhance, suspend or temporarily or permanently discontinue the La Boulangerie Website at any time, in its sole discretion. The Franchisee will not have the right to establish a website, mobile application, or blog or any other social presence on the Internet to advertise or promote its Bakery Café. The Franchisor and its Affiliates will have the sole right to promote on the Internet or via a mobile application the Foods, Beverages and Products offered by the Franchisee's Bakery Café, to create a website and/or mobile application containing "**La Boulangerie of San Francisco**", "**La Boulangerie**" and/or "**The American Boulangerie**" name and the Marks, or any derivative or related domain name. The Franchisor reserves the right to charge the Advertising Fund for the costs associated with the maintenance or enhancement of the La Boulangerie Website. The Franchisee's Bakery Café will be removed from the La Boulangerie Website immediately upon the termination or expiration of this Agreement. The Franchisee will execute the Website Use Agreement attached as **Attachment C** to this Agreement.

13.5. Online Ordering System. The Franchisor reserves the right to establish and/or facilitate a branded digital ordering and payment software platform ("**Online Ordering System**") for the purpose of enhancing customer service throughout the System. The Franchisee hereby agrees to participate in such Online Ordering System at the Bakery Café. Accordingly, the Franchisee agrees to comply with all requirements established by the Franchisor in connection with the Online Ordering System as set forth in the Manual. The Franchisee acknowledges and agrees that the Franchisor reserves the right to establish such an Online Ordering System and has no obligation to do so. The Franchisee further acknowledges and agrees that the Franchisor also reserves the right to modify or discontinue any such Online Ordering System once it has been established.

13.6. Social Networking. The Franchisee and its Executive Management, Management Staff, employees and agents will not have the right to use any of the Marks or other intellectual property of the Franchisor on any social network, social media or online community on the Internet or any other online, digital or electronic medium including, but not limited to, any "**blog**," YouTube, Facebook, Instagram, MySpace, Wikipedia, professional networks like Linked-In, live-blogging tools like Twitter, virtual worlds, file, audio and video sharing sites, and other similar social networking media or tools ("**Social Media**"), except with the prior written permission of the Franchisor. The Franchisee and its Executive Management, Management Staff, employees and agents will comply with all of the Franchisor's policies, standards and procedures for use of any Social Media that in any way references the Marks or involves the Bakery Café. Franchisee acknowledges and agrees that all social media sites (e.g., Facebook, Instagram, Twitter, etc.) will be created and managed by Franchisor. Franchisee further acknowledges and agrees that Franchisee and its executive management team, management team, employees and agents do not have the right to create Internet pages or engage in any other social media communications at the local level.

14. TRAINING; OPENING ASSISTANCE

14.1. Initial Training. To educate, familiarize and acquaint the Franchisee and its Management Staff with the System and the operations of a Bakery Café, the Franchisor will provide the then-current initial training program as set forth in the Manual ("**Training Program**"). The Franchisee and the Management Staff must successfully complete the Training Program and be certified in writing by the Franchisor prior to the actual opening of the Franchisee's Bakery Café. Any member of the Management Staff who does not successfully complete the required Training Program to the Franchisor's satisfaction will not be permitted to participate in the operations of the Franchisee's Bakery Café.

14.2. Changes in Personnel After Initial Opening. All new members of the Franchisee's Management Staff hired after the initial opening of the Bakery Café must attend the training program as prescribed by the Franchisor in the Manual. If any member of the Management Staff fails to successfully complete the required training program within 60 days after the date of such employee's hiring, then the Franchisee will not permit that employee to continue to participate in the operation of the Franchisee's Bakery Café.

14.3. Required Training of New Personnel. The initial training program for new members of the Management Staff hired after the opening of the Restaurant will be conducted as set forth in the Manual. The Franchisee will be required to pay the Per Diem Training Fee charged by the Franchisor for each new Management Staff members trained by the Franchisor after the opening of the Bakery Café, plus any applicable Travel Expenses incurred by the Franchisor or a delegate of the Franchisor.

14.4. Additional Training. In accordance with the Manual, the Franchisee, the Franchisee's Management Staff and other employees of the Franchisee may be required by the Franchisor to attend, at the Franchisee's expense, additional training if the Franchisee's Bakery Café fails to meet certain performance standards established by the Franchisor or the Franchisor otherwise determines, in its sole discretion, that additional training is necessary or required. Whether the additional training is required by the Franchisor or requested by the Franchisee, the Franchisee will pay the Per Diem Training Fee for each member of the Management Staff trained, and will reimburse the Franchisor for all applicable Travel Expenses incurred by the Franchisor or a delegate of the Franchisor.

14.5. Certified Training Program. The Franchisor may, in its sole discretion, permit the Franchisee to implement its own training program for the training of its employees. The Franchisee must obtain certification of its training program by the Franchisor to ensure that the Franchisor's standards are being met. The Franchisee will also need to obtain re-certification of its training program from time to time.

14.6. Payment of Salaries and Expenses. The Franchisee will pay all Travel Expenses and the Salaries and Benefits for all employees of the Franchisee who attend any La Boulangerie training program on behalf of the Franchisee.

14.7. Opening Assistance. In accordance with the Manual, Franchisor will provide on-site opening assistance, consisting of at least two people for a period of up to 10 days to assist the Franchisee with implementing the System at the Franchisee's Bakery Café. The Franchisor will provide opening assistance for the Franchisee's first and second Bakery Café. For all subsequent Bakery Cafés owned by the Franchisee, the Franchisee will pay the Franchisor the Per Diem Training Fee and reimburse the Franchisor for all applicable Travel Expenses incurred by the Franchisor or a designee of the Franchisor. The Franchisee will schedule the grand opening of its Bakery Café on the date specified in writing by the Franchisor. Franchisee must comply with all standards and specifications relating to the grand opening of its Bakery Café as set forth in the Manual.

14.8. Release and Indemnification. The Franchisee and its Owners hereby waive any right to sue for Damages or other relief, and release all known and unknown Claims they may allegedly have against the Franchisor and/or any of its Affiliates and their employees, agents, officers and directors, arising out of the adequacy or accuracy of the information provided at or any activities occurring during any training program, additional training and/or opening assistance (collectively referred to as "**Training**" in this provision), or any harm or injury any attendee or participant suffers during and as a result of his/her attendance at or participation in the Training. The Franchisee and the Owners agree to hold the Franchisor, its Affiliates and their employees, agents, officers and directors harmless for any Claims or Damages incurred by the Franchisee, the Owners or any of their Affiliates, employees, agents, officers and directors arising out of, in any way connected with or as a result of attendance at or participation in the Training. The Franchisee, the Owners and all persons who attend and participate in the Training on behalf of the Franchisee will sign the documentation required by the Franchisor or an Affiliate as a condition to their attendance at, participation in and successful completion of the Training.

15. INSURANCE

15.1. Insurance Policies. The Franchisee must, at its expense, procure and maintain in full force and effect insurance policies, in such amounts and on such terms, as prescribed below or by the Franchisor in the Manual, by an insurance company which is acceptable to and approved by the Franchisor at all times during the term of this Agreement, licensed in the state where coverage is provided, and carries an A.M. Best rating of at least A-VII. The Franchisee must obtain such policies before opening the Bakery Café, and such policies must include, but will not be limited to, the following types of coverage insurance coverage:

COMMERCIAL GENERAL LIABILITY: General Aggregate Limit: $2,000,000 Per Occurrence Limit: $1,000,000

AUTOMOBILE LIABILITY: Bodily Injury and Property Damage Combined Single Limit: $1,000,000 Hired and Non-Owned Liability Limit: $1,000,000

WORKERS' COMPENSATION: Workers' Compensation: Statutory amount UMBRELLA LIABILITY: $2,000,000

Insurance policies must insure the Franchisee, the Franchisor, and their respective Affiliates, officers, stockholders, directors, and all other parties designated by the Franchisor, as additional named insureds against any liability that may accrue against them by reason of the ownership, maintenance or operation by Franchisee of the Bakery Café.

The policies must also stipulate that the Franchisor will receive a 30-day prior written notice of cancellation, non-renewal, or elimination, and must contain endorsements by the insurance companies waiving all rights of subrogation against the Franchisor. Original or duplicate copies of all insurance policies, certificates of insurance, or other proof of insurance acceptable to the Franchisor, including original endorsements affecting the coverage required by this Article, must be furnished to the Franchisor by the Franchisee, together with proof of payment, prior to the opening of the Bakery Café. The Franchisee shall also furnish the Franchisor with certificates and endorsements evidencing such insurance coverage within 10 days after each of the following events: (i) at all policy renewal periods, no less often than annually, and (ii) at all instances of any change to, addition to, or replacement of any insurance. The certificates and endorsements for each insurance policy are to be signed by a person authorized by that insurer to bind coverage on its behalf. All certificates and endorsements are subject to approval by the Franchisor. The Franchisor reserves the right to require complete, certified copies of all required insurance policies at any time in the Franchisor's sole discretion. Upon the Franchisor's request, the Franchisee is also required to collect loss history statements ("**Loss Runs**") from its insurance carrier(s) and remit the Loss Runs to the Franchisor upon the Franchisee's annual renewal of insurance. In the event the Franchisee fails to obtain the required insurance and to keep the same in full force and effect, the Franchisor may, but will not be obligated to, purchase insurance on the Franchisee's behalf from an insurance carrier of the Franchisor's choice, and the Franchisee shall reimburse the Franchisor for the full cost of such insurance, along with a reasonable service charge to compensate the Franchisor for the time and effort expended to secure such insurance, within five days of the date the Franchisor delivers an invoice detailing such costs and expenses to the Franchisee. Notwithstanding the foregoing, failure of the Franchisee to obtain insurance constitutes a material breach of this Agreement entitling the Franchisor to terminate this Agreement or exercise any or a combination of the other default remedies set forth in this Agreement. The Franchisee must also procure and pay for all other insurance required by state or federal law, including, without limitation, workers' compensation and unemployment insurance._Nothing in this Agreement will prevent the Franchisee from purchasing insurance with coverage amounts in excess of the coverage amounts required by the Franchisor.

15.2. Vendor Insurance. The Franchisee agrees to require each supplier and independent contractor with whom it contracts ("**supplier**") to procure and maintain in full force and effect, at the sole cost and expense of such suppliers, insurance policies, in such amounts and on such terms, as prescribed by the Franchisor in the Manual, insuring the supplier and the Franchisee, the Franchisor, and their respective Executive Management, agents, and employees from and against any and all loss, liability, claim or expense of any kind whatsoever, arising from or as a result of any negligence or other wrongdoing by the supplier or its employees in providing services or products to the Franchisee, the Franchisee's Bakery Café or to any customer or invitee of the Bakery Café.

15.3. Defense of Claims. All liability insurance policies procured and maintained by the Franchisee in connection with the Franchisee's Bakery Café, including the Franchisee's employment practices liability policy, will require the insurance company to provide and pay for attorneys to defend any legal actions, lawsuits or claims brought against the Franchisee, the Franchisor, and their respective Executive Management, agents and employees.

16. LICENSING OF MARKS AND SYSTEM

16.1. Right to License Marks. The Franchisor warrants that, except as otherwise provided for herein, it has the right to grant the Franchise and to license the Marks and the System to the Franchisee. Any and all improvements made by the Franchisee to the Marks or the System will be the sole and absolute property of the Franchisor, which will have the exclusive right to register and protect all such improvements in its name in accordance with applicable law. The Franchisee's right to use and identify with the Marks and the System will exist concurrently with the term of this Agreement and such use by the Franchisee will inure exclusively to the benefit of the Franchisor.

16.2. Conditions to License of Marks. The Franchisor hereby grants to the Franchisee the nonexclusive personal right to use the Marks and the System in accordance with the provisions of this Agreement. The Franchisee's nonexclusive personal right to use "**La Boulangerie of San Francisco**", "**La Boulangerie**" and/or "**The American Boulangerie**" (as designated by Franchisor) as the name of the Franchisee's Bakery Café and its right to use the Marks and the System applies only to the Franchisee's Bakery Café at the Franchised Location and such rights will exist only so long as the Franchisee fully performs and complies with all of the conditions, terms and covenants of this Agreement. "**Nonexclusive**," for the purposes of this Article, will mean that the Franchisor has or will grant franchises to other developers, franchisees, Entities or persons authorizing them to own and operate Bakery Cafés in conformity with the System using the name **"La Boulangerie of San Francisco"**, **"La Boulangerie"** and/or **"The American Boulangerie** (as designated by Franchisor) and the other Marks, and that the Franchisor and Affiliates have operated and may continue to own and operate Bakery Cafés.

16.3. Franchisee's Authorized Use. The Franchisee will only use the Marks designated by the Franchisor and only in the manner authorized and permitted by the Franchisor. The Franchisee's right to use the Marks is limited to the uses set forth in this Agreement and any unauthorized use will constitute an infringement of the rights of the Franchisor under this Agreement and under the Lanham Act (15 U.S.C. §1051, et seq.). The Franchisee will not have or acquire any rights in any of the Marks or the System other than the right of use as provided herein. The Franchisee will have the right to use the Marks and the System only in the manner prescribed, directed and approved by the Franchisor in writing and will not have the right to use the Marks in connection with the sale of any products or services other than those prescribed or approved by the Franchisor for sale by the Franchisee. If in the judgment of the Franchisor, the acts of the Franchisee are contrary to the limitations set forth in this Agreement or infringe upon or demean the goodwill, uniformity, quality or business standing associated with the Marks or the System, then the Franchisee will, upon written notice from the

Franchisor, immediately modify its use of the Marks or the System in the manner prescribed by the Franchisor in writing.

16.4. Improvements. If the Franchisee or the Owners develop any new or revised concept, product, recipe, trademark, service mark, branding concept, process or improvement in or related to the operation or promotion of the Bakery Café or the System ("**Improvements**"), then the Franchisee will promptly provide the Franchisor with a detailed summary of the Improvements. The Franchisee and the Owners acknowledge and agree that: (a) all Improvements made by the Franchisee and the Owners are the property of the Franchisor; (b) the Franchisee will execute and deliver any documents or instruments required by the Franchisor to memorialize or evidence the Franchisor's ownership of the Improvements; (c) the Franchisor will have the right to incorporate any or all of the Improvements into the System and/or the Marks; and (d) the Franchisor will have the right to use and authorize its Affiliates, franchisees and developers to use any or all Improvements in the operations of any or all Bakery Cafés, operated, licensed or franchised by the Franchisor or its Affiliates without any compensation to the Franchisee.

16.5. Adverse Claims to Marks. If there are any Claims by any party that its rights to any or all of the Marks are superior to those of the Franchisor and if the attorneys for the Franchisor are of the opinion that such Claims by a party is legally meritorious, or if there is an adjudication by a court of competent jurisdiction that any party's rights to the Marks are superior to those of the Franchisor, then upon receiving written notice from the Franchisor, the Franchisee will, at its sole expense, immediately adopt and use the changes and amendments to the Marks that are specified by the Franchisor. If so specified, the Franchisee will immediately cease using the Marks specified by the Franchisor, and will, as soon as reasonably possible, commence using the new trademarks, trade names, service marks, logos, designs and commercial symbols designated by the Franchisor in writing at the Franchised Location, and in connection with all advertising, marketing and promotion of the Franchisee's Bakery Café. The Franchisee will not make any changes or amendments whatsoever to the Marks or the System without the written approval of the Franchisor.

16.6. Defense or Enforcement of Rights to Marks. The Franchisee will have no right to and will not defend or enforce any rights associated with the Marks or the System in any court or other proceedings for or against imitation, infringement, prior use or for any other Claims or allegation. The Franchisee will give the Franchisor immediate written notice of any and all Claims or complaints made against or associated with the Marks and the System and will, without compensation for its time and at its expense, cooperate in all respects with the Franchisor in any lawsuits or other proceedings involving the Marks and the System. The Franchisor will have the sole and absolute right to determine whether it will commence or defend any litigation involving the Marks and/or the System, and the cost and expense of all litigation incurred by the Franchisor, including attorneys' fees, specifically relating to the Marks or the System will be paid by the Franchisor.

16.7. Tender of Defense. If the Franchisee is named as a defendant or party in any action involving the Marks or the System solely because the plaintiff or claimant is alleging that the Franchisee does not have the right to use the Marks or the System, then the Franchisee will have the right to tender the defense of the action to the Franchisor, and the Franchisor will, at its expense, defend the Franchisee in the action provided that the Franchisee has tendered defense of the action to the Franchisor within seven (7) days after receiving service of the pleadings or the summons and complaint relating to the action. The Franchisor will indemnify and hold the Franchisee harmless from any Damages assessed against the Franchisee in any actions resulting solely from the Franchisee's use of the Marks or the System at the Franchised Location if the Franchisee has timely tendered defense of the action to the Franchisor.

16.8. Franchisee's Right to Participate in Litigation. The Franchisee may, at its expense, retain an attorney to represent it individually in all litigation and court proceedings involving the Marks or the System, and may do so with respect to matters involving only the Franchisee (i.e., not involving the Franchisor or its interests); however, the Franchisor and its attorneys will control and conduct all litigation involving the Marks or the System and the rights of the Franchisor. Except as expressly provided for herein, the Franchisor will have no liability for any costs that the Franchisee may incur in any litigation involving the Marks or the System, and the Franchisee will pay for all costs, including attorneys' fees, that it may incur in any litigation or proceeding arising as a result of matters referred to under this Article, if the Franchisee has not timely tendered the defense to the Franchisor in accordance with Article 16.7.

17. OTHER OBLIGATIONS OF FRANCHISOR

17.1. Other Obligations. Consistent with the Franchisor uniformity requirements and quality standards, the Franchisor will: (a) provide the Franchisee with a written schedule of all Foods, Beverages and Products sold or used by all Bakery Cafés, and the FF&E and supplies required for the operation of the Franchisee's Bakery Café; (b) provide the Franchisee with a list of the Approved Suppliers and Designated Suppliers for the Foods, Beverages and Products and the FF&E for the Franchisee's Bakery Café; (c) make available to the Franchisee basic restaurant-level sales and cost accounting and business procedures for use by the Franchisee in its Restaurant; (d) periodically make general local marketing recommendations to the Franchisee; (e) visit and review the Franchisee's Bakery Café as often as the Franchisor deems necessary and render written reports to the Franchisee as deemed appropriate by the Franchisor; (f) use commercially reasonable efforts to protect, police and, when appropriate, enforce the Marks for the benefit of all La Boulangerie franchisees and developers in the manner deemed appropriate by the Franchisor; (g) develop and, if applicable, register additional trademarks, trade names, service marks, tag lines, logos or commercial symbols for use in connection with the System as deemed appropriate by the Franchisor; (h) upon the reasonable written request of the Franchisee, render reasonable advisory services by telephone or in writing pertaining to the operation of the Franchisee's Bakery Café; (i) provide the Franchisee with a sample of the standard La Boulangerie menu, and all modifications and updates to the menu; and (j) provide the Franchisee with a written or electronic copy of the Manual, together with all written or electronic copies of the supplements and updates published by the Franchisor from time to time.

17.2. Consulting Assistance. If the Franchisee requests that the Franchisor provide a consultant to train, assist or advise the Franchisee on management and operations issues at the Franchised Location, then the Franchisee will reimburse the Franchisor for the Travel Expenses incurred by the consultant and will pay the Franchisor the Per Diem Training Fee for each day the consultant provides training, assistance or advice to the Franchisee.

18. TRANSFER

18.1. Transfer by Franchisor. The Franchisor has the right to Transfer all or any part of its rights or obligations under this Agreement to any person or Entity, including to any competitor of the Franchisor. The Franchisor will provide the Franchisee with written notice after any such Transfer has been completed, and the assignee will be required to fully perform all obligations of the Franchisor under this Agreement.

18.2. Transfer of Agreement Due to Death or Permanent Disability. If the Franchisee is an individual and has personally signed this Agreement, then in the event of the death or permanent disability of the Franchisee, this Agreement may be Transferred to any designated person or beneficiary ("**Beneficiary**") without the payment of any Transfer Fee and without complying with Article 21 (Option of the Franchisor to Purchase). However, the Transfer of this Agreement to the Franchisee's Beneficiary will be subject to the applicable provisions of Article 18.4(b) - (i) and will not be valid or effective until the Franchisor has received the properly executed legal documents that its attorneys deem necessary to document the Transfer of this Agreement to the Beneficiary. The Beneficiary must agree to be unconditionally bound by the terms and conditions of this Agreement and must successfully complete the Training Program. There will be no charge to the Beneficiary for attending the Training Program; however, the Salary and Benefits and the Travel Expenses of the Beneficiary must be paid by the Beneficiary.

18.3. Transfer of Agreement to Entity Owned by Original Signatories. If the Franchisee is an individual, this Agreement may be Transferred by the Franchisee to an Entity that is wholly owned by Franchisee without the payment of a Transfer Fee and without complying with Article 21 (Option of the Franchisor to Purchase) if the Franchisee is an individual or a general partnership, provided that the Owner or Owners of the Entity are the same person or persons who signed this Agreement and such Transfer will not result in a change in control of the Franchise, so long as the Franchisee provides the Franchisor with prior written notice of such Transfer and the Franchisee is not in default of any of its obligations under this Agreement. Notwithstanding the forgoing, if this Agreement is Transferred by the individual Franchisee to an Entity that is wholly owned by the Franchisee, the Franchisee must pay the Franchisor $750 prior to the Transfer.

18.4. Conditions to Transfer by Franchisee. Subject to the provisions of Article 21 (Option of the Franchisor to Purchase), the Franchisee will not Transfer any interest in or any part of this Agreement, the Franchise or the Bakery Café to any person or Entity ("**Transferee**") without the prior written approval of the Franchisor. The Franchisor will not withhold its written consent to the Transfer by the Franchisee if the Transfer does not violate any of the terms of this Agreement, if the Franchisor does not exercise its rights under Article 21 of this Agreement, and if the Franchisee and/or the Transferee are in full compliance with the following terms and conditions:

(a) the Franchisee has provided written notice to the Franchisor of the proposed Transfer of this Agreement at least 45 days prior to the closing of the transaction;

(b) all of the Franchisee's monetary obligations due to the Franchisor have been paid in full, and the Franchisee is not otherwise in default under this Agreement;

(c) the Franchisee has agreed in writing to observe all applicable provisions of this Agreement, including the covenants not to compete contained in this Agreement;

(d) the Franchisee has executed a release, in a form satisfactory to the Franchisor, of any and all Claims against the Franchisor and its Executive Management, Owners, agents and employees, in their corporate and individual capacities, arising from, in connection with, or as a result of this Agreement, the operation of the Bakery Café or the Franchisee's purchase of the Franchise including, without limitation, all Claims arising under any federal or state franchising laws or any other federal, state or local law, rule or ordinance; provided, however, that the Franchisor and the Franchisee may exclude from the coverage of the release any prior or concurrent written agreements between them for other Bakery Cafés operated by the Franchisee;

(e) the Transferee has demonstrated to the satisfaction of the Franchisor that he, she or it meets the then-current managerial, financial and business standards required by the Franchisor for new franchisees or developers, possesses a good business reputation and credit rating, as solely determined by the Franchisor, and that its management possesses the aptitude and ability to operate the Bakery Café in an economic and businesslike manner (as may be evidenced by prior related business experience or otherwise), as solely determined by the Franchisor;

(f) the Transferee and all of the Transferee's Owners execute the Franchisor's then-current form of Franchise Agreement, if required by the Franchisor;

(g) the Transferee's Owner(s) and/or Operator execute a Personal Guaranty, if required by the Franchisor;

(h) the Transferee and all of the Transferee's Owners execute the agreements required by the Franchisor or its legal counsel to document the Transfer of this Agreement to the Transferee;

(i) the Transferee has purchased or leased the Franchised Location for a term consistent with the remaining term of this Agreement or, if applicable, the term of the then-current standard Franchise Agreement;

(j) the Transferee and its Management Staff have successfully completed the Training Program required under this Agreement to the satisfaction of the Franchisor.

18.5. Transfer of Ownership Interest in the Franchisee. No Owner will have the right to Transfer an Ownership Interest in the Franchisee without the prior written approval of the Franchisor. The Franchisor will not withhold its written consent if the Transfer of the Ownership Interest complies in all respects with the terms of this Agreement, and if the Franchisor does not exercise its right of first refusal to acquire the Owner's Ownership Interest in the Franchisee pursuant to Article 21.8. A Transfer by an Owner of the Franchisee to (a) a relative (husband, wife, children, grandchildren, mother, father, brothers and sisters) of the Owner, or (b) one of the existing Owners of the Franchisee, will not be subject to the provisions of Articles 18.6 and 21.8, provided that: (i) the Transfer has been approved in writing by the Franchisor, and (ii) the Franchisee's Owner has complied with all of the provisions of this Agreement applicable to an Owner, as solely determined by the Franchisor.

18.6. Transfer Fee. If this Agreement is Transferred to another person or Entity, or if any of the Owners Transfer any Ownership Interest in the Franchisee to a third party, then except as provided for in Articles 18.2 and 18.5, the Franchisee will pay the Franchisor a fee equal to 50% of the Franchisor's then-current initial franchise fee for a single franchise ("**Transfer Fee**"). The

Franchisee will pay the Transfer Fee prior to the closing on the Transfer transaction. The Transfer Fee is to cover the costs incurred by the Franchisor in connection with the Transfer. The Franchisor also reserves the right to charge the Transferee the Per-Diem Training Fee to cover the costs of providing the Training Program to the Transferee and its Management Staff. The Transferee will also be responsible for all Salaries and Benefits, Travel Expenses and other expenses incurred by all personnel attending the Training Program on behalf of the Transferee.

18.7. Prohibition on Transfer to Competitor by the Franchisee and Owners. The Franchisee and the Owners will not Transfer this Agreement or their Ownership Interests in the Franchisee, the Bakery Café or the Franchise to any person or Entity that owns, operates, franchises, develops, consults with, manages, is involved in, or controls any Competitive Restaurant. If the Franchisor refuses to permit a Transfer of this Agreement under this provision, then the only remedy of the Franchisee and the Owners will be to have a mediator or arbitrator determine whether the proposed transferee owns or operates a Competitive Restaurant. The Franchisee acknowledges and agrees that the Franchisee will be solely responsible for all costs and fees charged by such mediator or arbitrator.

18.8. Acknowledgment of Restrictions; Transfer Documentation. The Franchisee and Owners acknowledge and agree that the restrictions on Transfer imposed herein are reasonable and necessary to protect the System and the Marks, as well as the reputation and image of the Franchisor, and are for the protection of the Franchisor, the Franchisee and all other franchisees and developers who have been granted the right to operate Bakery Cafés. Any Transfer permitted by this Article will not be effective until the Franchisor receives a completely executed copy of all Transfer documents and the Franchisor consents to the Transfer in writing. Any attempted Transfer made without complying with the requirements of this Article will be void.

19. TERMINATION RIGHTS OF FRANCHISOR

19.1. Immediate Termination. The Franchisee will be deemed to be in default subject to immediate termination under this Agreement, without prior notice of the default from the Franchisor and without an opportunity to cure the default unless precluded by applicable law or otherwise as stated herein, if any of the following events occur:

(a) the Franchisee, the Operator or any of its Executive Management or Owners are convicted of, or plead guilty to a charge of violating any law relating to the Franchisee's Bakery Café;

(b) the Franchisee is deemed insolvent within the meaning of applicable state or federal law, any involuntary petition for bankruptcy is filed against the Franchisee and the Franchisee is unable within a period of 60 days from such filing to obtain the dismissal of the bankruptcy petition, or the Franchisee files for bankruptcy or is adjudicated a bankrupt under applicable state or federal law;

(c) the Franchisee makes an assignment for the benefit of creditors or enters into any similar arrangement for the disposition of its assets for the benefit of creditors;

(d) the Franchisee voluntarily or otherwise Abandons the Bakery Café;

(e) the Franchisee fails or refuses to provide the Financial Records and other materials requested by the Franchisor to substantiate the Franchisee's Financial Statements or to produce and permit the Franchisor to audit the Franchisee's Financial Records;

(f) the Franchisee is involved in any act or conduct which materially impairs the goodwill associated with the Marks or the System, and the Franchisee fails to correct the breach within 24 hours after receipt of written notice of the breach from the Franchisor;

(g) the Franchisee breaches any provision, term or condition of this Agreement (i) two or more times during any 12-month period, or (ii) six or more times during the term of this Agreement, without regard to whether the breaches were of a similar or different nature or whether the breaches were corrected within the prescribed cure period after receipt of written notice of the breaches;

(h) the Franchisee fails or refuses to open its Bakery Café and commence business operations by the Required Opening Date;

(i) the Franchisee or the Franchisee's Owners commit any fraud or misrepresentation in the operation of the Restaurant;

(j) the Franchisee fails or refuses to maintain any insurance policy required by the Franchisor, or otherwise fails or refuses to adhere to the requirements of Article 15;

(k) the Franchisee has failed or refused to comply with any mandatory specification, standard, or operating procedure prescribed by the Franchisor relating to the cleanliness or sanitation of the Bakery Café, and the Franchisee fails to correct the breach within 24 hours after receipt of written notice of the breach from the Franchisor; or

(l) the Franchisee has violated any health, safety, or sanitation law, ordinance, or regulation that the Franchisor reasonably believes may pose harm to the public or to the reputation of the Franchisee, the Franchisor, or the System, and the Franchisee fails to correct the breach within 24 hours after receipt of written notice of the breach from the Franchisor.

If this Agreement is terminated by the Franchisor pursuant to this Article 19.1, then the Franchisor will give the Franchisee written notice that this Agreement is terminated and, in that event, the effective date of termination of this Agreement will be the day the written notice of termination is received by the Franchisee. If notice of termination is given to the Franchisee by the Franchisor pursuant to Article 19.1(f), then this Agreement will terminate on the first minute of the 25th hour after receipt of the written notice of termination if the Franchisee fails to correct the alleged breach within 24 hours after receiving the written notice of termination.

19.2. <u>Termination after Failure to Cure</u>. The Franchisee will be deemed to be in default under this Agreement and the Franchisor has the right to terminate this Agreement and all rights granted under this Agreement if within thirty (30) days, or within any shorter period expressly set forth in the following clauses as to such default or any longer cure period required by applicable law, after the Franchisor sends the Franchisee written notification setting out the nature of the default ("**Notice of Default**"), the Franchisee does not correct the default to Franchisor's satisfaction for any of the following events (for the purposes of this Agreement, an alleged breach of this Agreement by the Franchisee will be deemed to be "**corrected**" if both the Franchisor and the Franchisee agree in writing that the alleged breach has been corrected):

(a) within 120 days after the date of this Agreement, the Franchisor determines that any required or other financial, personal or other information provided by the Franchisee to the Franchisor is materially false, misleading, incomplete or inaccurate;

(b) the Franchisee has not purchased or leased a site for the Franchised Location within 120 days after the date of this Agreement;

(c) the Franchisee has not obtained all licenses, permits, and certifications required for the occupancy, opening, operating, and service of food for its Restaurant from the appropriate Governmental Authorities at least 10 days before the Required Opening Date, in which case the Franchisee will have a cure period of five (5) days after the Franchisor sends the Franchisee the Notice of Default;

(d) the Franchisee or any member of the Management Staff has not completed the Training Program required under this Agreement prior to the Required Opening Date, in which case the Franchisee will have a cure period of 15 days after the Franchisor sends the Franchisee the Notice of Default;

(e) the Franchisee materially violates any federal, state or municipal law, rule, code or regulation applicable to the Franchisee's Bakery Café operations, including a violation of any health department rules or regulations relating to any food safety standards that would in any way endanger the health or well-being of any guest of the Franchisee's Bakery Café;

(g) the Franchisee breaches any material provision, term or condition of this Agreement or the Manual;

(h) the Franchisee fails to timely pay any Fees, rents or any other monetary obligations due and payable to the Franchisor or an Affiliate of the Franchisor pursuant to this Agreement or any other agreement, in which case the Franchisee will have a cure period of five (5) days after receipt of the Notice of Default to correct the breach by making full payment to the Franchisor or the relevant Affiliate of the Franchisor, as the case may be, together with interest on the past-due obligations at the rate of the lesser of 1.5% per month or the maximum interest rate allowed by applicable law, and the applicable administrative fees;

(i) the Franchisee fails to timely pay any of its uncontested obligations or liabilities due and owing to the Regional Advertising Cooperative, suppliers, banks, purveyors, other creditors or to any federal, state or municipal government;

(j) any check issued by the Franchisee is dishonored because of insufficient funds (except where the check is dishonored because of an error in bookkeeping or accounting) or closed accounts;

(k) the Lease for the Franchised Location is terminated or canceled for non-payment of rent or other legal reasons or the Franchisee is evicted from the Franchised Location;

(l) any license, permit, or certification required for occupancy, operating, or food service and, if applicable, beer and wine service at the Franchisee's Bakery Café is canceled for any reason;

(m) the Franchisee fails to designate a duly qualified replacement Operator within 30 days after the former Operator ceases to serve in that capacity; or

(n) the Franchisee, an Affiliate of the Franchisee, or an Owner of the Franchisee breaches any other agreement between such person or Entity and the Franchisor or an Affiliate of the Franchisor.

19.3. Right to Discontinue Supplying Items Upon Default. If the Franchisor delivers a Notice of Default to the Franchisee, the Franchisor will have the right to (a) require that the Franchisee pay C.O.D. (i.e., cash on delivery) or by certified check for goods/services, and/or (b) stop selling and/or providing any goods/services to the Franchisee until it has cured all defaults, and/or (c) require Designated Suppliers to stop selling and/or providing any goods/services to the Franchisee until it has cured all defaults. No such action by the Franchisor will be a constructive termination of this Agreement, change in competitive circumstances or similarly characterized, and the Franchisee agrees that it will not be relieved of any obligations under this Agreement because of any such action.

19.4. Other Remedies. Nothing in this Article will preclude the Franchisor from seeking other remedies or Damages under any state or federal law, common law, or under this Agreement against the Franchisee including, but not limited to, attorneys' fees and injunctive relief. If this Agreement is terminated by the Franchisor pursuant to this Article, or if the Franchisee breaches this Agreement by a wrongful termination or a termination that is not in strict compliance with the terms and conditions of this Agreement, then the Franchisor will be entitled to seek recovery of all Damages that the Franchisor has sustained and will sustain in the future as a result of the Franchisee's breach of this Agreement.

19.5. No Equity Upon Termination. The Franchisee's rights regarding the Franchise for the Bakery Café will be controlled by the provisions of this Agreement. The Franchisee will have no equity or any other continuing interest in the Franchise, any goodwill associated with the Bakery Café or the Marks, or any right to compensation or refunds upon the expiration and/or termination of this Agreement.

19.6. Continuing Obligations. If this Agreement is terminated by the Franchisee or because of a default by the Franchisee, the Franchisee will not be released or discharged from its obligations, including payment of all Fees then due and other amounts which would have become due under this Agreement if the Franchisee had continued the operation of the Bakery Café for the full term of this Agreement. The Franchisor's remedies will include (but are not limited to) the right to collect the present value of these amounts and to receive the benefit of its bargain with the Franchisee, as well as to accelerate the balances of any promissory notes owed and to receive any other unpaid amounts owed to the Franchisor or any Affiliates of the Franchisor. The Franchisee acknowledges and agrees that it would be commercially unreasonable and damaging to the integrity of the System if a franchisee or developer could default and then escape the financial consequences of its contractual commitment to meet payment obligations for the term of a franchise agreement. The Franchisee will sign a general release in favor of the Franchisor if the Franchisor chooses to waive its rights to collect any amounts that would have become due if the Franchisee had continued in business for the term of this Agreement.

19.7. Franchisor's Right to Acquire the Restaurant. In addition to all of the other rights granted to Franchisor in this Article 19 upon termination of this Agreement, if Franchisee has opened the Restaurant pursuant to an Area Development Agreement between Franchisee or its Affiliate and Franchisor, then Franchisor has the right to acquire all right, title and interest in the assets of the Bakery Café, including all real property owned by Franchisee or its affiliates from which the Bakery Café is operated, from Franchisee. Franchisor must notify Franchisee of its intention to acquire the Bakery Café at the time Franchisor sends the final notice of termination and must comply with all other provisions related to the acquisition set forth in the Manual. In addition, the parties agree that the purchase price for the Bakery Café will be calculated in accordance with the terms and procedures set forth in the Manual.

20. FRANCHISEE'S OBLIGATIONS UPON TERMINATION OR EXPIRATION

20.1. Termination of Use of Marks; Other Obligations. If this Agreement is canceled or terminated for any reason or this Agreement expires, then the Franchisee will: (a) within five (5) days after termination, pay all Fees to the Franchisor; (b) immediately return to the Franchisor the Manual, menus, advertising materials and all other printed materials pertaining to the Bakery Café by first class prepaid United States mail; and (c) comply with all other applicable provisions of this Agreement. Upon termination or expiration of this Agreement for any reason, the Franchisee's right to use "**La Boulangerie of San Francisco**", "**La Boulangerie**", "**The American Boulangerie**" and the other Marks and the System will terminate immediately in all respects, and the Franchisee will not thereafter conduct or promote any business under any name or in any manner that might tend to give the general public the impression that the Franchisee is continuing to operate as a La Boulangerie franchisee. Without limiting the generality of the foregoing, the Franchisee will immediately cease all marketing or advertising which includes any of the Marks, will delete all content containing the Marks or any references to the Franchisor or the Franchisee's Bakery Café from any website and social media pages maintained by the Franchisee, and will cease using any and all items or materials which bear or include any of the Marks.

20.2. Alteration of Franchised Location. If this Agreement expires or is terminated for any reason or if the Franchised Location ever ceases to be used for the Franchisee's Bakery Café, then within 30 days after the date of the expiration or termination of this Agreement or the date on which the Franchised Location is no longer used for the Franchisee's Bakery Café (whichever is applicable), the Franchisee will, at its expense, alter, modify and change both the exterior and interior appearance of the building and the Franchised Location so that it will be clearly distinguished from the standard appearance of a Bakery Café. At a minimum, such changes and modifications to the Franchised Location will include, but not be limited to: (a) repainting and, where applicable, recovering both the exterior and interior walls of the Franchised Location with entirely different colors, including removing any distinctive colors and designs from the walls; (b) removing all furniture, fixtures and other decor items associated with Bakery Cafés and replacing them with other decor items not of the general type and appearance customarily used in Bakery Cafés; (c) removing all exterior and interior La Boulangerie signs; and (d) immediately discontinuing use of the approved wall decor items and window decals, and refraining from using any items which may be confusingly similar to those used in Bakery Cafés.

20.3. Telephone Listings. Upon termination or expiration of this Agreement, or if the Franchisor acquires the Franchisee's Bakery Café pursuant to this Agreement, the Franchisor will have the absolute right to notify the telephone company and all listing agencies of the termination or expiration of the Franchisee's right to use all telephone numbers and any classified or other directory listings for the Restaurant and to authorize the telephone company and all listing agencies to transfer to the Franchisor or its assignee all telephone numbers and directory listings of the Franchisee's Bakery Café. The Franchisee acknowledges and agrees that the Franchisor has the absolute right and interest in and to all telephone numbers and directory listings associated with the Marks, and the Franchisee hereby authorizes the Franchisor to direct the telephone company and all listing agencies to transfer the Franchisee's telephone numbers and directory listings to the Franchisor or to an assignee of the Franchisor if this Agreement expires or is terminated or if the Franchisor acquires the Franchisee's Bakery Café. The telephone company and all listing agencies may accept this Agreement as evidence of the exclusive rights of the Franchisor to such telephone numbers and directory listings and this Agreement will constitute the authority from the Franchisee for the telephone company and listing agency to transfer all such telephone numbers and directory listings to the Franchisor. This Agreement will constitute a release of the telephone company and listing agencies by the Franchisee from any and all Claims and Damages that the Franchisee may at any time have the right to allege against them in connection with this Article. The Franchisee will execute the Telephone Listing Agreement attached as an exhibit to this Agreement and such other documents as the Franchisor may require for completing the transfer of the telephone numbers as contemplated herein.

20.4. Continuation of Obligations. The indemnities and covenants contained in this Agreement will continue in full force and effect subsequent to and notwithstanding the expiration or termination of this Agreement.

21. OPTION OF FRANCHISOR TO PURCHASE

21.1. Terms of Option. The Franchisee will not Transfer or otherwise dispose of any interest in or any part of the Major Assets to any purchaser without first offering the same to the Franchisor in a written offer that contains the purchase price, payment terms, and all other material terms and conditions of the proposed transaction with the third party, including price and payment terms ("**Franchisee's Offer**"). The Franchisor will have 30 days after receipt of the Franchisee's Offer to give the Franchisee written notice of the Franchisor's desire to either waive its option to purchase ("**Waiver Notice**") or its intention to exercise its rights to purchase or acquire the Major Assets according to the terms contained in the Franchisee's Offer ("**Notice of Intent to Purchase**").

21.2. Due Diligence Review. If the Franchisor provides the Franchisee with a Notice of Intent to Purchase within 30 days after receipt of the Franchisee's Offer, then the Franchisor will have 90 days after the date the Notice of Intent to Purchase is received by the Franchisee ("**Notice Date**") to conduct a "**due diligence**" review. The Franchisee will promptly provide the Franchisor with all Financial Records and other information requested by the Franchisor or its representatives to conduct its due diligence review. The Franchisor will have the absolute and unconditional right to terminate the Notice of Intent to Purchase and any obligation to purchase the Major Assets from the Franchisee for any reason and at any time during the 90-day due diligence review period by giving the Franchisee written notice.

21.3. Good Faith Negotiations. Unless the Franchisor terminates its Notice of Intent to Purchase as provided in Article 21.2, then the Franchisee and the Franchisor will act in good faith to agree on the terms and conditions of the definitive agreement or agreements for the purchase of the Major Assets (other than those objective terms and conditions contained in the Franchisee's Offer) and the closing date for the sale of the Major Assets to the Franchisor will take place within 120 days after the Notice Date.

21.4. Sale to Purchaser. The Franchisee will have the right to complete the transaction for the sale of the Major Assets to a purchaser according to the terms and conditions contained in the Franchisee's Offer to the Franchisor if: (a) the Franchisor delivers a Waiver Notice to the Franchisee, (b) the Franchisor fails to deliver either a Waiver Notice or the Notice of Intent to Purchase to the Franchisee within 30 days after receiving the Franchisee's Offer, (c) the Franchisor terminates its Notice of Intent to Purchase during the due diligence period pursuant to the provisions of Article 21.2, or (d) the Franchisee and the Franchisor fail to agree on the terms and conditions for the definitive agreement or agreements for the purchase of the Major Assets by the Franchisor from the Franchisee (other than those objective terms and conditions contained in the Franchisee's Offer) on or before the 120th day after the Notice Date.

21.5. Negotiated Changes with Purchaser. If the Franchisor does not purchase the Major Assets from the Franchisee under the terms and conditions contained in the Franchisee's Offer, then if during any negotiations with the purchaser the Franchisee agrees to negotiate, change, delete, or modify any of the terms and conditions contained in the Franchisee's Offer or the terms and conditions contained in the most recent version of the definitive agreement or agreements proposed by the Franchisee during negotiations that were not acceptable to the Franchisor, then the Franchisee will be required to re-offer to sell the Major Assets to the Franchisor under the new terms and conditions offered to the purchaser in accordance with the provisions of this Article, and the Franchisee's failure to do so will be a material breach of this Agreement.

21.6. Financing Exception. This Article will not apply to the Transfer of any of the Major Assets (with the exception of this Agreement) by the Franchisee to a bank, financial institution or other lender in connection with the Franchisee's financing of (a) the real estate or leasehold improvements for the Franchised Location, (b) the FF&E for the Franchisee's Bakery Café, (c) inventory or supplies for the Bakery Café, or (d) working capital required by the Restaurant.

21.7. Compliance with Agreement. The Franchisee's obligations under this Agreement including, but not limited to, its obligations to pay all Fees and to operate the business as a Bakery Café, will in no way be affected or changed because of non-acceptance by the Franchisor of the Franchisee's Offer and, as a consequence, the terms and conditions of this Agreement will remain in full force and effect. The decision by the Franchisor not to exercise the option to purchase granted to it pursuant to this Article will not, in any way, be deemed to grant the Franchisee the right to terminate this Agreement and will not affect the term of this Agreement. Moreover, if the Franchisor does not exercise the option to purchase granted to it pursuant to this Article and if the Franchisee sells or otherwise disposes of its Major Assets to a third party, then both the Franchisee and the purchaser will be required to comply in all respects with the terms and conditions of Article 18 of this Agreement. Any Transfer of the Major Assets of the Franchisee's Bakery Café that does not include a Transfer of this Agreement to the transferee will constitute a wrongful termination of this Agreement by the Franchisee.

21.8. Transfer of Ownership Interest. The Ownership Interests owned by the Franchisee or by the Owners of the Franchisee may not be Transferred by the Franchisee or the Owners until the Ownership Interests have first been offered to the Franchisor in writing. If the Franchisee or the Owners desire to Transfer their Ownership Interests, then they will first offer the Ownership Interests in the Franchisee to the Franchisor in writing under the same terms and conditions as those being offered to any party. The Franchisor will have 30 days to accept any offer to purchase the Owner's Ownership Interest in the Franchisee. The Owner will be required to comply with the provisions of Article 18.4 if the Franchisor does not exercise its right to purchase the Owner's Ownership Interest.

21.9. Acknowledgment of Restrictions. The Franchisee and Owners acknowledge and agree that the restrictions on Transfer imposed herein are reasonable and are necessary to protect the System and the Marks, as well as the reputation and image of the Franchisor, and are for the protection of the Franchisor, the Franchisee and all other franchisees and developers who operate Bakery Cafés. Any Transfer permitted by this Agreement will not be effective until the Franchisor receives a completely executed copy of all Transfer documents and the Franchisor consents to the Transfer in writing.

21.10. Right of Franchisor to Purchase Major Assets. If this Agreement expires or is terminated by either the Franchisor or the Franchisee for any reason whatsoever, if the Franchisee wrongfully terminates this Agreement by failing to comply with Article 18 or if the Franchisee at any time ceases to do business as a Bakery Café, then the Franchisor will have the right, but not the obligation, to purchase from the Franchisee any or all of the Major Assets. Within two business days after this Agreement expires or is terminated by either party, is wrongfully terminated by the Franchisee, or the Franchisee ceases to do business as a Bakery Café, the Franchisee must give the Franchisor written notice of the Franchisee's asking price for each of the Major Assets. If the Franchisee fails to give the Franchisor written notice of the asking price for the Major Assets and/or if the Franchisor and the Franchisee cannot agree on the price of the Major Assets, then either party will have the right to demand that the price of the Major Assets be determined by arbitration conducted in Denver, Colorado in accordance with the Code of Procedure of the National Arbitration Forum, Post Office Box 50191, Minneapolis, Minnesota 55405 (www.adrforum.com). The arbitration hearing will be held as soon as possible, but in no event later than seven (7) days after the date arbitration is demanded by either party. The Arbitrator will not consider any value for goodwill associated with the name **"La Boulangerie of San Francisco", "La Boulangerie"** and/or **"The American Boulangerie"** in determining the fair market value of the Major Assets since the right of purchase granted to the Franchisor pursuant to this provision applies only after this Agreement has expired or been terminated or the Franchisee has ceased doing business. The Arbitrator may not include the value of the Lease for the Franchised Location if the Franchisor gives the Arbitrator written notice that it intends to exercise its right to assume the Lease under Article 26 of this Agreement. If the Arbitrator is unable to determine the fair market value of any of the Major Assets, then they will be valued at book value as determined by generally accepted accounting principles (cost less depreciation). The Franchisor will have the right, but not the obligation, to purchase any or all of the Major Assets from the Franchisee for cash within 20 days after the fair market value of the Major Assets has been established by the

Arbitrator in writing. Nothing in this provision may be construed to prohibit the Franchisor from enforcing the post-term obligations and conditions of this Agreement, including the covenants not to compete contained in Article 23.

21.11. Bankruptcy Issues. If the Franchisee or any person or Entity holding any Ownership Interests (direct or indirect) in the 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 Franchisee's obligations and/or rights hereunder, any material assets of the Franchisee, or any indirect or direct interest in the Franchisee will be subject to all of the provisions of this Article.

22. REPRESENTATIONS, WARRANTIES AND COVENANTS OF FRANCHISEE

22.1. Organization. If the Franchisee is a corporation, limited liability company, partnership or other entity, then the Franchisee and the Owners represent, warrant and covenant that:

(a) The Franchisee is duly organized and validly existing under the law of the state or territory where formed;

(b) The Franchisee is duly qualified and is authorized to do business in the jurisdiction where the Bakery Café is located and in each jurisdiction where it conducts business, maintains offices, owns real estate or where qualification is required;

(c) The Franchisee's articles of incorporation, certificate of formation, by-laws, operating agreement, member control agreement, partnership agreement or other organizational documents ("**Organizational Documents**") will at all times provide that the Franchisee's business activities will be confined exclusively to the ownership and operation of the Bakery Café, unless otherwise consented to in writing by the Franchisor;

(d) The execution of this Agreement and the consummation of the transactions contemplated by this Agreement are within the powers granted to the Franchisee by the Organizational Documents and have been duly authorized and approved by the Franchisee or by the board of directors, board of governors, managing members, managing partner, or other governing body of the Franchisee;

(e) Copies of all Organizational Documents and any other documents, agreements or resolutions in the Franchisee's possession will be provided to the Franchisor upon written request;

(f) The names of the Owners of the Franchisee and their Ownership Interests in the Franchisee are accurately stated and completely described in the Franchisee Ownership Statement attached to this Agreement;

(g) The Franchisee will at all times maintain a current schedule of the Owners of the Franchisee and their Ownership Interests, and the Franchisee will immediately provide the Franchisor with a copy of the updated Ownership schedule whenever there is any change of Ownership. The Ownership schedule will contain the name, address, telephone number and e-mail address of each Owner of the Franchisee and will state the percentage of Ownership that each Owner has in the Franchisee;

(h) If any person or entity ceases to be one of the Franchisee's Owners, or if any individual or entity becomes an Owner of the Franchisee, then the Franchisee will notify the Franchisor in writing and within five days the Franchisee will require the new Owner to execute all documents then required by the Franchisor;

(i) The Franchisee's Organizational Documents and any documents representing Ownership in the Franchisee will provide that no Ownership Interest in the Franchisee may be assigned or transferred to any person or entity unless it is in strict compliance with the terms, conditions and restrictions contained in this Agreement;

(j) The Franchisee has no material liabilities, adverse claims, commitments or obligations of any nature as of the date of this Agreement, whether accrued, unliquidated, absolute, contingent or otherwise, except as disclosed to the Franchisor in writing or set forth in the financial statements of the Franchisee that have been provided to the Franchisor;

(k) Each of the Franchisee's Owners who owns at least 10% of the issued and outstanding Ownership Interests in the Franchisee will execute the Personal Guaranty attached hereto;

(l) The Franchisee will, at all times, maintain sufficient working capital to operate the Bakery Café and to fulfill its obligations under this Agreement, and will take steps to ensure availability of capital to fulfill the Franchisee's obligations to maintain, remodel and modernize the Bakery Café premises as required under this Agreement; and

(m) The representations, warranties and covenants contained in this Article are continuing obligations of the Franchisee and the Owners and that any failure to comply with such representations, warranties and covenants will constitute a material breach of this Agreement.

22.2. Compliance with Agreement. The Franchisee and the Owners represent, warrant and covenant that they will comply with all requirements and will perform all obligations in accordance with the terms and conditions of this Agreement.

23. FRANCHISEE'S COVENANTS NOT TO COMPETE

23.1. Consideration. The Franchisee and the Owners acknowledge that the Franchisee, the Operator, its Executive Management and employees will receive specialized training, marketing and advertising plans, business strategies, confidential recipe, cooking and food preparation information, and trade secrets from the Franchisor pertaining to the System and the operation of the Bakery Café. In consideration for this information, the Franchisee and the Owners will comply in all respects with the provisions of this Article. The Franchisor has advised the Franchisee that this is a material provision of this Agreement and that the Franchisor will not sell a Franchise to any person or Entity that owns or intends to own, operate or be involved in any Competitive Restaurant; however, the Franchisor may, under certain circumstances, exclude from the coverage of Articles 23.2 and 23.3

existing operational restaurant(s) operated by the Franchisee on the date of this Agreement, and the Franchisee may, with the written consent of the Franchisor, continue to own and operate such restaurants during the term of this Agreement and thereafter. The Franchisee warrants and represents that it does not, except as disclosed to and approved by the Franchisor pursuant to this Article 23.1, own, operate or have any involvement with or interest in any Competitive Restaurant.

23.2. In-Term Covenant Not to Compete. The Franchisee and the Owners covenant that they will not, during the term of this Agreement, on their own account or as an employee, principal, agent, Franchisee, independent contractor, consultant, Affiliate, licensee, partner, officer, director, shareholder, member, manager, governor or Owner of any other person or Entity, own, operate, manage, maintain, lease, franchise, conduct, engage in, consult, be connected with, have any interest in, or assist any person or Entity engaged in any Competitive Restaurant, except with the prior written consent of the Franchisor.

23.3. Post-Term Covenant Not to Compete. Except as provided to the contrary in Article 23.1, for a period of 24 months after the termination, non-renewal, or expiration of this Agreement, the Franchisee and the Owners covenant they will not, on their own account or as an employee, principal, agent, Franchisee, independent contractor, consultant, Affiliate, licensee, partner, officer, director, shareholder, member, manager, governor or Owner of any other person or Entity, own, operate, manage, maintain, lease, franchise, conduct, engage in, consult, be connected with, have any interest in, or assist any person or Entity engaged in any Competitive Restaurant which is located within 10 miles of the Franchised Location, within 10 miles of any other Bakery Café, or within any Territory or territory granted by the Franchisor pursuant to an area development agreement or other territorial agreement. The Franchisee and the Owners expressly agree that the time and geographical limitations set forth in this provision are reasonable and necessary to protect the Franchisor and its other franchisees and developers if this Agreement expires or is terminated by either party for any reason, and that this covenant not to compete is necessary to give the Franchisor the opportunity to resell and/or develop a new Bakery Café at or in the area near the Franchised Location.

23.4. Ownership of Public Companies. The restrictions set forth in Articles 23.2 and 23.3 will not apply to the ownership of up to 5% of the shares of any publicly-held company or mutual fund that owns, operates, has an interest in, or controls any Competitive Restaurant business, provided that such company has a class of securities that is listed and publicly traded on a national securities exchange and is subject to the reporting requirements of the Securities Exchange Act of 1934, as amended, and such shares are owned for investment only, and are not owned by an officer, director, employee or consultant of such publicly-traded company.

23.5. Injunctive Relief. The Franchisee and the Owners agree that the provisions of this Article are necessary to protect the legitimate business interest of the Franchisor and its franchisees and developers including, without limitation, preventing the unauthorized dissemination of marketing, promotional and other Confidential Information to competitors of the Franchisor and its franchisees and developers, protecting recipes, cooking and food preparation techniques and other trade secrets, protecting the integrity of the franchise system, preventing duplication of the System by unauthorized third parties, preventing damage to and/or loss of goodwill associated with the Marks and protecting the Franchisor's intellectual property rights. The Franchisee and the Owners also agree that Damages alone cannot adequately compensate the Franchisor if there is a breach of this Article 23 by the Franchisee or the Owners, and that injunctive relief against the Franchisee is essential for the protection of the Franchisor and its franchisees and developers. The Franchisee and the Owners agree therefore, that if the Franchisor alleges that the Franchisee or the Owners have breached this Article 23, then the Franchisor will have the right to petition a court of competent jurisdiction for injunctive relief against the Franchisee and the Owners, in addition to all other remedies that may be available to the Franchisor. The Franchisor will not be required to post a bond or other security for any injunctive proceeding. If the Franchisor is granted ex parte injunctive relief against the Franchisee or the Franchisee's Owners, then the Franchisee or the Owners will have the right to petition the court for a hearing on the merits at the earliest time convenient to the court.

24. INDEPENDENT CONTRACTORS

24.1. Independent Contractors. Nothing in this Agreement is intended by the parties hereto to create a fiduciary relationship between them nor to constitute the Franchisee as a subsidiary, joint venturer, partner, agent or employee of the Franchisor for any purpose whatsoever. It is understood and agreed that the Franchisee is an independent contractor and is in no way authorized to make any warranty or representation on behalf of the Franchisor other than those contained in any disclosure document prepared by the Franchisor for use by the Franchisee, nor is the Franchisee authorized to create any obligation or enter into any contract binding on the Franchisor.

24.2. Operation of Business. The Franchisee will be totally and solely responsible for the operation of its Bakery Café, and will control, supervise and manage all the employees, agents and independent contractors who work for or with the Franchisee, including the right to hire and fire its employees. The Franchisee will be responsible for the acts of its employees, agents and independent contractors, and will take all reasonable business actions necessary to ensure that its employees, agents and independent contractors comply with all federal, state and local laws, rules and regulations including, but not limited to, all discrimination laws, sexual harassment laws and laws relating to the disabled. The Franchisor will not have any right, obligation or responsibility to control, supervise or manage the Franchisee's employees, agents or independent contractors, and will no way be involved in the day-to-day operations of the Franchisee's Bakery Café.

25. INDEMNIFICATION

25.1. Indemnification. The Franchisor and its Affiliates and their respective employees, Executive Management, shareholders, members, Owners, directors, officers, attorneys, accountants and agents (individually and collectively, the "**Indemnified Parties**") will not be obligated to any person or Entity for any Damages arising out of, from, in connection with, relating to, or as a result of the Franchisee's negligence, the Franchisee's wrongdoing or the operation of the Franchisee's Bakery Café. Except as provided for in Article 16.7, the Franchisee will indemnify and hold harmless the Indemnified Parties against, and will reimburse the Indemnified Parties for, all Damages that the Indemnified Parties incur in the defense of or as a result of any Claim brought against the Indemnified Parties arising from, in connection with, arising out of, relating to, or as a result of the Franchisee's negligence, the Franchisee's wrongdoing or the operation of the Franchisee's Bakery Café. The Franchisee will indemnify the Indemnified Parties, without limitation, for all Damages arising from, out of, in connection with, relating to, or as a result of any and all Claims including, but not limited to:

(a) any personal injury, property damage, commercial loss or environmental contamination resulting from any act or omission of the Franchisee or its Executive Management, employees, agents or representatives;

(b) any failure on the part of the Franchisee to comply with any requirement of any federal or state laws or any rules or regulations of any Governmental Authority;

(c) any failure of the Franchisee to pay any of its obligations to any person or Entity;

(d) any failure of the Franchisee to comply with any requirement or condition of this Agreement, the Manual, or any other agreement with the Franchisor and/or the Indemnified Parties;

(e) any misfeasance or malfeasance by the Franchisee or its Executive Management, employees, agents or representatives;

(f) any tort committed by the Franchisee or its Executive Management, employees, agents or representatives;

(g) any determination by a court or agency that the Franchisor is the employer or a joint employer of any of Franchisee's employees;

(h) any claim, action, suit, or proceeding by the Franchisee's employees, including but not limited to workers' compensation, unemployment, and wage-and-hour claims;

(i) Breaches of Security, regardless of whether an Indemnified Party is required to take any action under any state or federal law;

(j) Franchisee's violation of any federal, state, or local law, statute, rule or regulation, including but not limited to, violation of Privacy Laws;

(k) failure to comply with the PCI DSS and/or other information security standards required by the Franchisor; and

(l) any other Claims brought against any of the Indemnified Parties.

The Franchisee will not be obligated to indemnify the Indemnified Parties for any Damages attributable to, arising out of, from, in connection with, or as a result of any gross negligence or intentional misconduct by the Indemnified Parties. Any of the Indemnified Parties will have the right to defend any Claim made against it arising from, as a result of, in connection with or out of the operation of the Franchisee's Bakery Café.

25.2. Payment of Costs and Expenses. The Franchisee will pay all reasonable attorneys' fees, costs and expenses incurred by the Indemnified Parties to defend any action brought by a third party against any of the Indemnified Parties as set forth in Article 25.1. These indemnification provisions under this Article and the other obligations contained in this Agreement will continue in full force and effect subsequent to and notwithstanding the expiration or termination of this Agreement.

26. LEASE AS SECURITY; TERMINATION OF LEASE

26.1. Franchisee's Assignment of the Lease. The Franchisee hereby assigns all of its right, title and interest in and to the Lease (which is incorporated herein by reference) to the Franchisor as security for the Franchisee's performance of the terms and conditions of this Agreement. If an Event of Default occurs, then the Franchisor will have the right and option, but not the obligation, to take and assume the Lease for the remaining term of the Lease under the same terms and conditions, including rental, as originally contracted for by the Franchisee. The Franchisee authorizes the Franchisor to file a UCC-1 Financing Statement and agrees to execute such other documents as may be reasonably required by the Franchisor's attorneys to perfect and record the Franchisor's security interest in the Lease. An "**Event of Default**," for the purposes of this Article, will occur if:

(a) this Agreement is terminated by either the Franchisor or the Franchisee for any reason whatsoever;

(b) the Franchisee wrongfully terminates this Agreement by failing to comply with Article 19 of this Agreement or otherwise;

(c) the Franchisee at any time ceases to do business at the Franchised Location as a Bakery Café;

(d) this Agreement expires and the Franchisee is not granted the right to enter into a Successor Franchise Agreement as provided for in Article 2.2;

(e) the Lease for the Franchised Location is terminated by either the Landlord or the Franchisee for any reason whatever; or

(f) this Agreement expires and the Franchisee fails to renew the Lease pursuant to any provisions relating to a Renewal Term.

This right granted by the Franchisee to the Franchisor to assume the Franchisee's position as the tenant under the Lease will be at the Franchisor's sole election, and the Franchisor will bear no responsibility for any of the Franchisee's past-due obligations under the Lease.

26.2. Perfected Assignment; Notice. This assignment will constitute a perfected, absolute and present assignment; provided, however, the Franchisor will have no right under this assignment to enforce the provisions of the Lease until an Event of Default has occurred. After an Event of Default has occurred, the Franchisor will have the right, but not the obligation, to enforce the provisions of this assignment and to take possession of the Franchised Location by giving the Franchisee and the Landlord written notice that it has affirmatively exercised its rights under this assignment. The written notice will state:

(a) that the Franchisor is taking and assuming the Lease from the Franchisee;

(b) the date on which the Franchisor will take physical possession of the Franchised Location; and

(c) that the Franchisor agrees to be bound by the terms and conditions of the Lease being assumed for the remaining term of the Lease.

The Franchisor will execute the appropriate documents at the time it gives written notice to the Franchisee and the Landlord of its assumption of the Lease.

26.3. No Prior Assignment; Estoppel. The Franchisee represents and warrants that:

(a) there has been no prior assignment of the Lease to a third party;

(b) it has the right to assign the Lease to the Franchisor;

(c) the Lease is a valid and enforceable agreement,

(d) neither the Landlord nor the Franchisee is in default to the other thereunder; and

(e) all covenants, conditions and agreements have been performed as required by the Lease.

No change in the terms of the Lease will be valid without the written approval of the Franchisor. The Franchisee will not assign the Lease to a third party or encumber its interest in the Lease so long as this assignment is in effect. During the term of this Agreement, the Franchisee will not lease or sublease all or any part of the Franchised Location without the Franchisor's prior written consent.

26.4. Enforcement of Franchisee's Rights. The Franchisee hereby irrevocably constitutes and appoints the Franchisor as its attorney-in-fact to demand, receive and enforce the Franchisee's rights with respect to the Lease, to make payments under the Lease and to give appropriate receipts, releases and satisfactions for and on behalf of and in the name of the Franchisee or, at the option of the Franchisor, in the name of the Franchisor, with the same force and effect as the Franchisee could do if this assignment had not been made. This appointment is coupled with an interest and is irrevocable.

26.5. Franchisor's Rights and Remedies. Upon taking physical possession of the Franchised Location, the Franchisor may, without affecting any of its rights or remedies against the Franchisee under any other instrument, document or agreement, exercise its rights under this Agreement as the Franchisee's attorney-in-fact in any manner permitted by law and, in addition, the Franchisor will have and possess, without limitation, any and all rights and remedies of a secured party under the Uniform Commercial Code, as enacted in the jurisdiction in which enforcement is sought, or otherwise provided by law. If the Franchisor elects not to take physical possession of the Franchised Location following termination or expiration of this Agreement, it will have the right to enter upon the premises to ensure that the alterations required pursuant to Article 20.2 are made.

26.6. Proration of Rents and Expenses. At the time the Franchisor takes physical possession of the Franchised Location, all charges, real estate taxes, utilities and rentals will be prorated between the Franchisor and the Franchisee. The Franchisor will have no obligation to pay any past-due obligations or arrearages of the Franchisee to any person or Entity, including the Landlord.

26.7. Possession; Obligations of Franchisor and Franchisee. Subject to Article 26.6, the Franchisor will hold the Franchisee harmless from any and all obligations to the Landlord, including rental payments, arising out of the use of the Franchised Location from the date that the Franchisor takes physical possession of the Franchised Location. The Franchisee will pay all amounts due to the Landlord and other parties under the Lease including, but not limited to, rentals, common area maintenance expenses, insurance, rental overrides, real estate taxes, repairs and maintenance, up to and including the date that the Franchisor takes physical possession of the Franchised Location. With the specific and limited exception of rental payments and other obligations to the Landlord arising from the Franchisor's use of the Franchised Location after taking physical possession of the premises, the Franchisee will indemnify and hold the Franchisor harmless from and against any and all Claims and Damages to which the Franchisor may become exposed, or which the Franchisor may incur, in exercising any of its rights under this assignment.

26.8. Landlord's Consent to Assignment of Lease as Security. The Franchisee will secure the Landlord's written consent to the provisions contained in this Article in the form attached as an exhibit to this Agreement.

26.9. Assignment by Franchisor. The Franchisor will have the right to assign its right, title and interest in the Lease to any persons or Entities upon giving written notice to the Franchisee and the Landlord without any consent whatsoever from the Franchisee or the Landlord, and any such assignment to any person or Entity will be valid and binding upon the Franchisee and the Landlord as fully as if each had expressly approved the same. Subject to the limitation on further assignment by the Franchisee contained in Article 26.4, this assignment will be binding upon and inure to the benefit of the heirs, legal representatives, assigns and successors in interest of the Franchisee, the Franchisor and the Landlord.

26.10. Lease Not Yet Executed. In the event that the Franchisee has not yet entered into the Lease for the Franchised Location at the time this Agreement is executed, the provisions of Articles 26.2, 26.3 and 26.5 of this Agreement will take effect immediately upon the execution of the Lease. The representations of the Franchisee contained in Article 26.4 will be true and complete as of, and will be deemed to have been made at, the time the Lease is executed. The Franchisee will execute all additional documents required by the Franchisor's attorneys to perfect the assignment of the Lease.

27. MANDATORY NON-BINDING MEDIATION

27.1. Disputes Subject to Mediation. Except as provided in Article 26.6, all disputes between the Franchisor and the Franchisee will be subject to mandatory non-binding mediation. The mediator will be appointed in accordance with the Code of Procedure of the National Arbitration Forum unless the parties agree on a mediator in writing within 10 days after either party gives written notice of mediation.

27.2. Purpose. The Franchisor and the Franchisee acknowledge that resolving disputes prior to commencing court proceedings is in the best interests of both parties, all other franchisees and developers, and the System. Therefore, the parties agree that they will act in good faith to settle any dispute between them either prior to or during mediation.

27.3. Mediation Protocol. If either party alleges that a dispute exists between them, then either party will have the right to demand non-binding mediation within 10 days after the complaining party has provided the other party with written notice describing the dispute and the desired action. All mediation sessions will take place exclusively in Denver, Colorado, and will be held within 30 days after the mediator has been appointed. The mediation hearing will be informal and the mediator will have the right to hear and review all testimony and evidence presented by either party. The cost of the mediator will be paid equally by the parties.

27.4. Conditions. The Franchisor and the Franchisee will not have the right to commence any legal proceedings against the other party until the dispute has been mediated as provided for herein. Both parties will have the right to take all actions necessary to commence legal proceedings prior to any mediation proceedings; however, neither party will have the right to prosecute any legal proceedings beyond commencement of an action until the mediation has concluded. If the mediation proceedings have not been concluded within 30 days after the first meeting with the mediator, then either party will have the right to pursue all other remedies available to them under this Agreement.

27.5. Miscellaneous. All matters, testimony, arguments, evidence, allegations, documents and memorandums, and the decision of the mediator will be confidential in all respects and will not be disclosed to any other person or Entity by either party. The Franchisor and the Franchisee will continue to perform their respective obligations pursuant to this Agreement during the mediation process.

27.6. Disputes Not Subject to Mediation. The following disputes between the Franchisor and the Franchisee will not be subject to mediation:

(a) use of the Marks by either the Franchisor or the Franchisee;

(b) the obligations of the Franchisee and the Franchisor upon termination or expiration of this Agreement;

(c) any alleged breach of the provisions of this Agreement relating to data security, Confidential Information, and in-term and post-term covenants not to compete contained in Article 23;

(d) any dispute regarding the Franchisee's obligations to indemnify the Franchisor and/or an Affiliate for any Claims or Damages pursuant to Article 25 of this Agreement;

(e) any injunctive actions commenced by either party pursuant to this Agreement or pursuant to any statutory or common law rights; and

(f) the matters set forth in Article 26.5 (Franchisor's Rights and Remedies).

28. ENFORCEMENT

28.1. Injunctive Relief. Either the Franchisee or the Franchisor will have the right to petition a court of competent jurisdiction for the entry of temporary and permanent injunctions and orders of specific performance enforcing the provisions of this Agreement for any action relating to:

(a) the use of the Marks and/or the System by the Franchisor or the Franchisee;

(b) the obligations of the Franchisee or the Franchisor upon termination or expiration of this Agreement; and

(c) any breaches of the provisions of this Agreement by either the Franchisee or the Franchisor relating to Confidential Information and the provisions of Article 23 relating to the interpretation, construction or enforcement of the covenants not to compete.

28.2. Payments to Franchisor. The Franchisee will not, on grounds of the alleged nonperformance by the Franchisor of any of its obligations under this Agreement, any other contract between the Franchisor and the Franchisee, or for any other reason, withhold the payment of any Fees due to the Franchisor. The Franchisee will not have the right to "**offset**" or withhold any liquidated or unliquidated amounts, Damages or other funds allegedly due to the Franchisee by the Franchisor against any Fees due to the Franchisor by the Franchisee. The Franchisor will have the right to deduct from amounts payable to the Franchisee by the Franchisor or an Affiliate any Fees or other payments owed to the Franchisor, an Affiliate or a third party. The Franchisor will also have the right to apply the Fees and other payments made to the Franchisor by the Franchisee in such order as the Franchisor may designate from time to time. As to the Franchisee and its Affiliates, the Franchisor will have the right to:

(a) apply any payments received to any past due, current, future or other indebtedness of any kind, no matter how payment is designated by the Franchisee, except that Advertising Fees may only be credited to the Advertising Fund;

(b) set off, from any amounts that may be owed by the Franchisor, any amount owed to the Franchisor, the Advertising Fund or any other fund or account; and

(c) retain any amounts received for the Franchisee's account (and/or that of any Affiliate of the Franchisee), whether rebates from suppliers or otherwise, as a payment against any Fee owed to the Franchisor.

The Franchisor will have the right to exercise any of the foregoing rights in connection with amounts owed to or from the Franchisor and/or any Affiliate.

28.3. Effect of Wrongful Termination. If the Franchisor or the Franchisee takes any action to terminate this Agreement or the Franchisee takes any action to convert its Restaurant to another business, and such actions were taken without first complying with the terms and conditions of this Agreement, including Article 18 (Transfer) or Article 19 (Termination Rights of Franchisor) of this Agreement, as applicable, then:

(a) such actions will not relieve either party of, or release either party from, any of its obligations under this Agreement;

(b) the terms and conditions of this Agreement will remain in full force and effect; and

(c) the parties will be obligated to fully perform all terms and conditions of this Agreement until such time as this Agreement expires or is terminated in accordance with the provisions of this Agreement and applicable law.

28.4. Attorneys' Fees and Costs. The prevailing party in an action will be entitled to all reasonable attorneys' fees and costs incurred by the prevailing party in any proceeding or court action brought against the other party to enforce the terms and conditions of this Agreement, including a breach of this Agreement.

28.5. Venue and Jurisdiction. All court proceedings, lawsuits and court hearings initiated by the Franchisee or the Franchisor must and will be venued exclusively in Denver, Colorado. The Franchisee, the Operator and the Franchisee's Executive Management and its Owners do hereby agree and submit to personal jurisdiction in Denver, Colorado for the purposes of any suit, proceeding or hearing brought to enforce or construe the terms of this Agreement or to resolve any dispute or controversy arising under, as a result of, or in connection with this Agreement, the Franchised Location or the Franchisee's Bakery Café, and do hereby agree and stipulate that any such suits, proceedings and hearings will be venued exclusively in Denver, Colorado. The Franchisee, its Executive Management and its Owners waive any rights to contest such venue and jurisdiction and waive any rights to argue or contest before any court or Arbitrator the validity of such venue and jurisdiction.

28.6. Limitation of Actions. Except as provided otherwise in this Agreement or by applicable law, any and all Claims arising out of or relating to this Agreement, the relationship between the Franchisee and the Franchisor, or the Franchisee's operation of the Restaurant brought by either party against the other, whether in mediation or any court proceeding, must be commenced within 12 months after the earlier of (a) the occurrence of the facts giving rise to such Claims or (b) the date on which the complaining party becomes aware of the occurrence of such facts, or such Claims will be absolutely barred and unenforceable.

28.7. Severability. All provisions of this Agreement are severable. Should any provision of this Agreement be for any reason held invalid, illegal or unenforceable, such provision will be deemed restricted in application to the extent required to render it valid, and the remainder of this Agreement will in no way be affected and will remain valid and enforceable for all purposes, both parties hereto declaring that they would have executed this Agreement without inclusion of such provision. In the event such total or partial invalidity or unenforceability of any provision of this Agreement exists only with respect to the laws of a particular jurisdiction, this Article 28.7 will operate upon such provision only to the extent that the laws of such jurisdiction are applicable to such provision. Each party agrees to execute and deliver to the other any further documents which may be reasonably required to effectuate fully the provisions hereof. If any applicable law or rule of any jurisdiction requires a greater prior notice of the termination of this Agreement than is required hereunder or the taking of some other action not required hereunder, or if under any applicable law or rule of any jurisdiction, any provision of this Agreement or any specification, standard or operating procedure prescribed by the Franchisor is invalid or unenforceable under applicable law, then the prior notice or other action required by such law or rule will be substituted for the notice requirements hereof, or such invalid or unenforceable provision, specification, standard or operating procedure will be modified to the extent required to be valid and enforceable.

28.8. Waiver. The Franchisor and the Franchisee may, by written instrument signed by the Franchisor and the Franchisee, waive any obligation of or restriction upon the other under this Agreement. Acceptance by the Franchisor of any payment by the Franchisee and the failure, refusal or neglect of the Franchisor to exercise any right under this Agreement or to insist upon full compliance by the Franchisee of its obligations hereunder will not constitute a waiver by the Franchisor of any provision of this Agreement. The Franchisor will have the absolute right to waive obligations or restrictions for other franchisees and developers under their franchise agreements without waiving those obligations or restrictions for the Franchisee and, except to the extent provided by law, the Franchisor will have the right to negotiate terms and conditions, grant concessions and waive obligations for other franchisees and developers without granting those same rights to the Franchisee and without incurring any liability to the Franchisee whatsoever.

28.9. No Oral Modification. No modification, change, addition, rescission, release, amendment or waiver of this Agreement and no approval, consent or authorization required by any provision of this Agreement may be made by any person except by a written agreement signed by a duly authorized officer or partner of the Franchisee and the Chief Executive Officer or Chief Financial Officer of the Franchisor.

28.10. Entire Agreement. This Agreement supersedes and terminates all prior agreements, either oral or in writing, between the parties involving the franchise relationship and therefore, representations, inducements, promises or agreements alleged by either the Franchisor or the Franchisee that are not contained in this Agreement will not be enforceable. The Introduction is part of this Agreement, which constitutes the entire agreement of the parties, and there are no other oral or written understandings or agreements between the Franchisor and the Franchisee relating to the subject matter of this Agreement. This Agreement will not supersede any written agreements or contracts that are signed concurrently with this Agreement. In addition, any Area Development Agreement between the parties, as well as any other Franchise Agreement(s), will remain in full force and effect in accordance with the terms and conditions thereof, and will not be superseded by this Agreement. The parties hereby acknowledge that this provision will not act as a disclaimer of the representations made by the Franchisor in the Franchise Disclosure Document provided to the Franchisee prior to the execution of this Agreement by the Franchisee.

28.11. Headings; Terms. The headings of the Articles are for convenience only and do not in any way define, limit or construe the contents of such Articles. The term "**Franchisee**" as used herein is applicable to one or more individuals or an Entity, as the case may be, and the singular usage includes the plural, the masculine usage includes the neuter and the feminine, and the neuter usage includes the masculine and the feminine. References to "**Franchisee**," "**assignee**" and "**Transferee**" which are applicable to an individual or individuals will mean the Owner or Owners of the equity or operating control of the Franchisee or any such assignee or transferee if the Franchisee or such assignee or transferee is an Entity.

28.12. Franchisor's Reasonable Business Judgment. Whenever the Franchisor reserves discretion in a particular area or where Franchisor agrees to exercise its rights reasonably or in good faith, Franchisor will satisfy its obligations whenever it exercises reasonable business judgment

("**Reasonable Business Judgment**") in making a decision or exercising a right. The Franchisor's decisions or actions will be deemed to be the result of Reasonable Business Judgment, even if other reasonable or even arguably preferable alternatives are available, if the Franchisor's decisions or actions are intended, in whole or significant part, to promote or benefit the System generally even if the decision or action also promotes the Franchisor's financial or other individual interests. Examples of items that will promote or benefit the System include, without limitation, enhancing the value of the Marks, improving customer service and satisfaction, improving product quality, improving uniformity, enhancing or encouraging modernization and improving the competitive position of the System.

28.13. Miscellaneous. The rights of the Franchisor hereunder are cumulative and no exercise or enforcement by the Franchisor of any right or remedy hereunder will preclude the exercise or enforcement by the Franchisor of any other right or remedy hereunder or which the Franchisor is entitled by law to enforce. This Agreement is binding upon the parties hereto and their executors, administrators, heirs, assigns and successors in interest. If the Franchisee consists of more than one person or Entity, their liability under this Agreement will be deemed to be joint and several.

29. NOTICES

All notices required or permitted under this Agreement must be in writing and made by personal service or sent by prepaid certified mail to the respective parties at the following addresses unless and until a different address has been designated by written notice to the other party:

Notices to Franchisor: Chief Financial Officer
NB Franchising, LLC
7700 E. Arapahoe Rd. Ste. 270
Centennial, Colorado 80112

With a copy to: ___________________________
____
____
____

With a copy via email to: ___________________________

Notices to Franchisee: ___________________________
____
____
____

For the purposes of this Agreement, personal service will include service by a recognized overnight delivery service (such as Federal Express, Airborne Express or UPS) which requires a written confirmation of delivery to the addressee. Any notice delivered in the manner specified herein will be deemed delivered and received, regardless of whether the recipient refuses or fails to sign for the notice, if addressed to the recipient at the address set forth above or the last designated or last known address of the recipient, and will be deemed effective upon written confirmation of delivery to the recipient or three business days after being mailed, whichever is applicable.

30. ACKNOWLEDGMENTS; DISCLAIMER; MISCELLANEOUS

30.1. Disclaimer. The Franchisor does not warrant or guarantee that the Franchisee will derive income or profit from its Restaurant, or that the Franchisor will refund all or part of the Initial Franchise Fee paid by the Franchisee or repurchase any of the Foods, Beverages and Products, technology, or FF&E supplied or sold by the Franchisor or by an Approved or Designated Supplier if the Franchisee is in any way unsatisfied with its Restaurant. The Franchisor expressly disclaims the making of any express or implied representations or warranties regarding the sales, earnings, income, profits, Net Sales, economics, business or financial success, or value of the Franchisee's Bakery Café except as specifically contained in the Franchise Disclosure Document received by the Franchisee.

30.2. Acknowledgments by Franchisee. The Franchisee acknowledges that it has conducted an independent investigation of the Franchise and recognizes that the business venture contemplated by this Agreement and the operation of the Restaurant involve business and economic risks. The Franchisee acknowledges that the financial, business and economic success of the Franchisee's Bakery Café will be primarily dependent upon the personal efforts of the Franchisee, its management and employees, on economic conditions in the area where the Franchised Location is located, and economic conditions in general. The Franchisee acknowledges and agrees that the officers, directors, employees, and agents of the Franchisor act only in a representative capacity and not in an individual capacity, and that no other persons and/or Entities other than the Franchisor has or will have any duties or obligations to the Franchisee under this Agreement. The Franchisee acknowledges that it has not received any estimates, projections, representations, warranties or guaranties, expressed or implied, regarding potential sales, Net Sales, income, profits, earnings, expenses, financial or business success, value of the Restaurants, or other economic matters pertaining to the Restaurant from the Franchisor or any of its agents that were not expressly set forth in the Franchise Disclosure Document received by the Franchisee from the Franchisor ("**Representations**"). The Franchisee further acknowledges that if it had received any such Representations, it would not have executed this Agreement, promptly notified the Chief Executive Officer of the Franchisor in writing of the person or persons making such Representations, and provided to the Franchisor a specific written statement detailing the Representations made.

30.3. Other Franchisees. The Franchisee acknowledges that other La Boulangerie franchisees and developers have or will be granted franchises at different times, different locations, under different economic conditions and in different situations, and further acknowledges that the economics and terms and conditions of such other franchises may vary substantially in form and in substance from those contained in this Agreement.

30.4. Receipt of Agreement and Franchise Disclosure Document. The Franchisee acknowledges that it received a copy of this Agreement with all material blanks fully completed at least seven calendar days prior to the date that this Agreement was executed by the Franchisee. The Franchisee further acknowledges that it received a copy of the Franchisor's Franchise Disclosure Document at least 14 calendar days prior to the date on which this Agreement was executed. The Franchisee confirms receiving the Franchise Disclosure Document on the date the Franchisee signed the acknowledgment of receipt page ("**Receipt Page**") attached to the Franchise Disclosure Document.

The Franchisee and the Franchisor each acknowledge receiving a signed and dated copy of the Receipt Page.

30.5. Franchisor's Consent. Except where expressly provided to the contrary, any consent, approval, authorization, clearance, exemption, waiver, or similar affirmation required from or by the Franchisor under the terms of this Agreement will be granted or withheld by the Franchisor in its reasonable discretion.

31. FRANCHISEE'S LEGAL COUNSEL

The Franchisee acknowledges that this Agreement constitutes a legal document that grants certain rights to and imposes certain obligations upon the Franchisee. The Franchisee has been advised by the Franchisor to retain an attorney or advisor prior to the execution of this Agreement to review the NB Franchising, LLC Franchise Disclosure Document, to review this Agreement in detail, to review all legal documents, including the Lease, all purchase agreements and architectural and construction contracts, to review the economics, operations and other business aspects of the Bakery Café, to determine compliance with applicable laws, to advise the Franchisee on economic risks, liabilities, obligations and rights under this Agreement, and to advise the Franchisee on tax issues, financing matters, applicable state and federal laws, liquor laws, health and safety laws, environmental laws, employee issues, insurance, structure of the Restaurant business, and other legal and business matters. The name and telephone number of the Franchisee's attorney or other advisor will be included in the Addendum to this Agreement.

32. GOVERNING LAW; STATE MODIFICATIONS

32.1. Governing Law; Severability. Except to the extent governed by the United States Trademark Act of 1946 (Lanham Act, 15 U.S.C. §1051, et seq.), this Agreement and the relationship between the Franchisor and the Franchisee will be governed by the laws of the State of Colorado, unless applicable state law specifically provides otherwise, and further provided that the parties expressly agree that this Agreement is not intended to confer on any franchisee that is not a resident of the State of Colorado, or operating a Bakery Café in the State of Colorado, the benefit of the Colorado franchise law or any other Colorado law providing specific protection to franchisees residing or operating in the State of Colorado. The provisions of this Agreement which conflict with or are inconsistent with applicable governing law will be superseded and/or modified by such applicable law only to the extent such provisions are inconsistent. All other provisions of this Agreement will be enforceable as originally made and entered into upon the execution of this Agreement by the Franchisee and the Franchisor.

32.2. Applicable State Laws. If applicable, various states have statutes and regulations which may supersede the provisions of this Agreement relating to the Franchisee's relationship with the Franchisor in the areas of termination and renewal of the Franchise. Various states may have court decisions that may supersede the provisions of this Agreement in the Franchisee's relationship with the Franchisor in the areas of termination and renewal of the Franchise.

33. DEFINITIONS

For purposes of this Agreement, the following words will have the following definitions:

33.1. Abandon. "**Abandon**" will mean the conduct of the Franchisee indicating the willingness, desire or intent of the Franchisee to discontinue operating its Bakery Café in accordance with the quality standards, uniformity requirements and the System as described in this Agreement and the Manual including, but not limited to, the failure or refusal of the Franchisee to operate its Bakery Café during the business hours specified in the Manual for two or more consecutive days without the prior written approval of the Franchisor or the failure to remain open for business during the specified business hours.

33.2. Affiliate. "**Affiliate**" will mean any Entity or individual that, directly or indirectly, owns or controls, is owned or controlled by, or is under common ownership or control with a specified Entity.

33.3. Approved Supplier. "**Approved Supplier**" will mean a supplier, vendor or distributor that has been approved in writing by the Franchisor to supply its products and/or services to the Franchisee because its products and/or services conform to the standards and specifications established by the Franchisor, and the Franchisor has determined that its business reputation, quality standards, delivery performance, credit rating and other factors are satisfactory.

33.4. Area Development Agreement. "**Area Development Agreement**" will mean the agreement entered into between the Franchisor and the Franchisee granting the Franchisee, or an Entity owned by the Franchisee and/or the Owners of the Franchisee (referred to as the Area Developer in the Area Development Agreement), the right to develop the Bakery Café at the Franchised Location pursuant to the terms of this Agreement.

33.5. Claims. "**Claims**" will mean any and all demands, complaints, filings, assertions, requests for payment or compensation, challenges, allegations of liability, causes of action, and/or lawsuits.

33.6. Competitive Restaurant. "**Competitive Restaurant**" will mean any business or restaurant, other than another Bakery Café, (a) operating in competition with or similar to Bakery Cafés, and specifically featuring gourmet baked goods, sandwiches, specialty food offerings, and other offerings similar to those offered by Bakery Cafés, or (b) that employs or incorporates one or more distinctive elements of the System, or (e) that uses a menu that is similar to those used in the Bakery Cafés.

33.7. Confidential Information. "**Confidential Information**" will mean and include all of the business, technology, marketing, operational, and proprietary information developed, created, owned or licensed by the Franchisor including, but not limited to, the following: (a) all plans and specifications relating to the construction of any Bakery Café, drawings and renderings, FF&E specifications and pricing, the names of all Approved Suppliers and Designated Suppliers, pricing information for any Foods, Beverages and Products sold to any Bakery Café, unpublished menus and menu designs, and all food recipes and cooking techniques, (b) all business information, financial data and information, practices, procedures, processes, "**know how**" and business and operational systems of the Franchisor, (c) all marketing strategies, programs, and concepts, training programs, Manual and materials, and operational and business development concepts, including but not limited to all store design, schematics, construction documents, and artwork, (d) all exclusive sales and marketing processes taught to the Franchisee's personnel during any training programs, (e) all training programs and materials, (f) all trade secrets, intellectual property, proprietary databases, computer processes, computer systems, computer software programs and all source codes for all computer software programs (excluding commercially available off-the-shelf third-party software programs), (g) all copyrighted materials that have not been publicly disclosed by the Franchisor which are marked as "**confidential**," (h) all patents of the Franchisor, including pending patents, (i) all password-protected websites designed, created and developed by the Franchisor, including all passwords, text, content, color schemes, images, graphics, information, look and feel, layout, methodology, metrics, graphical interfaces and functionality, and (j) all other written materials disclosed to the Franchisee which have been designated as "**confidential**" by the Franchisor. The Franchisee and its employees and agents will not disclose to any person or Entity the name, addresses or any other information relating to any customers or guests of any Bakery Café, including the Franchisee's Bakery Café, except as authorized electronically or in writing by the customer or guest.

33.8. Damages. "**Damages**" will mean all judgments, losses, injuries, awards, reparations, penalties, interest, punitive damages, lost profits, pecuniary compensation, court costs, attorneys' fees, mediation, arbitration or litigation out-of-pocket costs, settlement payments, deposition and pre-trial costs, mileage, Travel Expenses, investigation fees, and all other amounts paid or incurred as a result of any Claims.

33.9. Designated Supplier. "**Designated Supplier**" will mean a supplier, vendor or distributor designated by the Franchisor in writing as the Franchisee's only source for those foods, food items, recipe ingredients, proprietary products, other products and services used or sold in the Restaurant that the Franchisor has determined must meet certain quality and uniformity standards to protect the valuable goodwill and uniformity associated with the Marks and the System.

33.10. Develop. "**Develop**," for the purposes of Article 1.2 of this Agreement, will mean to franchise, license, own, manage or operate.

33.11. Dollars. "**Dollars**" will mean United States of America dollars.

33.12. EFT. "**EFT**" will mean the process relating to the electronic transfer of Fees directly from the Franchisee's bank account to the Franchisor's bank account, as further described in Article 6.2 of this Agreement.

33.13. Entity. "**Entity**" will mean a corporation, limited liability company, partnership, limited partnership or any other type of legal entity formed in compliance with applicable law.

33.14. Executive Management. "**Executive Management**" will mean: (a) the officers and directors specified in the by-laws if the specified Entity is a corporation; (b) the manager, chief manager, managers and/or governors specified in the operating agreement or by-laws if the specified Entity is a limited liability company; or (c) the general partner(s) if the specified Entity is a partnership or a limited partnership.

33.15. Fees. "**Fees**" will collectively mean and include the Initial Franchise Fee, the Royalty Fees, the Advertising Fees, the Marketing Administration Fee, administrative fees, and all other amounts then due and payable by the Franchisee to the Franchisor pursuant to this Agreement or any other agreement or for any products or services purchased by the Franchisee from the Franchisor or any of its Affiliates.

33.16. FF&E. "**FF&E**" will mean the furniture, fixtures, supplies and equipment used in the operation of the Restaurant.

33.17. Financial Records. "**Financial Records**" will mean all accounting records and ledgers maintained in a written form, on a computer disk, CD-ROM, portable computer memory device, or hard drive, and in any other electronic or other form including, but not limited to, sales ledgers, work papers, general ledgers, summaries, schedules, bank statements, cancelled checks, bank deposit slips, federal and state income tax returns, state sales tax returns, Financial Statements, daily cash register tapes, and other financial information.

33.18. Financial Statements. "**Financial Statements**" will mean a balance sheet, profit and loss statement, statement of cash flows, and explanatory footnotes prepared in accordance with generally-accepted accounting principles applied on a consistent basis.

33.19. Fiscal year. "**Fiscal year**" will mean the Franchisee's fiscal year. The definition of Fiscal year may be further defined in the Manual, and may in the future be changed by the Franchisor as specified in the Manual or otherwise in writing by the Franchisor to address business practices and/or changes in the Internal Revenue Code.

33.20. Foods, Beverages and Products. "**Foods, Beverages and Products**" will mean the authorized and/or proprietary foods, food items, beverages, menu items, recipe ingredients, merchandise and FF&E that are specified in the Manual or otherwise approved by the Franchisor in writing that are (a) used in the operation of the Restaurant, (b) used in the preparation of any foods or food items, and/or (c) offered for sale to customers of the Restaurant.

33.21. Franchise. "**Franchise**" will mean the right granted by the Franchisor to the Franchisee under this Agreement authorizing the Franchisee to operate a Bakery Café at the Franchised Location in conformity with the System using the name "**La Boulangerie of San Francisco"**, **"La Boulangerie"** or **"The American Boulangerie"** (as we designate) and the other Marks.

33.22. Manual. "**Manual**" means, collectively, all books, pamphlets, training videos, discs, software, bulletins, memoranda, letters, notices or other publications or documents prepared by or on behalf of Franchisor, whether in printed or electronic format, for use by La Boulangerie Franchisees, setting forth information, advice, standards, requirements, operating procedures, instructions or policies relating to the operations of the La Boulangerie System, as same may be amended, modified or enhanced from time to time by Franchisor.

33.23. Franchised Location. "**Franchised Location**" will mean the address, city and state set forth in the Addendum to this Agreement where the Bakery Café to be operated under this Agreement by the Franchisee will be physically located.

33.24. Governmental Authority. "**Governmental Authority**" will mean any governmental department, commission, board, bureau, agency, court or other instrumentality of the United States including, but not limited to, federal, state, district or commonwealth thereof, any foreign government or any jurisdiction, municipality or other political subdivision thereof.

33.25. Lease. "**Lease**" will mean the written lease agreement and related documents signed by the Franchisee for the Franchised Location.

33.26. Major Assets. "**Major Assets**" will mean (a) the Franchisee's Bakery Café; (b) the Franchised Location; (c) the Lease for the Franchised Location; (d) the FF&E, inventory, point-of-sale system, and all other assets used in the Franchisee's Bakery Café; (e) this Agreement; (f) any Ownership Interest in the Franchisee; (g) all FF&E leases, and (h) the land, building and related real estate used for the Franchisee's Bakery Café, if the land, building and real estate are owned by the Franchisee.

33.27. Management Staff. "**Management Staff**" will mean and include the Franchisee's Operator designated in accordance with the provisions of this Agreement, the General Manager and one Manager.

33.28. Net Sales. "**Net Sales**" will mean the total Dollar sales from all guests or customers of the Franchisee's Bakery Café, and will include all cash, credit card, and credit sales made by the Franchisee of every kind and nature made at, from, by or in connection with the Franchisee's Bakery Café including, but not limited to, all Dollars and income received from the following: (a) the sale of all Foods, Beverages and Products, including alcoholic and nonalcoholic beverages and drinks; (b) the sale of any and all goods, products, merchandise or items sold under any of the Marks; (c) all payments received from or for vending machines, telephones and electronic and other amusement games; (d) all payments received from or for slot machines, and gaming machines; (e) all payments received from or for lotteries, lottery tickets and pull tabs; (f) all sales from the catering of Foods, Beverages and Products; (g) all sales from the delivery of Foods, Beverages and Products; (h) all sales of Foods, Beverages or Products for any banquet service; (i) all sales from the carry-out of Foods, Beverages and Products; (j) all sales of Foods, Beverages and Products at any locations or sites other than the Franchised Location; (k) all payments received from or for the redemption of gift cards and gift certificates by the Franchisee's Bakery Café; (l) all payments received from business interruption insurance payments made to the Franchisee by any insurance company; and (m) the sale of all Foods, Beverages and Products to its employees including sales from discounted meals provided to employees and actually paid for by employees. "**Net Sales**" will not include (i) any sales, use or gross receipts tax imposed by any Governmental Authority directly upon sales, if the amount of the tax is added to the selling price and is charged to the customer, a specific record is made at the time of each sale of the amount of such tax, and the amount of such tax is paid to the appropriate taxing authority by the Franchisee; (ii) the sale (as opposed to the redemption) of gift cards by the Franchisee's Bakery Café; (iii) the value of Foods, Beverages and Products offered on a limited complementary basis by the Franchisee; and (iv) the one-time sale of any FF&E or any inventory items to a purchaser.

33.29. Operator. "**Operator**" will mean the individual, designated by the Franchisee and approved by the Franchisor, responsible for the overall management and operation of the Bakery Café including, but not limited to, administration, basic operations, marketing, record keeping, employee staffing and training, inventory control, hiring and firing, food preparation and maintenance of the Franchised Location.

33.30. Owner. "**Owner**" will mean any person or Entity who owns (a) any shares of capital stock in the specified Entity if such Entity is a corporation, (b) any membership interests in the specified Entity if such Entity is a limited liability company, (c) any partnership interests in the specified Entity if such Entity is a partnership, (d) any limited or general partnership interests if the specified Entity is a limited partnership, and (e) any other kind or type of Ownership Interest in the specified Entity. References to "**Franchisee**," "**assignee**" (of the Franchisee), and "**Transferee**" which are applicable to (i) an individual or individuals will mean the Owner or Owners of an Ownership Interest in the Franchisee and (ii) an Entity will mean the Entity that has an Ownership Interest in the Franchisee.

33.31. Ownership Interests. "**Ownership Interests**" will mean (a) capital stock if the Franchisee is a corporation, (b) membership interest if the Franchisee is a limited liability company, (c) partnership interest if the Franchisee is a partnership, (d) limited or general partnership interests if the Franchisee is a limited partnership, and (e) all other types and means of ownership or other legal interest in the Franchisee.

33.32. Per Diem Training Fee. "**Per Diem Training Fee**" will mean the current daily fee charged by the Franchisor for each employee or independent contractor of the Franchisor who provides any training, coaching, consulting and/or instructing services or any operational, assistance or other services to the Franchisee pursuant to the terms of this Agreement. The amount of the Per Diem Training Fee will be the amount specified in the most current publication and update of the Manual, and the amount of the Per Diem Training Fee may be increased from time to time, at the sole option of the Franchisor, to account for inflation, increased costs and other economic conditions.

33.33. Required Opening Date. "**Required Opening Date**" will mean the date that is one year after the Effective Date of this Agreement, unless the Franchisee's Bakery Café is being developed pursuant to an Area Development Agreement or other written agreement between the Franchisee and the Franchisor, in which case the Required Opening Date will be the date specified in the Area Development Agreement or other written agreement between the parties hereto.

33.34. Salaries and Benefits. "**Salaries and Benefits**" will mean the salaries, fringe benefits, including life insurance, medical insurance and retirement plans, payroll taxes, unemployment compensation, workers' compensation insurance, and all other expenses related to employment.

33.35. Transfer. "**Transfer**" will mean sale, assignment, pledge, bequeath, trade, transfer, lease or sublease.

33.36. Travel Expenses. "**Travel Expenses**" will mean all costs incurred for travel, transportation, food, lodging, telephone calls, automobile rental and all other related travel expenses.

33.37. Week or Weekly. "**Week**" or "**Weekly**" will mean a period of seven consecutive days beginning on each Monday and ending each Sunday.

Signatures on following page

IN WITNESS WHEREOF, the Franchisor, the Franchisee and the Owners have respectively signed this Agreement effective as of Effective Date.

"Franchisor"

NB FRANCHISING, LLC

By______________________________
Signature

By______________________________
Print Name

Its______________________________
Title

"Franchisee"

____
Legal Name

By______________________________
Signature

By______________________________
Print Name

Its______________________________
Title

FRANCHISEE OWNERSHIP STATEMENT

Each of the undersigned Owners of the Franchisee hereby confirms that the Ownership Interests set forth below for each Owner are true and correct and, as a condition to the Franchisor agreeing to enter into this Agreement with the Franchisee, each Owner who owns at least 10% of the issued and outstanding Ownership Interests in the Franchisee agrees to execute and be bound by the terms and conditions of the Personal Guaranty attached to this Agreement.

Names of Owners: Percentage of Ownership:

_________________________ ____________%
Signature

____
Print Name

_________________________ ____________%
Signature

____
Print Name

_________________________ ____________%
Signature

____
Print Name

Total 100%

Operator:

____
Name

____
Address

____
City, State, Zip Code

____
Telephone

____
Cell Phone

____
E-Mail Address

ATTACHMENT A
PERSONAL GUARANTY

THIS PERSONAL GUARANTY (this "**Personal Guaranty**") is made and entered into on __________________________, ("**Effective Date**"), by and between NB FRANCHISING, LLC, a _______________ limited liability company ("**Franchisor**"), and each one of the undersigned personal guarantors ("**Personal Guarantors**").

WHEREAS, the Franchisor and _____________, (a/an) ("**Franchisee**") have entered into a Franchise Agreement, dated the same date as set forth above, for the operation of a franchised Bakery Café at the Franchised Location set forth in the Franchise Agreement ("**Franchise Agreement**").

WHEREAS, it is the desire of each one of the undersigned Personal Guarantors to personally guaranty the obligations of the Franchisee under the Franchise Agreement and to be individually, jointly and severally bound by the terms and conditions of the Franchise Agreement.

NOW, THEREFORE, in consideration of the execution of the Franchise Agreement by the Franchisor, and for other good and valuable consideration, each one of the undersigned, for themselves, their heirs, successors, and assigns, do individually, jointly and severally hereby become surety and guaranty for the payment of all amounts and the performance of the covenants, terms and conditions of the Franchise Agreement, including the covenants not to compete, to be paid, kept and performed by the Franchisee.

Obligations under Agreement. Each one of the undersigned, individually and jointly, hereby agree to be personally bound by each and every condition and term contained in the Franchise Agreement, including the covenants not to compete, and agree that this Personal Guaranty should be construed as though the undersigned and each of them executed an agreement containing the identical terms and conditions of the Franchise Agreement. Each one of the Personal Guarantors acknowledges having received a copy of the Franchise Agreement which is incorporated herein by reference.

Default of Franchisee. If the Franchisee defaults on any monetary obligation of the Franchise Agreement, then each one of the undersigned, their heirs, successors and assigns, do hereby, individually, jointly and severally, promise and agree to pay to the Franchisor the Initial Franchise Fee, Royalty Fees, Advertising Fees and all other Fees due and payable to the Franchisor under the terms and conditions of the Franchise Agreement or for any purchases of goods or services made by the Franchisee from the Franchisor or any Affiliate of the Franchisor.

Noncompliance by Franchisee. If the Franchisee fails to comply with any other terms and conditions of the Franchise Agreement, then each one of the undersigned, their heirs, successors and assigns, do hereby, individually, jointly and severally, promise and agree to comply with the terms and conditions of the Franchise Agreement for and on behalf of the Franchisee.

Obligations to Franchisor. If the Franchisee is at any time in default on any obligation to pay monies to the Franchisor or any Affiliate of the Franchisor, whether for the Initial Franchise Fee, Royalty Fees, Advertising Fees, goods or services purchased by the Franchisee from the Franchisor or any Affiliate of the Franchisor, or for any other indebtedness of the Franchisee to the Franchisor or any Affiliate of the Franchisor, then each of the undersigned, their heirs, successors and assigns, do hereby, individually, jointly and severally, promise and agree to pay all such monies due and payable by the Franchisee to the Franchisor or any Affiliate of the Franchisor upon default by the Franchisee.

Binding Agreement. Each one of the Personal Guarantors warrant and represent that they have the capacity to execute this Personal Guaranty and that they will each be bound by all of the terms and conditions of this Personal Guaranty. The provisions, covenants and conditions of this Personal Guaranty will inure to the benefit of the successors and assigns of the Franchisor.

Jurisdiction and Venue. Except as precluded by applicable law, all mediation, arbitration, litigation, actions or proceedings pertaining to this Personal Guaranty will be brought and venued in accordance with the terms of the Franchise Agreement, and each one of the Personal Guarantors agrees to the dispute resolution provisions, including jurisdiction and venue, contained in the Franchise Agreement.

Personal Guarantors

____________________ Signature	____________________ Signature
____________________ Print Name	____________________ Print Name
____________________ Address	____________________ Address
____________________ City, State and Zip Code	____________________ City, State and Zip Code
____________________ Telephone	____________________ Telephone
____________________ Signature	____________________ Signature
____________________ Print Name	____________________ Print Name
____________________ Address	____________________ Address
____________________ City, State and Zip Code	____________________ City, State and Zip Code
____________________ Telephone	____________________ Telephone

ATTACHMENT B
AUTHORIZATION TO HONOR ELECTRONIC FUNDS TRANSFERS

PAYEE	BANK NAME	ACCOUNT NO.
NB FRANCHISING, LLC	____________________	___________________________

The undersigned Depositor hereby authorizes and requests the Depository designated below to honor and to charge to the following designated account, checks, drafts, orders and electronic debits (collectively "**debits**") drawn on such account which are payable to the above-named Payee. It is agreed that the Depository's rights with respect to each such debit will be the same as if it were a check drawn and signed by the Depositor. It is further agreed that if any such debit is not honored, whether with or without cause and whether intentionally or inadvertently, the Depository shall be under no liability whatsoever. This authorization will continue in force until the Depository and the Payee have received at least thirty (30) days written notification from the Depositor of its termination.

The Depositor agrees with respect to any action taken pursuant to the above authorization:

(1) To indemnify the Depository and hold it harmless from any loss it may suffer resulting from or in connection with any debit including, without limitation, execution and issuance of any check, draft or order, whether or not genuine, purporting to be authorized or executed by the Payee and received by the Depository in the regular course of business for the purpose of payment, including any costs or expenses reasonably incurred in connection therewith.

(2) To indemnify the Payee and the Depository for any loss arising in the event that any such debit shall be dishonored, whether with or without cause and whether intentionally or inadvertently.

(3) To defend, at the Depositor's own cost and expense, any action which might be brought by any persons or Entities because of any actions taken by the Depository or the Payee pursuant to the foregoing request and authorization, or in any manner arising by reason of the Depository's or the Payee's participation therein.

Name of Franchisee's Bank ("**Depository**"):____

Bank Address:____
Address, City, State, Zip Code

Bank Telephone Number:_________________ Bank Fax Number:______________________

Account No.: ___________________________ Routing No.:___________________________

(Please attach one voided check for the above account.)

Name of Franchisee ("**Depositor**") as Listed on Account:___________________________________

Franchisee's Bakery Café Address:____
Address, City, State, Zip Code

Franchisee's Telephone Number:____

By________________________________ ________________________________
Franchisee's Authorized Representative Title

Date:__________________________, 20___

ATTACHMENT C
WEBSITE USE AGREEMENT

THIS AGREEMENT is entered into on ______________________, by and between NB FRANCHISING, LLC, a Colorado limited liability company ("**Franchisor**") and ____________, a(n) ___________ ("**Franchisee**").

INTRODUCTION

The Franchisor has developed a distinctive business system for operating and franchising restaurants under the name **"La Boulangerie of San Francisco"**, **"La Boulangerie"** and/or **"The American Boulangerie**" ("**System**"), and has extensively publicized the name "**La Boulangerie of San Francisco**", "**La Boulangerie**" and/or "**The American Boulangerie**" to the public as an organization of restaurant businesses operating under the System.

The Franchisee has signed a Franchise Agreement with the Franchisor on the date of this Agreement ("**Franchise Agreement**"). The Franchisee will operate a franchised Bakery Café utilizing the System pursuant to the Franchise Agreement ("**Bakery Café**").

The System includes the website and mobile application developed and designed by the Franchisor to conduct certain business functions as defined in the Franchise Agreement (the website and mobile application are collectively referred to herein as "**La Boulangerie Website**"). The Franchisee desires to obtain the right to have access to and to use the La Boulangerie Website in connection with the operation of its franchised Bakery Café.

Pursuant to the above Introduction and in consideration of the mutual promises and covenants set forth in this Agreement, the Franchisor and the Franchisee agree and contract as follows:

1. Grant of Use.

The Franchisor grants to the Franchisee a nonexclusive and nontransferable right to use the La Boulangerie Website in connection with the operation of the Franchisee's Bakery Café, subject to the terms and conditions of this Agreement. The Franchisee is strictly prohibited from using the La Boulangerie Website (a) in a manner other than as prescribed by the Franchisor, (b) for any purpose other than to support the operation of the Franchisee's Bakery Café, or (c) after the expiration or termination of this Agreement or the Franchise Agreement. All references to the Franchisee's Bakery Café will be removed from the La Boulangerie Website immediately upon the termination or expiration of this Agreement or the Franchise Agreement.

2. Term.

Unless sooner terminated by the Franchisor as provided for herein, the term of this Agreement and the rights granted herein will commence on the date set forth above and will continue until the expiration or termination of the Franchise Agreement.

3. Internet Website.

The Franchisor will establish and maintain the La Boulangerie Website to advertise, promote and conduct business at the Bakery Cafés, including the Franchisee's Bakery Café. The Franchisee acknowledges and agrees that all features of the La Boulangerie Website, including the domain name, content, features, graphics, functionality, color schemes, designs, format, procedures and links to other websites, will be determined by the Franchisor, in its sole discretion. The Franchisor will have the right to modify, enhance, suspend or temporarily or permanently discontinue the La Boulangerie Website at any time, in its sole discretion. The Franchisee will not have the right to establish a website or home page on the Internet, or a mobile application, to advertise or promote its Bakery Café.

4. Costs of Development and Maintenance.

Proceeds from the Advertising Fund, as defined in the Franchise Agreement, will be used to develop and maintain the La Boulangerie Website.

5. Technology.

The La Boulangerie Website, certain images, user interfaces, databases, software programs and source codes, computer processes, methods of operation, processes, procedures, know-how and accompanying data relating to the La Boulangerie Website (collectively, the "**Technology**") may be made available to the Franchisee by the Franchisor for its access and/or use pursuant to this Agreement. The Technology is protected by United States and worldwide copyright laws and treaty provisions. The Technology constitutes Confidential Information, and as such is subject to the provisions of the Franchise Agreement relating to Confidential Information. In recognition of the above, the Franchisee agrees that it may not and will not, directly or indirectly, for its own benefit or for the benefit of any other person or Entity: (a) copy, reproduce, modify, use, display, publish, upload, post, transmit or distribute any portion of the Technology in any way without the Franchisor's express prior written permission; (b) use, copy, modify or display any of the Marks in any way or for any purpose without the Franchisor's express prior written permission; or (c) use the La Boulangerie Website, any Confidential Information or Technology for any business or personal purpose or use other than those purposes expressly authorized by the Franchisor pursuant to this Agreement.

6. No Warranty.

The Franchisee is provided with access to the Technology on an "**AS IS**" and "**AS PROVIDED**" basis. THE FRANCHISOR AND ITS SUPPLIERS MAKE NO, AND SPECIFICALLY DISCLAIM ANY, WARRANTY OF ANY KIND, EITHER EXPRESS OR IMPLIED, WHETHER BY STATUTE, COMMON LAW, CUSTOM, USAGE OR OTHERWISE, AS TO ANY MATTER INCLUDING, WITHOUT LIMITATION, NON-INFRINGEMENT OF THIRD PARTY RIGHTS, MERCHANTABILITY, INTEGRATION, SATISFACTORY QUALITY, FITNESS FOR ANY PARTICULAR PURPOSE, PERFORMANCE OR RESULTS THE FRANCHISEE OR ITS CUSTOMERS MAY OBTAIN BY USING THE TECHNOLOGY. THE FRANCHISOR AND ITS SUPPLIERS MAKE NO WARRANTY THAT OPERATION OF THE TECHNOLOGY WILL BE UNINTERRUPTED, TIMELY, SECURE OR ERROR-FREE, AND MAKE NO WARRANTY REGARDING ANY SERVICES OBTAINED THROUGH USE OF THE TECHNOLOGY OR ANY TRANSACTIONS ENTERED INTO THROUGH USE OF THE

TECHNOLOGY. The Franchisee will not have the right to use the Technology after the termination of this Agreement.

7. Limitation of Liability.

IN NO EVENT WILL THE FRANCHISOR OR ITS SUPPLIERS BE LIABLE TO THE FRANCHISEE OR ANY THIRD PARTY FOR ANY DAMAGES, CLAIMS, AS DEFINED HEREIN, OR COSTS WHATSOEVER OR FOR ANY CONSEQUENTIAL, INDIRECT, OR INCIDENTAL DAMAGES, OR FOR ANY LOST PROFITS OR LOST SAVINGS ARISING OUT OF, RELATING TO OR RESULTING FROM THIS AGREEMENT, THE TECHNOLOGY, THE USE OR INABILITY TO USE THE TECHNOLOGY, ANY SERVICES OBTAINED OR TRANSACTIONS ENTERED INTO PURSUANT TO THIS AGREEMENT, ANY LOSS OR UNAUTHORIZED ALTERATION OF ANY DATA, OR ANY UNAUTHORIZED ACCESS TO ANY DATA. THE FOREGOING LIMITATIONS AND EXCLUSIONS WILL APPLY TO THE FULLEST EXTENT PERMITTED UNDER APPLICABLE LAW EVEN IF THE FRANCHISOR HAS BEEN ADVISED OF THE POSSIBILITY OF SUCH LOSSES, DAMAGES, CLAIMS, AS DEFINED HEREIN, OR COSTS. IF THE FRANCHISOR OR ITS SUPPLIERS BREACH THIS AGREEMENT, OR IF THE FRANCHISEE IS DISSATISFIED IN ANY RESPECT WITH THE SERVICES PROVIDED BY THE FRANCHISOR OR ANY SUPPLIER PURSUANT TO THIS AGREEMENT, THEN THE FRANCHISEE'S SOLE AND EXCLUSIVE REMEDY WILL BE TO TERMINATE THIS AGREEMENT AND CEASE USING THE LA BOULANGERIE WEBSITE. UNDER NO CIRCUMSTANCES WILL THE FRANCHISOR BE LIABLE FOR LOSS OF DATA, REPROCUREMENT COSTS, LOST REVENUE OR PROFITS, INTERRUPTION OF THE FRANCHISEE'S BUSINESS OPERATIONS, OR FOR ANY OTHER SPECIAL, INCIDENTAL OR CONSEQUENTIAL DAMAGES EVEN IF THEY WERE FORESEEABLE OR THE FRANCHISEE HAS INFORMED THE FRANCHISOR OF SUCH POTENTIAL DAMAGES. The Franchisor is acting on behalf of its suppliers for the purpose of disclaiming, excluding and/or limiting obligations, warranties and liability as provided in this Agreement, but in no other respects and for no other purpose.

8. Dispute Resolution.

Except when injunctive relief is sought, all controversies arising from, as a result of or under this Agreement will be resolved in accordance to the dispute resolution provisions of the Franchise Agreement. All actions, hearings and any court proceedings, including injunctive actions, will be held exclusively in Denver, Colorado, and the parties hereby expressly consent to personal jurisdiction and venue in Denver, Colorado.

9. Franchisor's Rights.

The Franchisee acknowledges and agrees that if the Franchisee breaches the terms of this Agreement, its access to the La Boulangerie Website may be temporarily or permanently disabled and the Franchisee may be held liable for all Damages incurred by the Franchisor caused by the Franchisee's breach of the terms and conditions of this Agreement.

10. Default.

Any of the following occurrences will constitute an "**Event of Default**" under this Agreement: (a) the Franchisee fails to pay when due any charge or fee payable to the Franchisor or its Affiliates pursuant to this Agreement or any other agreement; (b) the Franchisee breaches or is in default of any other provision of this Agreement and such breach or default is not corrected within 30 days, or such other period of time specified by applicable law, after the Franchisor gives the Franchisee written notice of breach; (c) the Franchise Agreement is terminated by either party or expires and is not renewed; or (d) the Franchisee is in default of any of its obligations under the Franchise Agreement and fails to correct such default in accordance with the notice and cure provisions of the Franchise Agreement.

11. Franchisor's Remedies Upon Default.

Upon the occurrence of any Event of Default, the Franchisor will have the right to exercise any or all of the following rights and remedies: (a) terminate this Agreement; (b) declare all amounts owed to the Franchisor pursuant to this Agreement to be immediately due and payable; (c) cease performance of all of the Franchisor's obligations under this Agreement without liability to the Franchisee; (d) temporarily or permanently disable the Franchisee's access to the La Boulangerie Website; (e) remove the Franchisee's Bakery Café from the La Boulangerie Website; and/or (f) hold the Franchisee liable for all Damages incurred by the Franchisor caused by the Franchisee's default.

12. Sole Agreement; Modification.

This Agreement is the sole agreement between the parties relating to the subject matter hereof and supersedes all prior understandings, writings, proposals, representations or communications, oral or written, of either party. This Agreement may be amended only by a writing executed by the party against whom enforcement is sought.

13. Governing Law.

This Agreement will be interpreted in accordance with the substantive laws of the State of Colorado.

14. Costs and Attorneys' Fees.

The Franchisee will indemnify the Franchisor for all costs that the Franchisor incurs in any lawsuit or proceeding to enforce this Agreement including, without limitation, actual attorneys' fees, expert witness fees, costs of investigation, court costs, litigation expenses, travel and living expenses, and all other costs incurred by the Franchisor.

15. Severability.

All provisions of this Agreement are severable and this Agreement will be interpreted and enforced as if all completely invalid or unenforceable provisions were not contained herein and partially valid and enforceable provisions will be enforced to the extent valid and enforceable.

16. Waiver; Consent.

The Franchisor and the Franchisee may, by written instrument signed by both parties, waive any obligation of or restriction upon the other under this Agreement. Acceptance by the Franchisor of any payment by the Franchisee and the failure, refusal or neglect of the Franchisor to exercise any right under this Agreement or to insist upon full compliance by the Franchisee of its obligations will not constitute a waiver by the Franchisor of any provision of this Agreement. Whenever this Agreement requires the Franchisor's prior written consent, such consent may be withheld by the Franchisor for any reason whatsoever.

17. No Rights of Offset.

The Franchisee will not, on grounds of the alleged nonperformance by the Franchisor of any of its obligations or for any other reason, withhold payment of any payments due the Franchisor pursuant to this Agreement or pursuant to any other contract, agreement or obligation. The Franchisee will not have the right to "**offset**" any liquidated or unliquidated amounts, Damages or other funds allegedly due to the Franchisee by the Franchisor against any payments due to the Franchisor under this Agreement.

18. Franchisor's Rights Cumulative.

The rights of the Franchisor are cumulative and no exercise or enforcement by the Franchisor of any right or remedy will preclude the exercise or enforcement by the Franchisor of any other right or remedy or which the Franchisor is entitled by law to enforce.

19. Jurisdiction; Venue.

All litigation, court hearings, or other proceedings initiated by either party against the other party will be initiated, venued and maintained in strict accordance with the corresponding applicable provisions of the Franchise Agreement.

20. Binding Agreement.

This Agreement is binding upon the parties hereto and their respective executors, administrators, heirs, assigns and successors in interest.

21. Notices.

All notices to the Franchisor or the Franchisee will be given in accordance with and subject to the corresponding applicable terms and conditions of the Franchise Agreement.

22. Terms Defined in Franchise Agreement.

Capitalized terms used but not defined in this Agreement will, if defined in the Franchise Agreement, will have the meanings ascribed to such terms in the Franchise Agreement.

23. Counterparts.

This Agreement may be executed simultaneously in multiple counterparts, each of which will be deemed an original, but all of which together will constitute one and the same instrument.

IN WITNESS WHEREOF, the parties have executed this Agreement to be effective as of the day and year first above written.

"Franchisor"

NB FRANCHISING, LLC

By______________________________
Signature

By______________________________
Print Name

Its______________________________
Title

"Franchisee"

____
Legal Name

By______________________________
Signature

By______________________________
Print Name

Its______________________________
Title

ATTACHMENT D
TELEPHONE LISTING AGREEMENT

THIS AGREEMENT is made and entered into on _________________, by and between NB FRANCHISING, LLC ("**Franchisor**"), and _________________("**Franchisee**").

WHEREAS, the Franchisor is the franchisor of Bakery Cafés and the licensor of the name "**"La Boulangerie of San Francisco", "La Boulangerie"** and **"The American Boulangerie**" and certain other trademarks, trade names, service marks, logos and commercial symbols ("**Marks**"); and

WHEREAS, the Franchisor and the Franchisee have entered into a Franchise Agreement, dated the same date as this Agreement ("**Franchise Agreement**") pursuant to which the Franchisee is granted the right to operate a franchised Bakery Café ("**Bakery Café**) and to use the Marks in on-line and/or printed book versions of telephone directory listings for the Franchisee's Bakery Café; and

WHEREAS, the Franchisee is authorized to continue using the Marks until such time as the Franchise Agreement is terminated or expires.

NOW, THEREFORE, the Franchisor and the Franchisee hereby agree as follows:

1. The Franchisee is authorized to obtain telephone service for Franchisee's Bakery Café. Such service will not be used in conjunction with any other business or residential telephone service.

2. The Franchisee is authorized to secure on-line and printed book White Pages, Yellow Pages and directory assistance listings for the Franchisee's Bakery Café only in the name of "**La Boulangerie of San Francisco", "La Boulangerie"** or **"The American Boulangerie"** (as designated by Franchisor)." No other names may be used in conjunction with the Bakery Café and the Marks, and no additional listings may be used with the telephone number(s) assigned to the Bakery Café, unless approved in writing in advance by the Franchisor.

3. All telephone directory listings, Yellow Pages display advertising, layout, and copy will be approved in advance in writing by the Franchisor, and the Franchisee agrees that it will not place any such copy unless the written approval of the Franchisor is attached. Placement of display advertising by the Franchisor or its advertising agency for the Franchisee through a national Yellow Pages service will constitute automatic approval.

4. The Franchisee agrees that the telephone numbers and telephone directory listings for the Bakery Café will be considered to be the sole property of the Franchisor. The Franchisee acknowledges that the Franchisor has the absolute right and interest in all of the telephone numbers and telephone directory listings associated with the Marks, and the Franchisee hereby authorizes the Franchisor to direct the telephone company and all listing agencies to transfer all of the Franchisee's telephone numbers and directory listings to the Franchisor or the Franchisor's assignee if the Franchise Agreement expires or is terminated for any reason whatsoever at any time.

5. Upon the expiration or termination of the Franchise Agreement for any reason, the Franchisee agrees that it will immediately cease all use of such telephone numbers and telephone directory listings and that all such telephone numbers and telephone directory listings will remain the sole property of the Franchisor, subject to the Franchisor's obligation to pay all fees due therefor that become due and payable after the date of the cessation of the Franchisee's right to use the Marks and the telephone numbers and telephone directory listings associated with the Marks.

6. The Franchisee hereby releases and forever discharges the Franchisor and its successors or assigns and the telephone company from liability of any kind or character which results or may result directly or indirectly from the Franchisor's exercise of its rights hereunder or from the telephone company's cooperation with the Franchisor in effecting the terms of this Agreement.

7. The Franchisor will have the absolute right to notify the telephone company and all listing agencies of the termination or expiration of the Franchisee's right to use all telephone numbers and all classified and other directory listings under the "**La Boulangerie of San Francisco", "La Boulangerie"** and **"The American Boulangerie"** name and to authorize the telephone company and all listing agencies to transfer to the Franchisor or its assignee all telephone numbers and directory listings of the Franchisee's Bakery Café.

8. The telephone company and all listing agencies will have the right to accept this Agreement as evidence of the exclusive rights of the Franchisor to such telephone numbers and directory listings, and this Agreement will constitute the authority from the Franchisee for the telephone company and listing agency to transfer all such telephone numbers and directory listings to the Franchisor. The Franchisee will not make any claims or commence any action against the telephone company and the listing agencies for complying with this Agreement.

IN WITNESS WHEREOF, the parties have executed this Agreement as of the date set forth above.

"Franchisor"	"Franchisee"
NB FRANCHISING, LLC	
	______________________________ Legal Name
By______________________ Signature	By______________________ Signature
By______________________ Print Name	By______________________ Print Name
Its______________________ Title	Its______________________ Title

ATTACHMENT E
LANDLORD'S CONSENT TO ASSIGNMENT OF LEASE

The undersigned landlord ("**Landlord**") hereby consents to the assignment by the undersigned Franchisee of NB FRANCHISING, LLC ("**Franchisee**") of its right, title and interest in and to the premises lease dated as of ________________, by and between the Landlord and the Franchisee ("**Lease**"), to NB FRANCHISING, LLC ("**Franchisor**"), pursuant to a Franchise Agreement between the Franchisor and the Franchisee, dated as of _________________, ("**Franchise Agreement**"), and as an inducement to the Franchisor to enter into the Franchise Agreement with the Franchisee, agrees with the Franchisor as follows:

1. In the event of default by the Franchisee under the Franchise Agreement, the Franchisor or its designee may assume, enforce and perform the obligations of the Lease with the same force and effect as if assumed, enforced and performed by the Franchisee. The Landlord will accept the Franchisor's (or its designee's) performance in lieu of performance by the Franchisee in satisfaction of the Franchisee's future obligations under the Lease.

2. The Landlord will not terminate the Lease on account of any default of the Franchisee without giving written notice to the Franchisor and first providing to the Franchisor a reasonable opportunity, but not less than 30 days, to: (a) cause the Franchisee to cure the default; or (b) declare the Franchisee in default under the Franchise Agreement and exercise its rights under the Franchise Agreement. In the event the Franchisor elects to exercise its rights under the Franchise Agreement, the Landlord agrees not to terminate the Lease so long as the Franchisor or its designee agrees, within 30 days from the date the Franchisor gives written notice to the Landlord of its election to exercise its rights under this assignment, to perform the future obligations of the Franchisee under the Lease. However, nothing herein will require the Franchisor to cure any default of the Franchisee under the Lease, but only gives it the option to assume the Franchisee's future rights and obligations under the Lease. If the Franchisor elects not to take physical possession of the premises under the Lease, the Landlord will permit the Franchisor to enter upon the premises to ensure that the alterations required pursuant to Article 20.2 of the Franchise Agreement are made.

3. The Landlord hereby represents and warrants to the Franchisor that: (a) the Lease is a valid and enforceable agreement; (b) there has been no prior assignment of the Lease of which the Landlord has notice or is aware; (c) neither the Landlord nor the Franchisee is in default under the Lease; and (d) all covenants, conditions and agreements have been performed as required therein, except those not due to be performed until after the date hereof.

4. Landlord hereby acknowledges that the Franchisor assumes no duty, liability or obligation under the Lease, except only under the circumstances, terms and conditions specifically set forth in the Franchise Agreement and only after express written assumption of the Lease by Franchisor.

Dated: ________________________

"**Landlord**"

____

By____________________________________

Its____________________________________

ATTACHMENT F
ADDENDUM TO
NB FRANCHISING, LLC FRANCHISE AGREEMENT

FOR:
ADDRESS OF FRANCHISED LOCATION:

____

Street

____

City, State, Zip Code

AND
TERRITORY:

The area within a _____ mile radius of the Franchised Location
for the Franchisee's Bakery Café

Pursuant to Article 33.34, the Required Opening Date for the Franchisee's Bakery Café is: ____, 20___

Pursuant to Article 31, the name and telephone number of the Franchisee's attorney or other advisor is: ____; Telephone Number: _____________ (_____) ; E-Mail Address: ______________________________

DESCRIPTION OF AREA WHERE THE FRANCHISEE WILL HAVE THE RIGHT TO LOCATE THE BAKERY CAFÉ UNTIL THE ADDRESS OF THE FRANCHISED LOCATION HAS BEEN DETERMINED:

____

____
(include if possible the City, County and State)

This Addendum is Dated: ________________________________

NB FRANCHISING, LLC	______________________________________ Name of Franchisee
By____________________________________	By____________________________________
Its____________________________________	Its____________________________________

ATTACHMENT G
NB FRANCHISING, LLC
FORM OF LEASE ADDENDUM

LEASE ADDENDUM

This Addendum to Lease ("**Addendum**"), dated _________________, is entered into by and between __________________ ("**Lessor**"), and __________________ ("**Lessee**"). In the event of any contradiction or inconsistency between the terms and provisions of this Addendum and the terms and provisions of the Lease to which it is attached, the terms and provisions of this Addendum shall control and be interpreted in such a manner as to override any provision of the Lease which would prevent the spirit and letter of the terms and provisions of this Addendum from being given full force and effect. All defined terms not specifically defined in this Addendum shall be given the same meaning as the defined terms in the Lease.

A. The parties hereto have entered into a certain Lease Agreement ("**Lease**"), dated _________________, and pertaining to the premises located at ________________________ ______________________________ ("**Premises**").

B. Lessor acknowledges that Lessee intends to operate a La Boulangerie franchise from the leased Premises pursuant to a Franchise Agreement ("**Franchise Agreement**") with NB Franchising, LLC ("**Franchisor**") under the name "La Boulangerie®" or other name designated by Franchisor (herein referred to as "**Franchised Business**").

C. The parties now desire to amend the Lease in accordance with the terms and conditions contained herein.

NOW, THEREFORE, it is hereby mutually covenanted and agreed between Lessor and Lessee as follows:

1. <u>Remodeling and Decor</u>. Lessor agrees that Lessee shall have the right to remodel, equip, paint and decorate the interior of the Premises and to display the proprietary marks and signs on the interior and exterior of the Premises as Lessee is reasonably required to do pursuant to the Franchise Agreement and any successor Franchise Agreement under which Lessee may operate a Franchised Business on the Premises.

2. <u>Assignment or Subletting</u>. Lessee shall agree to attorn to any assignee of Lessor provided such assignee will agree not to disturb Lessee's possession of Premises. Lessee shall have the right to assign or sublet all of its right, title and interest in the Lease, at any time during the term of the Lease, including any extensions or renewals thereof, without charge and without first obtaining Lessor's consent in accordance with the Collateral Assignment of Lease attached hereto as **Attachment G-1**: (a) to Franchisor or Franchisor's parent, subsidiary, or affiliate, (b) to a duly authorized franchisee of Franchisor, (c) in connection with a merger, acquisition, reorganization or consolidation, or (d) in connection with the sale of Lessee's corporate stock or assets. However, no assignment or sublease shall be effective until such time as Franchisor or its designated affiliate gives Lessor written notice of its acceptance of the assignment, and nothing contained herein or in any other document shall constitute Franchisor or its designated subsidiary

or affiliate a party to the Lease, or guarantor thereof, and shall not create any liability or obligation of Franchisor or Franchisor's parent, subsidiary or affiliate unless and until the Lease is assigned or sublet to, and accepted in writing by, Franchisor or Franchisor's parent, subsidiary or affiliate. In the event of any assignment or sublease, Lessee shall at all times remain liable under the terms of the Lease. Franchisor shall have the right to reassign or sublease the Lease to another franchisee without the Lessor's consent in accordance with Section 4(a). Lessor understands and agrees that, in connection with Lessee's assignment or subletting of the Lease to a duly authorized franchisee of Franchisor, Franchisor shall be permitted to charge "additional rent" or "percentage rent" or other charges to its franchisee as part of its regular plan of franchising, and Lessor shall not be entitled to any consideration or additional rent as a result of any fees paid to Franchisor by franchisee pursuant to the Lease or otherwise.

3. Default and Notice.

(a) In the event there is a default or violation by Lessee under the terms of the Lease, Lessor shall give Lessee and Franchisor written notice of the default or violation within a reasonable time after Lessor receives knowledge of its occurrence. If Lessor gives Lessee a default notice, Lessor shall contemporaneously give Franchisor a copy of the notice. Franchisor shall have the right, but not the obligation, to cure the default. Franchisor will notify Lessor whether it intends to cure the default and take an automatic assignment of Lessee's interest as provided in Paragraph 4(a). Franchisor will have an additional fifteen (15) days from the expiration of Lessee's cure period in which it may exercise the option, but it is not obligated to cure the default or violation.

(b) All notices to Franchisor shall be sent by registered or certified mail, postage prepaid, or by a recognized overnight courier or delivery services to the following address:

NB Franchising, LLC
7700 E. Arapahoe Rd. Ste. 270
Centennial, Colorado 80112
Attention: Chief Executive Officer
Phone: (303) 221-2259

Franchisor may change its address for receiving notices by giving Lessor written notice of the new address. Lessor agrees that it will notify both Lessee and Franchisor of any change in Lessor's mailing address to which notices should be sent.

(c) Following Franchisor's approval of the Lease (together with this Addendum), Lessee agrees not to terminate, or in any way alter or amend the same during the Term of the Franchise Agreement or any extension thereof without Franchisor's prior written consent, which shall be granted or denied in Franchisor's sole discretion, and any attempted termination, alteration or amendment shall be null and void and have no effect as to Franchisor's interests thereunder.

4. Termination or Expiration.

(a) Upon Lessee's default and failure to cure the default within the applicable cure period, if any, under either the Lease or the Franchise Agreement, Franchisor will, at its option, have the right, but not the obligation, to take an automatic assignment of Lessee's interest and at any time thereafter to re-assign or sublet the Lease to a new franchisee without Lessor's consent and to be fully released from any and all liability to Lessor upon the reassignment, provided Franchisee agrees to assume Lessee's obligations and the Lease.

(b) Upon the expiration or termination of either the Lease or the Franchise Agreement, Lessor will cooperate with and assist Franchisor in securing possession of the Premises and if Franchisor does not elect to take an assignment of the Lessee's interest, Lessor will allow Franchisor to enter the Premises, without being guilty of trespass and without incurring any liability to Lessor, to remove all signs and all other items identifying the Premises as a Franchised Business and to make other modifications (such as repainting) as are reasonably necessary to protect the "La Boulangerie®" marks and system, and to distinguish the Premises from a Franchised Business. In the event Franchisor exercises its option to purchase assets of Lessee, Lessor shall permit Franchisor to remove all the assets being purchased by Franchisor.

5. Consideration; No Liability.

(a) Lessor hereby acknowledges that the provisions of this Addendum to Lease are required pursuant to the Franchise Agreement under which Lessee plans to operate its Franchised Business and Lessee would not lease the Premises without this Addendum. Lessor also hereby consents to the Collateral Assignment of Lease from Lessee to Franchisor as evidenced by **Attachment G-1**.

(b) Lessor further acknowledges that Lessee is not an agent or employee of Franchisor and Lessee has no authority or power to act for, or to create any liability on behalf of, or to in any way bind Franchisor or any affiliate of Franchisor, and that Lessor has entered into this Addendum to Lease with full understanding that it creates no duties, obligations or liabilities of or against Franchisor or any affiliate of Franchisor.

6. Sales Reports and Inspection. If requested by Franchisor, Lessor will provide Franchisor with whatever information Lessor has regarding Lessee's sales from its Franchised Business. Lessor acknowledges that the Franchise Agreement grants Franchisor the right of inspection of Lessee's Premises, and Lessor agrees to cooperate with Franchisor's efforts to enforce Franchisor's inspection rights.

7. No Competition by Other Lessees of Lessor. Lessor agrees that it will not do business with nor lease to another business whose primary business is the operation of a café serving French inspired gourmet baked goods, chef inspired sandwiches and specialty food offerings as a primary menu items.

8. No Radius Clause. The radius restriction set forth in the Lease is hereby deleted.

9. No Relocation Clause. Any relocation clause found in the Lease is hereby deleted.

10. Casualty and Condemnation. In the event the Premises are completely or partially damaged by fire or other casualty or are condemned by a governmental agency in whole or in part, such that the Premises cannot, in Lessee's reasonable business judgment, be used by Lessee for their intended purposes, or can only be partially used by Lessee (it being understood that Lessee, in its reasonable business judgment, shall decide whether to remain open prior to the completion of repairs to the Premises) and this Lease is not terminated as otherwise provided in this Lease, there shall be an equitable abatement of rent, any percentage rent and other charges payable by Lessee hereunder for any days the Lessee cannot use the entire Premises. In the event the Premises are not repaired or restored by Lessor within 180 days after the date of the casualty or condemnation, Lessee may elect to terminate this Lease upon 30 days' prior written notice to Lessor.

11. Common Areas-No Changes**.** Lessor shall not change or alter the common areas in any manner which would alter the dimensions or location of the Premises or adversely affect the use, operation or conduct of Lessee's business being conducted in the Premises, adversely affect the accessibility or visibility of the Premises or reduce the existing parking facilities of the Shopping Center by more than 10%.

12. Hazardous Materials. Lessor represents and warrants that the Premises are free of all asbestos, asbestos containing materials and other hazardous or toxic materials (collectively, "**Hazardous Materials**"). Notwithstanding any provision of this Lease to the contrary, Lessee shall have no obligation to make any repairs, alterations or improvements to the Premises or incur any costs or expenses whatsoever as a result of Hazardous Materials in or about the Shopping Center, the Building or the Premises, other than those Hazardous Materials brought onto such areas by Lessee. Lessor shall be solely responsible for any changes to the Premises relating to Hazardous Materials, unless those Hazardous Materials were brought onto the Premises by Lessee. Lessor shall indemnify and hold Lessee harmless from and against all liabilities, costs, damages and expenses which Lessee may incur (including reasonable attorneys' fees) as the result of a breach of Lessor's representation and warranty set forth in this paragraph or the presence of Hazardous Materials in or about the Shopping Center, the Building or the Premises, unless those Hazardous Materials were brought onto such areas by Lessee.

13. Insurance and Waiver of Subrogation. Lessee may maintain the required liability insurance in the form of a blanket policy covering other locations of Lessee in addition to the Premises. Lessee may self-insure plate glass, so long as Lessee agrees not to hold Lessor liable for any losses resulting to plate glass. Whenever (i) any loss, cost, damage or expense resulting from fire, explosion or any other casualty is incurred to the Premises or contents thereof by either party to this Lease, and (ii) such party is covered in whole or in part by insurance with respect to such loss, cost, damage or expense, then the party so insured hereby releases the other party from any liability it may have on account of such loss, cost, damage or expense to the extent of any amount recovered from such insurance (or which would have been recovered had the party carried the insurance required to be carried pursuant to the terms of the Lease), including any deductibles under such policies..

14. Lessor Warranties. Lessor represents, covenants and warrants (i) that Lessor has lawful title to the Premises and has full right, power and authority to enter into this Lease; (ii) that the Franchised Location is in compliance with the Americans with Disabilities Act ("**ADA**"); (iii) that the permitted "use" of the Premises does not currently violate the terms of any of Lessor's insurance policies; (iv) that Lessor currently maintains all risk of physical loss coverage for the full replacement cost of the Premises and shall maintain throughout the term of this Lease general liability insurance coverage for the Premises consistent with that being maintained from time to time by reasonably prudent owners of properties similar to the Premises in the same area; and (v) that so long as Lessee pays all monetary obligations due under this Lease and performs all other covenants contained herein beyond all applicable notice and cure periods, Lessee shall peacefully and quietly have, hold, occupy and enjoy the Premises during the term of this Lease and its use and occupancy thereof shall not be disturbed. Lessor covenants and agrees that Lessor shall take no action that will interfere with Lessee's intended usage of the Premises. Lessor shall indemnify and hold harmless Lessee and its officers, partners, agents and employees from and against any loss, cost, liability, damage or expense arising out of (x) Lessor's operation of the Franchised Business, (y) Lessor's breach in the performance of any of its obligations under this Lease, or (z) any violation of law by Lessor or any other act or omission of Lessor or its contractors, agents or employees. The foregoing indemnification shall survive expiration or termination of this Lease.

15. Lessor Work And Repair. Lessor shall perform all work described in the Lease and Exhibit __ attached hereto and incorporated herein. Lessor shall be responsible for the payment of all tap fees and system development fees incurred in connection with Lessor's provision of utilities to the Premises. Utilities shall be "stubbed" to the Premises at no cost to Lessee. All Lessor work shall be performed in a workmanlike manner with quality materials in compliance with all laws, codes and all regulations. If Lessor's work is not performed as herein required, or if such work or the Premises is not in compliance with all laws, codes or other regulations, Lessor shall perform the necessary remedial work at its sole cost and expense. Lessor covenants and agrees, at its sole cost and expense and without reimbursement or contribution by Lessee, to keep, maintain and replace, if necessary, the foundations, the exterior paint, the plumbing system, the electrical system, the utility and sewer lines and connections to the Premises, the sprinkler mains, if any, structural systems including, without limitation, the roof, roof membrane roof covering (including interior ceiling if damaged by leakage), load-bearing walls, floor slabs and masonry walls in good condition and repair.

16. Mitigation. Lessor shall use reasonable efforts to mitigate its damages in the event of a Lessee default.

17. Lessee Financing. Lessee shall have the right from time to time during the term of the Lease, and without Lessor's prior approval, to grant and assign a mortgage or other security interest in Lessee's interest under this Lease and all of Lessee's personal property located within the Premises to its lenders in connection with Lessee's financing arrangements and any lien of Lessor against Lessee's personal property (whether by statute or under the terms of this Lease) shall be subject and subordinate to such security interest. Lessor shall execute such documents as Lessee's lenders may reasonably request in connection with any such financing.

18. Closure of Business Operation. Notwithstanding anything in the Lease to the contrary, Lessee may close its business once every five (5) years for a reasonable time to refurbish and redecorate the Premises.

19. Removal of Trade Dress/Personal Property. Lessor shall permit Lessee fifteen (15) days from the termination or expiration of the Lease to remove Lessee's property. Lessor shall permit Lessee to remove its trade dress within fifteen (15) days after the termination or expiration of the Lease or within fifteen (15) days after Lessee has received proper notice from Lessor of the termination or expiration pursuant to Section __, whichever later occurs.

20. Alterations. Lessor's consent shall not be required for non-structural or non-mechanical alterations, additions or changes to the Premises.

21. Amendments. No amendment or variation of the terms of the Lease or this Addendum to the Lease shall be valid unless made in writing and signed by the parties hereto.

22. Reaffirmation of Lease. Except as amended or modified herein, all of the terms, conditions and covenants of the Lease shall remain in full force and effect and are incorporated herein by reference and made a part of this Agreement as though copies herein in full.

23. Beneficiary. Lessor and Lessee expressly agree that Franchisor is a third-party beneficiary of this Lease and this Addendum.

IN TESTIMONY WHEREOF, witness the signatures of the parties hereto as of the day, month and year first written above.

LESSOR:	**LESSEE:**
______________________________	______________________________
By: ___________________________	By: ___________________________
Title: _________________________	Title: _________________________

ATTACHMENT G-1
TO FRANCHISE AGREEMENT

COLLATERAL ASSIGNMENT OF LEASE

FOR VALUE RECEIVED, as of ______________________ ("**Effective Date**"), the undersigned, ___________________________________ ("**Assignor**"), hereby assigns, transfers and sets over unto NB Franchising, LLC ("**Assignee**") all of Assignor's right, title and interest as Lessee, in, to and under that certain lease, a copy of which is attached hereto as **Exhibit A** ("**Lease**") with respect to the premises located at ______________________ ("**Premises**"). This Collateral Assignment of Lease ("**Assignment**") is for collateral purposes only and except as specified herein, Assignee shall have no liability or obligation of any kind whatsoever arising from or in connection with this Assignment unless Assignee shall take possession of the Premises demised by the Lease pursuant to the terms hereof and shall assume the obligations of Assignor thereunder.

Assignor represents and warrants to Assignee that it has full power and authority to so assign the Lease and its interest therein and that Assignor has not previously, and is not obligated to, assign or transfer any of its interest in the Lease or the Premises demised thereby.

Upon a default by Assignor under the Lease or under that certain franchise agreement ("**Franchise Agreement**") for a Bakery Cafe between Assignee and Assignor, or in the event of a default by Assignor under any document or instrument securing the Franchise Agreement, Assignee shall have the right and is hereby empowered to take possession of the Premises demised by the Lease, expel Assignor therefrom, and, in that event, Assignor shall have no further right, title or interest in the Lease.

Assignor agrees it will not suffer or permit any surrender, termination, amendment or modification of the Lease without the prior written consent of Assignee. Through the term of the Franchise Agreement and any Renewal Terms thereof, Assignor agrees that it shall elect and exercise all options to extend the term of or renew the Lease not less than thirty (30) days before the last day that said option must be exercised, unless Assignee otherwise agrees or instructs in writing. Upon failure of Assignee to otherwise agree in writing, and upon failure of Assignor to so elect to extend or renew the Lease as stated herein, Assignor hereby irrevocably appoints Assignee as its true and lawful attorney-in-fact, which appointment is coupled with an interest, to exercise the extension or renewal options in the name, place and stead of Assignor for the sole purpose of effecting the extension or renewal.

[Signatures on following page]

IN WITNESS WHEREOF, Assignor and Assignee have signed this Collateral Assignment of Lease as of the Effective Date first above written.

ASSIGNOR:

____

By: ____
Its: ____

ASSIGNEE:

NB FRANCHISING, LLC, a Colorado limited liability company

By: ____
Its: ____

EXHIBIT A

LEASE

With Respect to Premises Located at:

____

(To Be Attached)

ATTACHMENT H-A

NB FRANCHISING, LLC
NONDISCLOSURE AND NONCOMPETITION AGREEMENT (OWNER)

This Nondisclosure and Noncompetition Agreement ("**Agreement**") is made and entered into on ____________________________ by and among **NB Franchising, LLC** ("**Franchisor**"), ___________________________ ("**Franchisee**), and ______________________________ ("**Owner**"). Franchisor, Franchisee and Owner are collectively referred to herein as the "**Parties**" and individually as a "**Party**". All capitalized terms not specifically defined in this Agreement shall have the meaning given to them in the Franchise Agreement.

WHEREAS, the Franchisor is the franchisor of Bakery Cafés and the licensor of the name "**La Boulangerie of San Francisco**", "**La Boulangerie**" and/or "**The American Boulangerie**" and certain other trademarks, trade names, service marks, logos and commercial symbols (the "**Marks**");

WHEREAS, the Franchisor and the Franchisee have entered into a Franchise Agreement, dated the same date as this Agreement (the "**Franchise Agreement**") pursuant to which the Franchisee is granted the right to operate a franchised Bakery Café featuring French inspired gourmet baked goods, chef inspired sandwiches, specialty food offerings, and beverages beverages, and other menu items in a distinctive atmosphere (the "**Bakery Café**");

WHEREAS, the Bakery Café is operated (a) under the Franchisor's trademark "**La Boulangerie of San Francisco**", "**La Boulangerie**", "**The American Boulangerie**" and other service marks, trademarks, logo types, designs, and other commercial symbols (collectively "**Marks**") and (b) by using the Franchisor's proprietary and distinctive business format, plans, methods, data, processes, supply systems, marketing systems, formulas, techniques, designs, layouts, trade secrets, operating procedures and know-how (collectively, "**Trade Secrets**").

WHEREAS, the Franchisee is authorized to use the Marks and Confidential Information to the extent provided under the Franchise Agreement.

NOW, THEREFORE, to confirm the obligation and covenants of the Franchisee and the Owner with respect to the prohibited use and disclosure of the Confidential Information, and for good and valuable consideration, the sufficiency of which each Party hereby acknowledges, the Parties hereby agree as follows:

1. Definitions. All capitalized terms not specifically defined in this Agreement, shall have the meaning given to them in the Franchise Agreement. As used herein, the term "**Trade Secrets**" shall be deemed to constitute Confidential Information (within the meaning of the Franchise Agreement).

2. Cumulative Rights and Remedies. The rights and obligations of the Parties set forth herein are cumulative of and do not in any way limit the rights and obligations of the Parties as set forth in the Franchise Agreement which are independently enforceable.

3. Non-Disclosure of Confidential Information.

(a) Each of the Franchisee and each Owner acknowledges that the Franchisee, the Operator, the Owner and Executive Management, and certain of the Franchisee's employees have or will receive Confidential Information from the Franchisor pertaining to the operation of the Bakery Café. In consideration for access to and use of the Confidential Information, the Franchisee and the Owner will comply in all respects with the provisions of the Franchise Agreement, including Article 23.

(b) Each of the Franchisee and each Owner acknowledges that (i) the Confidential Information developed and utilized in connection with the operation of the Bakery Café are unique and the exclusive property of the Franchisor or its affiliates, (ii) any unauthorized disclosure or use of the Confidential Information would be wrongful and would cause irreparable injury and harm to the Franchisor or its affiliates, (iii) Franchisor or its affiliates have expended a great amount of effort and money in obtaining and developing the Confidential Information, (iv) the Franchisor or its affiliates have taken numerous precautions to guard the secrecy of the Confidential Information and (iv) it would be very costly to Franchisor in the event competitors were to acquire or duplicate the Confidential Information.

(c) Nondisclosure. During the Initial Term and any Renewal Term of the Franchise Agreement and for a period of two years after the expiration or termination of the Franchise Agreement (unless such information is a Trade Secret in which case the requirements will remain in place for as long as such information constitutes a Trade Secret), Franchisee and the Owner shall not at any time, publish, disclose, divulge or use, directly or indirectly, for its own benefit or otherwise, the Confidential Information.

4. Covenant Not to Compete.

(a) In-Term Covenant Not to Compete. During the Initial Term and any Renewal Term of the Franchise Agreement, none of the Franchisee or any Owner shall, on their own account or as an employee, principal, agent, franchisee, independent contractor, consultant, affiliate, licensee, partner, officer, director, shareholder, member, manager, governor or Owner of any other person or Entity, own, operate, lease, franchise, conduct, engage in, be connected with, have any interest in, or assist any person or Entity engaged in any Competitive Restaurant, except with the prior written consent of the Franchisor, which consent may be withheld in Franchisor's sole discretion.

(a) Post-Term Covenant Not to Compete. Except as provided to the contrary in Article 23 of the Franchise Agreement, for a period of 24 months after the termination or expiration of the Franchise Agreement, none of the Franchisee or any Owner shall, on their own account or as an employee, principal, agent, franchisee, independent contractor, consultant, affiliate, licensee, partner, officer, director, shareholder, member, manager, governor or owner of any other person or Entity, own, operate, lease, franchise, conduct, engage in, be connected with, have any interest in or assist any person or Entity engaged in any Competitive Restaurant which is located within 10 miles of the Franchised Location, within 10 miles of any other Bakery Café, or within any Territory or territory granted by the Franchisor pursuant to an area development agreement or other territorial agreement. Each of the Franchisee and each Owner expressly agrees that the nature of the Franchisor's business is such that if they were to directly or indirectly own or operate a Competitive Restaurant it would be virtually impossible for the Franchisee and the Owner not to rely on or use the Confidential Information.

(b) Each of the Franchisee and each Owner agrees that the limitations of time, geography, and scope of the prohibited activity are reasonable because, among other things, (i) Franchisor is engaged in a highly competitive industry, (ii) Franchisee and the Owner will have access to the Confidential Information, including Franchisor's confidential and proprietary Manual, (iii) these limitations are necessary to protect Franchisor's Confidential Information, goodwill and the goodwill of its other franchisees and developers, (iv) that this covenant not to compete is necessary to give the Franchisor the opportunity to resell and/or develop a new Bakery Café at or in the area near the Franchised Location, and (v) Franchisee and the Owner are able to engage in lawful trade and business in a suitable and satisfactory manner without violating the terms of this Agreement. Each of the Franchisee and each Owner further agrees that these provisions are necessary to protect the legitimate business interest of the Franchisor, including protecting the integrity of the La Boulangerie franchise system and preventing duplication of the System by unauthorized third parties.

(c) Each of the Franchisee and each Owner also agrees that money damages alone cannot adequately compensate the Franchisor if there is a breach of this Agreement by the Franchisee or the Owner, and that injunctive relief against the Franchisee and/or the Owner is essential for the protection of the Franchisor and its franchisees and developers. Each of the Franchisee and each Owner agrees therefore that, if the Franchisor alleges that the Franchisee or the Owner have breached this Agreement, then the Franchisor will have the right to petition a court of competent jurisdiction for injunctive relief against the Franchisee and the Owner, in addition to all other remedies that may be available to the Franchisor. The Franchisor will not be required to post a bond or other security for any injunctive proceeding. If the Franchisor is granted ex parte injunctive relief against the Franchisee or the Owner, then the Franchisee or the Owner will have the right to petition the court for a hearing on the merits at the earliest time convenient to the court.

(d) In any litigation, arbitration or other proceeding concerning Franchisor's enforcement of its rights hereunder, Franchisee and the Owner, for value, voluntarily waive such defenses as they might otherwise have under the law of the jurisdiction in which the matter is being litigated, arbitrated or otherwise relating to any claimed "prior breach" on the part of the Franchisor; it being specifically understood and agreed between the Parties that no action or lack of action on the part of the Franchisor will entitle or permit the Franchisee or the Owner to use or disclose any such Confidential Information in any circumstances.

5. <u>Entire Agreement; Amendments; Waivers</u>. This Agreement and the Franchise Agreement contain the entire agreement between the Parties relating to the matters set forth herein. No amendments or other variation to this Agreement will be effective unless in writing and signed by an authorized person on behalf of each Party. Any waiver of any provision of this Agreement

must be in writing and signed by the Party whose rights are being waived. No waiver of any breach of any provision of this Agreement will be, or be deemed to be, a waiver of any preceding or subsequent breach of the same or any other provision of this Agreement

6. Governing Law, Jurisdiction, and Attorneys' Fees. The laws of the State of Colorado will govern this Agreement (regardless of its or any other jurisdiction's choice-of-law principles). Each of Franchisee and each Owner expressly consents to the personal jurisdiction of the state and federal courts located in Denver, Colorado, for any lawsuit arising from or relating to this Agreement. If any Party employs attorneys to enforce any rights arising out of or relating to this Agreement, the prevailing party shall be entitled to recover reasonable attorneys' fees from the non-prevailing Party. This instrument shall be governed by and construed under the laws of the State of Colorado.

7. Severability. If any provision of this Agreement is determined to be unenforceable or invalid, the remaining provisions of this Agreement will remain in full force and effect. The Parties further expressly agree that if the scope of enforceability of the terms hereof is disputed at any time, a court or arbitrator, as the case may be, may modify such terms to the extent that it deems necessary to make such provisions enforceable under applicable law.

[Signature Page Follows]

IN WITNESS WHEREOF, the Parties have signed this Nondisclosure and Noncompetition Agreement on the date first above written.

FRANCHISOR:

____
NB FRANCHISING, LLC

By: ________________________________

Title: _______________________________

Date: _______________________________

FRANCHISEE:

____

By: ________________________________

Print Name: __________________________

Date: _______________________________

OWNER:

____

____
Print Name

____
Signature

____
Address

____
City, State and Zip Code

ATTACHMENT H-B

NB FRANCHISING, LLC
NONDISCLOSURE AND NONCOMPETITION AGREEMENT (MANAGEMENT STAFF)

This Nondisclosure and Noncompetition Agreement ("**Agreement**") is made and entered into on ____ by and between ________________________ ("**Franchisee**") and ____________________________ ("**Associate**"), who resides or has a principal place of address at ____. Franchisee and Associate are collectively referred to herein as the "**Parties**" and individually as a "**Party**".

WHEREAS, NB Franchising, LLC, a Colorado limited liability company ("**Franchisor**"), located at 7700 E. Arapahoe Rd., Ste. 270, Centennial, Colorado 80112 the franchisor of Bakery Cafés and the licensor of the name "**La Boulangerie of San Francisco**", "**La Boulangerie**", "**The American Boulangerie**" and certain other trademarks, trade names, service marks, logos and commercial symbols (the "**Marks**");

WHEREAS, Franchisor and Franchisee have entered into a Franchise Agreement, (the "**Franchise Agreement**") pursuant to which the Franchisee is granted the right to operate a franchised Bakery Café featuring French inspired gourmet baked goods, chef inspired sandwiches, specialty food offerings, and beverages other menu items in a distinctive atmosphere (the "**Bakery Café**");

WHEREAS, the Bakery Café is operated (a) under the Franchisor's trademark "La Boulangerie of San Francisco", "La Boulangerie" or "The American Boulangerie" (as designated by Franchisor) and other service marks, trademarks, logo types, designs, and other commercial symbols (collectively "**Marks**") and (b) by using the Franchisor's proprietary and distinctive business format, plans, methods, data, processes, supply systems, marketing systems, formulas, techniques, designs, layouts, trade secrets, operating procedures and know-how, all of which constitutes Confidential Information as defined herein;

WHEREAS, Associate is a member of the Franchisee's management staff, or is an employee of the Franchisee whose job duties will cause Associate to be given access to the Confidential Information;

WHEREAS, pursuant to the Franchise Agreement, Franchisee is obligated to, among other things, maintain the confidentiality of the Confidential Information and to ensure that all persons associated with Franchisee who receive access to the Confidential Information agree not to disclose or use the Confidential Information in connection with a Competitive Restaurant as defined herein; and

NOW THEREFORE, to confirm the obligations and covenants of the Associate with respect to the prohibited use and disclosure of the Franchisor's Marks and Confidential Information, and for good and valuable consideration, the sufficiency of which each Party hereby acknowledges, the Parties hereby agree as follows:

1. Definitions.

(a) "**Competitive Restaurant**" means any business or restaurant, other than another Bakery Café, (a) operating in competition with or similar to Bakery Cafés, and specifically featuring gourmet baked goods, sandwiches, specialty food offerings, and other offerings similar to those offered by Bakery Cafés, or (b) that employs or incorporates one or more distinctive elements of the System, or (e) that uses a menu that is similar to those used in the Bakery Cafés.

(b) "**Confidential Information**" means and includes all of the business, technology, marketing, operational and proprietary information developed, created, owned or licensed by the Franchisor including, but not limited to, the following: (a) all plans and specifications relating to the construction of any Bakery Café, drawings and renderings, furniture, fixtures and equipment specifications and pricing, the names of all approved suppliers and designated suppliers, pricing information for any foods, beverages and products sold to any Bakery Café, unpublished menus and menu designs, and all food recipes and cooking techniques; (b) all business information, practices, procedures, processes, "know how" and business and operational systems of the Franchisor; (c) all marketing strategies, programs, and concepts, training programs, Manual and materials, and operational and business development concepts; (d) all exclusive sales and marketing processes taught to the Franchisee's personnel during any training programs; (e) all training programs and materials; (f) all trade secrets, intellectual property, proprietary databases, computer processes, computer systems, computer software programs and all source codes for all computer software programs (excluding commercially available off-the-shelf third-party software programs); (g) all copyrighted materials that have not been publicly disclosed by the Franchisor which are marked as "confidential;" (h) all patents of the Franchisor, including pending patents; (i) all password-protected websites designed, created and developed by the Franchisor, including all passwords, text, content, color schemes, images, graphics, information, look and feel, layout, methodology, metrics, graphical interfaces and functionality; and (j) all other written materials disclosed to the Franchisee which have been designed as "confidential" by the Franchisor. The Franchisee and its employees and agents will not disclose to any person or entity the name, addresses or any other information relating to any customers or guests of any Bakery Café, including the Franchisee's Bakery Café, except as authorized electronically or in writing by the customer or guest.

2. Non-Disclosure of Confidential Information.

(a) Associate acknowledges that Associate will receive from the Franchisee Confidential Information pertaining to the operation of the Bakery Café.

(b) Associate acknowledges that the Confidential Information developed and utilized in connection with the operation of the Bakery Café are unique and the exclusive property of the Franchisor or its affiliates, and that any unauthorized disclosure or use of the Confidential Information would be wrongful and would cause irreparable injury and harm to the Franchisor or its affiliates. Associate further acknowledges that the Franchisor or its affiliates has expended a great amount of effort and money in obtaining and developing the Confidential Information, that the Franchisor or its affiliates have taken numerous precautions to guard the secrecy of the Confidential Information, and that it would be very costly for competitors to acquire or duplicate the Confidential Information.

(c) During the term of Associate's employment or affiliation with Franchisee and for a period of two years after the expiration or termination of such employment or affiliation (unless such information is a trade secret in which case the requirements will remain in place for as long as such information constitutes a trade secret), Associate shall not at any time, publish, disclose, divulge or use, directly or indirectly, for Associate's own benefit or otherwise, the Confidential Information.

3. Post-Term Covenant Not to Compete.

(a) For a period of 24 months after the termination or expiration of the Associate's employment or affiliation with the Franchisee, Associate shall not, on Associate's own account or as an employee, principal, agent, franchisee, independent contractor, consultant, affiliate, licensee, partner, officer, director, shareholder, member, manager, governor or owner of any other person or entity, own, operate, lease, franchise, conduct, engage in, be employed by or connected with, have any interest in or assist any person or entity engaged in any Competitive Restaurant which is located within 10 miles of the Franchised Location, within 10 miles of any other Bakery Café, or within any Territory or territory granted by the Franchisor pursuant to an area development agreement or other territorial agreement. The Associate expressly agrees that the nature of both the Franchisee's and the Franchisor's business is such that if Associate were to directly or indirectly act in violation hereof in connection with a Competitive Restaurant it would be virtually impossible for the Associate not to rely on or use the Confidential Information.

(b) The Associate further agrees that the limitations of time, geography, and scope of the prohibited activity are reasonable because, among other things, (i) the Franchisee and Franchisor are engaged in a highly competitive industry, (ii) in Associate's position with Franchisee, Associate will have access to the Confidential Information, including Franchisor's confidential and proprietary Manual, (iii) these limitations are necessary to protect Franchisor's Confidential Information, goodwill and the goodwill of its other franchisees and developers, and (iv) Associate is able to engage in lawful trade and business in a suitable and satisfactory manner without violating the terms of this Agreement. The Associate further agrees that these provisions are necessary to protect the legitimate business interest of the Franchisee and the Franchisor, including protecting the integrity of the La Boulangerie franchise system and preventing duplication of the La Boulangerie System by unauthorized third parties.

(c) The Associate also agrees that money damages alone cannot adequately compensate the Franchisee or the Franchisor if there is a breach of this Agreement by Associate, and that injunctive relief against the Associate is essential for the protection of the Franchisor and the Franchisee. Associate agrees therefore that, if the Franchisee or the Franchisor alleges that Associate has breached this Agreement, then the Franchisee and Franchisor will have the right to petition a court of competent jurisdiction for injunctive relief against the Associate, in addition to all other remedies that may be available. The

Franchisee and/or Franchisor will not be required to post a bond or other security for any injunctive proceeding. If ex parte injunctive relief is granted against the Associate, then the Associate will have the right to petition the court for a hearing on the merits at the earliest time convenient to the court.

(d) In any litigation, arbitration or other proceeding concerning enforcement of Franchisee's or Franchisor's rights hereunder, Associate, for value, voluntarily waive such defenses as Associate might otherwise have under the law of the jurisdiction in which the matter is being litigated, arbitrated or otherwise relating to any claimed "prior breach" on the part of the Franchisee; it being specifically understood and agreed between the Parties that no action or lack of action on the part of the Franchisee will entitle or permit the Associate to use or disclose any such Confidential Information in any circumstances.

(e) The restrictions of this Section 3 will not be applicable to the ownership of shares of a class of securities listed on a stock exchange or traded on the over-the-counter market that represent 5% or less of the number of shares of that class of securities issued and outstanding.

4. Entire Agreement, Amendments; Waivers. This Agreement contains the entire agreement between Associate and the Franchisee relating to the matters set forth herein. No amendments or other variation to this Agreement will be effective unless in writing and signed by an authorized person on behalf of each Party. Any waiver of any provision of this Agreement must be in writing and signed by the Party whose rights are being waived. No waiver of any breach of any provision of this Agreement will be, or be deemed to be, a waiver of any preceding or subsequent breach of the same or any other provision of this Agreement.

5. Third Party Beneficiary. Franchisor shall be a third-party beneficiary of this Agreement and shall be entitled to enforce it.

6. Governing Law, Jurisdiction, and Attorneys' Fees. The laws of the State of Colorado will govern this Agreement (regardless of its or any other jurisdiction's choice-of-law principles). Associate expressly consents to the personal jurisdiction of the state and federal courts located in Denver, Colorado, for any lawsuit instituted by Franchisor arising from or relating to this Agreement. If any Party employs attorneys to enforce any rights arising out of or relating to this Agreement, the prevailing party shall be entitled to recover reasonable attorneys' fees from the non-prevailing Party. This instrument shall be governed by and construed under the laws of the State of Colorado.

7. Severability. If any provision of this Agreement is determined to be unenforceable or invalid, the remaining provisions of this Agreement will remain in full force and effect. The Parties further expressly agree that if the scope of enforceability of the terms hereof is disputed at any time, a court or arbitrator, as the case may be, may modify such terms to the extent that it deems necessary to make such provisions enforceable under applicable law.

8. No Employment Relationship With Franchisor. Associate also acknowledges and agrees that notwithstanding Associate's execution of this Agreement and Franchisor being a third-

party beneficiary hereof, Franchisor is not Associate's employer and Associate has no relationship, employment or otherwise, with Franchisor. Associate is employed solely by Franchisee.

9. Severability. If any provision of this Agreement is determined to be unenforceable or invalid, the remaining provisions of this Agreement will remain in full force and effect. The Parties further expressly agree that if the scope of enforceability of the terms hereof is disputed at any time, a court or arbitrator, as the case may be, may modify such terms to the extent that it deems necessary to make such provisions enforceable under applicable law.

[*Signature Page Follows*]

IN WITNESS WHEREOF, the Parties have signed this Nondisclosure and Noncompetition Agreement on the date first above written.

FRANCHISEE:	**ASSOCIATE:**
______________________________	______________________________
By: ___________________________	By: ___________________________
Title: _________________________	Print Name: ____________________
Date: _________________________	Date: _________________________

EXHIBIT D

LA BOULANGERIE

AREA DEVELOPMENT AGREEMENT

EXHIBIT D

AREA DEVELOPMENT AGREEMENT

Area Developer:____________________________

Date:_______________________________________

Territory:__________________________________

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THIS AREA DEVELOPMENT AGREEMENT (this "**Agreement**") is made, entered into and effective on ____________________________, by and between NB Franchising , LLC, a Colorado limited liability company ("**Franchisor**"), and ____ a(n) ______________________________ ("**Area Developer**").

INTRODUCTION

The Franchisor has developed a distinctive business system for operating and franchising restaurants featuring French inspired gourmet baked goods, chef inspired sandwiches, specialty food offerings, and other distinctive Foods, Beverages and Products which are associated with the Marks (as defined below), copyrights, distinctive interior and exterior building designs, décor, furnishings, menus, uniforms, signs, color combinations, uniformity requirements, standards of consistency and quality, procedures, cleanliness, sanitation, controls, specifications, training, marketing, advertising and instructions promulgated by the Franchisor ("**System**"), and has extensively publicized the name "**La Boulangerie of San Francisco**", "**La Boulangerie**" and "**The American Boulangerie**" to the public as an organization of restaurant businesses operating under the System.

The Franchisor has the right and authority to license the use of the names "**La Boulangerie of San Francisco**", "**La Boulangerie**" and "**The American Boulangerie**" and the other trademarks, trade names, service marks, logos, commercial symbols, phrases, slogans and tag lines designated by the Franchisor in writing now owned, licensed or developed by the Franchisor ("**Marks**") for use in connection with the System to selected persons, businesses or Entities that will comply with the Franchisor's uniformity requirements and quality standards.

The Franchisor will continue to develop, use and control the use of the Marks in order to identify for the public the source of the Foods, Beverages and Products marketed under the System, and to represent to the public the System's high standards of quality, appearance, cleanliness and service.

The Area Developer desires to enter into Franchise Agreements with the Franchisor to develop, own and operate bakery cafes ("**Bakery Cafés**") in the area set forth in Article 2 in conformity with the System and the Franchisor's uniformity requirements and quality standards established and promulgated from time to time by the Franchisor.

Pursuant to the above Introduction and in consideration of the mutual promises and covenants set forth in this Agreement, the Franchisor and the Area Developer agree and contract as follows:

1. DEFINITIONS

For purposes of this Agreement, the following words will have the following definitions:

1.1 Franchise Agreement. "**Franchise Agreement**" will mean the Franchisor's then-current standard Franchise Agreement.

1.2 Terms Defined in Franchise Agreement. Capitalized terms used but not defined in this Agreement will, if defined in the Franchise Agreement, have the meanings ascribed to such terms in the Franchise Agreement.

2. GRANT OF DEVELOPMENT RIGHTS; TERRITORY

2.1 Territory. The Franchisor hereby grants to the Area Developer, for the term of this Agreement, the right to enter into Franchise Agreements with the Franchisor for the development and operation of Bakery Cafés to be located within the "**Territory**" defined as the geographical area described and delineated in **Attachment A**. This Agreement will not constitute the sale of a Franchise to the Area Developer, but rather will give the Area Developer the right to enter into Franchise Agreements with the Franchisor to own and operate franchised Bakery Cafés in the Territory.

2.2 Exceptions. The rights and privileges granted to the Area Developer in this Agreement are expressly limited to the Territory and are expressly subject to the terms and conditions of this Agreement. During the Term (as defined below) of this Agreement, so long as the Area Developer is not in default of this Agreement and any other agreement between Area Developer (or an Affiliate of Area Developer) and the Franchisor, the Franchisor will not grant to any other person or Entity a Franchise to open or operate a Bakery Café utilizing the System or the Marks within the Territory, and will not establish another franchised or company-owned or Affiliate-owned Bakery Café within the Territory. Notwithstanding the foregoing, the Franchisor and its Affiliates will have the absolute right to:

(a) Develop other restaurant business concepts under other brand names, provided such concepts are not Competitive Restaurants, even if the locations for the concepts are within the Territory;

(b) Develop Bakery Cafés and/or Competitive Restaurants in the Territory if they are located on a college or university campus, a military facility, a regional or international airport, a theme or entertainment park, an interstate service plaza, a stadium or arena used for sporting events and/or a casino;

(c) Market, distribute and sell, on a wholesale or retail basis, packaged food products or other goods under any of the Marks or other brand names, by direct sale, the Internet, mail order, infomercials, telemarketing or by any other marketing or distribution method, even if such sales are made to customers, distributors or retailers who are located in the Territory; and

(d) Own, operate, manage, franchise and/or license other individuals or Entities to own, manage and/or operate Competitive Restaurants in the Territory if the Franchisor or an Affiliate of the Franchisor derived its Ownership Interests or other rights to such restaurants as part of an acquisition or purchase of a majority of the Ownership Interests in, or substantially all of the assets of, another Entity.

2.3 Proprietary Marks and Confidential Information. Notwithstanding any provision to the contrary under this Agreement, the Area Developer understands and agrees that this Agreement does not grant the Area Developer any right to use the Marks or to use any of the Franchisor's

Confidential Information. Rights to the Marks and Confidential Information are granted only under the Franchise Agreements to be executed by the Franchisor and the Area Developer.

2.4 Conditions. The Area Developer hereby undertakes the obligation to develop and open franchised Bakery Cafés using the System in the Territory in strict compliance with the terms and conditions of this Agreement for the Term of this Agreement. The rights and privileges granted to the Area Developer by the Franchisor under this Agreement are applicable only in the Territory, are personal in nature, and may not be used elsewhere or in any other area by the Area Developer.

2.5 Personal License. The Area Developer will not have the right to franchise, subfranchise, license or sublicense its rights under this Agreement. The Area Developer will not have the right to Transfer this Agreement or its rights under this Agreement, except as specifically provided for in this Agreement.

3. TERM

Unless sooner terminated in accordance with the terms of this Agreement, this Agreement and all rights granted hereunder will be in effect for a term ("**Term**") ending on the date of the Franchisor's acceptance and execution of a Franchise Agreement for the last franchised Bakery Café granted under this Agreement. This Agreement will not be enforceable until it has been signed by both the Area Developer and the Franchisor. At the end of the term of this Agreement, the Area Developer's exclusive development rights with respect to the Territory will automatically terminate, and the Area Developer will not have the right to renew or extend the term of this Agreement.

4. FEES PAYABLE TO THE FRANCHISOR

4.1 Development Fee. Upon executing this Agreement, the Area Developer will pay the Franchisor a development fee ("**Development Fee**") in an amount equal to $20,000 times the total number of Bakery Cafés that the Area Developer is committed to develop under the Development Schedule. For the avoidance of doubt, the amount of the Development Fee is set forth in **Attachment A** of this Agreement. The Development Fee will be nonrefundable and will be fully earned by the Franchisor when the Development Fee is paid by the Area Developer even if Area Developer fails to develop any Bakery Cafés under the terms of this Agreement. The Development Fee is payment to the Franchisor for granting the Area Developer the exclusive rights, as set forth in this Agreement, to develop Bakery Cafés in the Territory.

4.2 Initial Franchise Fees and Corresponding Franchise Agreements.

(a) First Bakery Café. Upon executing this Agreement, the Area Developer must execute a Franchise Agreement for its first Bakery Café that the Area Developer is required to open and operate under this Agreement ("**First Bakery Café**"). Upon executing such Franchise Agreement $20,000 of the Development Fee will be applied toward the Initial Franchise Fee owed for the First Bakery Café.

(b) Second and Any Subsequent Bakery Café. For the Second and Any Subsequent Bakery Café Area Developer is required to open and operate in the Territory pursuant to the Development Schedule set forth in Article 5.1 of this Agreement (collectively, the "**Second and Any Subsequent Bakery Cafés**"), $20,000 of the Development Fee will be applied toward the Initial Franchise Fee owed on the day the Area Developer enters into the respective Franchise Agreements for such Second and Any Subsequent Bakery Cafés.

4.3 Timing Involving Leases for Proposed Sites. The Area Developer will not purchase or lease the property for the proposed site for the Franchised Location of any Bakery Café until the Area Developer has signed the corresponding Franchise Agreement with the Franchisor for such Bakery Café and has complied with the applicable provisions of the corresponding Franchise Agreement relating to the selection of the site for the Franchised Location.

4.4 Marketing Fee; Other Fees. During the term of each Franchise Agreement signed by the Area Developer pursuant to this Agreement, the Area Developer will pay the Franchisor the Marketing Fees, as defined in each corresponding Franchise Agreement.

5. DEVELOPMENT SCHEDULE

5.1 Development Schedule. The Area Developer acknowledges and agrees that the Development Schedule set forth in **Attachment A** is a material provision of this Agreement. For purposes of determining compliance with the Development Schedule set forth in this Article, only the Area Developer's Bakery Cafés actually open and continuously operating in the Territory as of a given date will be counted toward the number of Bakery Cafés required to be open and continuously operating. The Area Developer understands that non-traditional Bakery Cafés operated by the Area Developer pursuant to an agreement with the Franchisor that is separate from this Agreement will not be counted towards the Area Developer's obligations under the Development Schedule. Notwithstanding any provision in the Franchise Agreement to the contrary, the Area Developer will be required to open the Bakery Cafés developed by the Area Developer under this Agreement according to the development dates set forth above in the Development Schedule, and the Franchise Agreement for each of the Area Developer's Bakery Cafés will be deemed to be amended accordingly.

5.2 Reasonableness of Development Schedule. The Area Developer represents that it has conducted its own independent investigation and analysis of the prospects for the establishment of Bakery Cafés within the Territory, and approves of the Development Schedule as being reasonable and viable.

5.3 Compliance Week Bank. For purposes of compliance with the Development Schedule, the Area Developer will have a "**Compliance Week Bank**" that will provide credit for early openings of Bakery Cafés, and will allow for late opening of a Bakery Café without placing the Area Developer in default, on the terms set forth in this Article 5.3. The Area Developer will begin with a balance in the number of weeks set forth in **Attachment A** as of the date of this Agreement. If the Area Developer opens a Bakery Café before the Required Opening Date, the Area Developer's Compliance Week Bank balance will be increased by one week for each full week by which the actual opening date preceded the Required Opening Date. If the Area Developer opens a Bakery Café after the Required Opening Date, the Area Developer's Compliance Week Bank balance will be decreased by one week for each full week by which the actual opening date occurred after the Required Opening Date. If the Area Developer opens a Bakery Café after the

Required Opening Date, the Area Developer will be entitled to an extension of the opening date, without creating a default under this Agreement and without payment of a Late Opening Fee pursuant to Article 5.4, for a number of weeks equal to or less than the Area Developer's then-current Compliance Week Bank balance (up to a maximum of 26 weeks per Bakery Café), and upon opening of the Bakery Café the Compliance Week Bank balance will be reduced by the number of weeks or partial weeks between the Required Opening Date and the actual Bakery Café opening date. Area Developer further acknowledges and agrees that Area Developer's utilization of the Compliance Week Bank for any particular Bakery Café does not change the Development Schedule in any way for any other Bakery Cafés required to be opened under this Agreement.

5.4 Extension of Development Schedule.

(a) If the Area Developer does not open a Bakery Café by the Required Opening Date, and does not have a positive balance in its Compliance Week Bank as set out in Article 5.3, the Area Developer will have the right to an extension of up to 26 weeks from the Required Opening Date, provided the Area Developer has obtained site approval from the Franchisor for the number of sites necessary at that time to achieve compliance with the Development Schedule, upon written notice to the Franchisor before the Required Opening Date stating that the Area Developer will not be able to meet the deadline and agreeing to pay a "**Late Opening Fee**" on Monday of each week beginning as of the Required Opening Date and continuing until the actual opening date. The Late Opening Fee will be $1,000 per week. If the Area Developer fails to have the Bakery Café open and operating on or before the end of the 26-week extension period, then the Area Developer will be in breach of this Agreement.

(b) Notwithstanding the foregoing Article 5.4(a), if the Area Developer establishes by written notice to the Franchisor that its failure to have the Bakery Café open is the result of an act of God, strike, lockout or other industrial disturbance, war, riot, epidemic, fire or other natural catastrophe or other force or circumstances beyond the reasonable control of the Area Developer ("**Force Majeure Event**"), then the deadline for the Bakery Café to open will be extended by two months from the date of the Force Majeure Event, without resorting to the Compliance Week Bank or payment of a Late Opening Fee. Following the end of the Force Majeure Event, the Area Developer will provide written notice to the Franchisor setting forth the Area Developer's plan to resume development and open the Bakery Café by a date that is reasonable under the circumstances, but in any event no later than two months following the date of the Force Majeure Event.

5.5 Failure to Comply with Development Schedule. If the Area Developer at any time during the term of this Agreement is not in compliance with the Development Schedule (i.e., does not have the required number of Bakery Cafés open and operating in the Territory as of the Required Opening Dates specified in the Development Schedule and has no extensions of the opening date available pursuant to Article 5.3 or Article 5.4), then the Franchisor will have the right to terminate this Agreement immediately upon written notice to the Area Developer. Termination of this Agreement as a result of the Area Developer's failure to meet the Development Schedule will not affect the individual Franchise Agreements for the Bakery Cafés opened and operating in the Territory pursuant to this Agreement which were signed by the parties prior to termination of this Agreement; however, upon termination of this Agreement, all rights to open and operate additional Bakery Cafés in the Territory and all other rights granted to the Area Developer under this Agreement will immediately revert to the Franchisor, without affecting those obligations of the Area Developer that continue beyond the termination of this Agreement.

5.6 Termination for Failure to Comply with Development Schedule. If this Agreement is terminated by the Franchisor because of the Area Developer's failure to meet the Development Schedule, the rights and duties of the Franchisor and the Area Developer will be as follows: (a) the Area Developer will have no rights to open additional Bakery Cafés within the Territory; (b) the Area Developer will continue to pay all required Fees and to operate its Bakery Cafés opened in the Territory pursuant to the terms of the applicable Franchise Agreements signed by the Area Developer prior to the date of the termination of this Agreement, and will in all other respects continue to comply with such Franchise Agreements; (c) the Franchisor will have the absolute right to Develop Bakery Cafés in the Territory or to contract with other persons for the development of additional Bakery Cafés in the Territory; (d) the Area Developer will have no right to obtain a refund of any monies it paid to the Franchisor pursuant to this Agreement or the Franchise Agreements; and (e) the Area Developer and the Franchisor will not have any rights or obligations with respect to the Franchise Agreements required to be signed pursuant to the Development Schedule in Article 5.1, but which were not executed prior to the termination of this Agreement by the Franchisor because of the Area Developer's failure to comply with the Development Schedule.

6. OTHER OBLIGATIONS OF AREA DEVELOPER

6.1 Compliance with Applicable Laws. The Area Developer will, at its expense, comply with all applicable federal, state, city, local and municipal laws, ordinances, rules and regulations pertaining to the operation of the Area Developer's Bakery Cafés in the Territory. The Area Developer will, at its expense, be absolutely and exclusively responsible for determining the licenses and permits required by law for the Area Developer's Bakery Cafés, for qualifying for, and obtaining and maintaining, all such licenses and permits, and for compliance with all applicable laws by its employees, agents and independent contractors.

6.2 Execution of Franchise Agreements. For each Bakery Café that will be opened and operated by the Area Developer in the Territory pursuant to this Agreement, the Area Developer or an Entity in which (a) the Area Developer is the Owner of at least 50.1% of the Ownership Interests in the Entity or (b) the Area Developer's Owners are the Owners of at least 50.1% of the Ownership Interests in the Entity ("**Controlled Entity**") must execute the Franchisor's then-current standard Franchise Agreement and comply with the other requirements of this Agreement. The failure of the Area Developer or the Controlled Entity to provide the Franchisor with an executed Franchise Agreement within the time specified in Article 4.1 and the Development Schedule will constitute a material breach of this Agreement, and the Franchisor will have the right to terminate this Agreement as provided for herein. If the Franchise Agreement required to be executed pursuant to this Article (and the other applicable provisions of this Agreement) will be executed by the Controlled Entity, then: (i) the Area Developer (or the Area Developer's Owners) will, at all times during the term of the Franchise Agreement, be required to maintain at least a 50.1% Ownership Interest in the Controlled Entity and (ii) the Area Developer will not be relieved from complying with the terms, conditions and the Area Developer's obligations set forth in this Agreement. If the Area Developer elects to have a Controlled Entity execute the Franchise

Agreement for any Bakery Café being developed under this Agreement, then all terms, conditions and obligations under this Agreement relating to compliance with the Franchise Agreement for that Bakery Café will be the obligation of the Controlled Entity, and not the Area Developer.

6.3 Local Marketing; Other Payments. During the term of each Franchise Agreement signed by the Area Developer pursuant to this Agreement, the Area Developer will be required to spend monies for items such as grand opening advertising and promotion, approved Local Marketing, and other related expenses, as defined and set forth in each corresponding Franchise Agreement.

6.4 Modifications to Franchise Agreement. The Area Developer acknowledges that (a) the terms, conditions and economics of the Franchise Agreement may be modified from time to time by the Franchisor, (b) reasonable modifications and amendments to the Franchise Agreement will not alter the Area Developer's obligations under this Agreement, (c) any changes or modifications made to the Franchise Agreement in the future will not be applicable to any Franchise Agreement previously executed by the Area Developer, and (d) the Area Developer will be required to pay any additional Fees contained in any Franchise Agreement signed by the Area Developer after the date of this Agreement.

6.5 Area Developer's Name. The Area Developer will not use the word "La Boulangerie", "The American Boulangerie", "La Boulangerie of San Francisco" or any name that is confusingly similar to any of the words used in any of the Marks in the name of any Entity formed by the Area Developer or any Affiliate of the Area Developer. The Area Developer will at all times hold itself out to the public as an independent contractor operating its Bakery Cafés pursuant to Franchise Agreements with the Franchisor. The Area Developer will file for a certificate of assumed name in the manner required by applicable state law to notify the public that the Area Developer is operating its Bakery Cafés as an independent contractor.

6.6 Interests of Area Developer. If the Area Developer is an Entity, it will be dedicated solely to the development and operation of the Area Developer's Bakery Cafés in the Territory and will not hold any interest in, operate, or manage any other business of any kind without the prior written approval of the Franchisor. If the Area Developer is an individual, he or she will not hold any interest in, operate, or manage any Competitive Business without the prior written approval of the Franchisor.

6.7 Designation of Operator. When the Area Developer signs this Agreement, the Area Developer will designate an individual as the "**Operator**." If the Area Developer is an individual, then the Operator will be the Area Developer. As a member of the Management Staff, the Operator must successfully complete all training programs required under each of the Franchise Agreements entered into by the Area Developer pursuant to this Agreement. The Operator will, during the entire period he or she serves as the Operator, devote his or her full time and best efforts to the supervision, conduct and operations of the Area Developer's Bakery Cafés. The Operator will execute the Personal Guaranty of this Agreement in the form attached hereto **(**"**Personal Guaranty**") and execute this Agreement as one of the Owners of the Area Developer if he or she is the Owner of at least 10% of the issued and outstanding Ownership Interests in the Area Developer. If during the term of this Agreement, the Operator is not able or is not qualified to continue to serve in the capacity of Operator, then the Area Developer will promptly notify the

Franchisor in writing and will designate a duly qualified replacement Operator within 30 days after the former Operator ceases to serve in that capacity.

6.8 Online Ordering System. The Franchisor reserves the right to establish and/or facilitate a branded digital ordering and payment software platform ("**Online Ordering System**") for the purpose of enhancing customer service throughout the System. The Area Developer hereby agrees to participate in such Online Ordering System at each of the Bakery Cafés that the Area Developer will operate pursuant to this Agreement. Accordingly, the Area Developer agrees to comply with all requirements established by the Franchisor in connection with the Online Ordering System as set forth in the Franchise Support Guide. The Area Developer acknowledges and agrees that the Franchisor reserves the right to establish such an Online Ordering System, and has no obligation to do so. The Area Developer further acknowledges and agrees that the Franchisor also reserves the right to modify or discontinue any such Online Ordering System once it has been established.

6.9 Gift Cards; Guest Loyalty Programs. The Area Developer will not create or issue any gift certificates or gift cards and will only sell gift certificates or gift cards that have been issued by the Franchisor that are accepted at all Bakery Cafés. The Area Developer will participate in all gift certificate and/or gift card administration programs as may be designated by the Franchisor from time to time. The Area Developer will honor all coupons, gift certificates, gift cards and other programs or promotions as directed by the Franchisor, even if the Area Developer is not required by the Franchisor to actively offer or promote such programs or promotions within the respective Protected Areas of Bakery Cafés developed pursuant to this Agreement. The Area Developer will fully participate in all guest loyalty or frequent customer programs approved by the Franchisor, even if the Area Developer is not required by the Franchisor to actively promote such programs within the respective Protected Areas of Bakery Cafés developed pursuant to this Agreement. The Area Developer acknowledges that a guest loyalty program may include technology and system components or applications involving third-party vendors identified by the Franchisor, and the Area Developer agrees to timely execute and deliver such documents, contracts, or agreements as the Franchisor may reasonably require to facilitate such programs. The Area Developer will not issue coupons or discounts of any type for use at its Bakery Cafés except as approved by the Franchisor in writing, which may be withheld in its sole and absolute discretion.

7. TRANSFER

7.1 Transfer of Agreement by the Franchisor. This Agreement may be unilaterally Transferred by the Franchisor to a person or Entity without the approval of the Area Developer and will inure to the benefit of the successors and assigns of the Franchisor. The Franchisor will provide the Area Developer with written notice of any such Transfer, and the Transferee (as that term is defined below) will be required to fully perform all obligations of the Franchisor under this Agreement.

7.2 Transfer of Agreement by Individual Area Developer. If the Area Developer is an individual and has personally signed this Agreement, then in the event of the death or permanent disability of the Area Developer, this Agreement may be Transferred by the Area Developer to any designated person or beneficiary ("**Beneficiary**") without the payment of any Transfer Fee and without complying with Article 10. However, the Transfer of this Agreement to the Area

Developer's Beneficiary will be subject to the provisions of Article 7.3(b) - (i) of this Agreement, and will not be valid or effective until the Franchisor has received the properly executed legal documents which its attorneys deem necessary to document the Transfer of this Agreement. The Beneficiary must agree to be unconditionally bound by the terms and conditions of this Agreement. There will be no charge to the Beneficiary for the initial training program; however, the Salary and Benefits and the Travel Expenses of the Beneficiary will be paid by the Area Developer. In addition, this Agreement may be Transferred to an Entity without the payment of a Transfer Fee and without complying with Article 10 if the Area Developer is an individual or is owned in a general partnership, provided that the Owner or Owners of the Entity are the same person or persons who signed this Agreement.

7.3 Conditions to Transfer of Agreement by Area Developer. Subject to the provisions of Article 10, the Area Developer will not Transfer any interest in or any part of this Agreement to any person or Entity ("**Transferee**") without the prior written approval of the Franchisor. The Franchisor will not withhold its written consent to any Transfer of this Agreement if the Transfer does not violate any of the terms of this Agreement, if the Franchisor does not exercise its rights under Article 10 of this Agreement, and if the Area Developer and/or the Transferee are in full compliance with the following terms and conditions:

(a) the Area Developer has provided written notice to the Franchisor of the proposed Transfer of this Agreement at least 45 days prior to the closing of the transaction;

(b) all of the Developer's monetary obligations due to the Franchisor have been paid in full, and the Area Developer is not otherwise in default under this Agreement;

(c) the Area Developer has agreed in writing to observe all applicable provisions of this Agreement, including the covenants not to compete contained in this Agreement;

(d) the Area Developer has executed a release, in a form satisfactory to the Franchisor, of any and all claims against the Franchisor and its Executive Management, Owners, agents and employees, in their corporate and individual capacities, arising from, in connection with, or as a result of this Agreement including, without limitation, all Claims arising under any federal or state franchising laws or any other federal, state or local law, rule or ordinance; provided, however, that the Franchisor and the Area Developer may specifically exclude from the coverage of the release any prior or concurrent written agreements or Franchise Agreements between them for other Bakery Cafés operated by the Area Developer;

(e) the Transferee has demonstrated to the satisfaction of the Franchisor that he, she or it meets the managerial, financial and business standards required by the Franchisor for new area developers, possesses a good business reputation and credit rating, as solely determined by the Franchisor, and that its Executive Management possesses the aptitude and ability to operate the Bakery Cafés in the Territory in an economic and businesslike manner (as may be evidenced by prior related business experience or otherwise), as solely determined by the Franchisor;

(f) the Transferee and all of the Transferee's Owners execute a Personal Guaranty, if required by the Franchisor;

(g) the Transferee and the Transferee's Owners execute the legal agreements required by the Franchisor or its legal counsel to document the Transfer of this Agreement to the transferee Area Developer; and

(h) the Transferee and its Management Staff, as defined in the Franchise Agreement, have successfully completed the initial training program then prescribed by the Franchisor to the satisfaction of the Franchisor.

The Area Developer will not under any circumstances have the right to Transfer unexercised development rights under this Agreement unless the Transfer also includes Transfer of all operating Bakery Cafés operated by the Area Developer and/or any Controlled Entity.

7.4 Transfer of Ownership Interest. No Owner will have the right to Transfer an Ownership Interest in the Area Developer without the prior written approval of the Franchisor. The Franchisor will not withhold its written consent if the Transfer of the Ownership Interest by the Owner complies in all respects with the terms of this Agreement, and if the Franchisor does not exercise its right of first refusal to acquire the Ownership Interest in the Area Developer pursuant to Article 10.7. A Transfer by an Owner of the Area Developer to (a) a relative (husband, wife, children, grandchildren, mother, father, brothers and sisters) of the Owner, or (b) one of the existing Owners of the Area Developer will, not be subject to the provisions of Articles 7.6 and 10.7 provided that: (i) the Transfer has been approved in writing by the Franchisor and (ii) the Area Developer's Owner has complied with all of the provisions of this Agreement applicable to an Owner, as solely determined by the Franchisor.

7.5 Acknowledgment of Restrictions. The Area Developer and Owners acknowledge and agree that the restrictions on Transfer imposed herein are reasonable and necessary to protect the System and the Marks, as well as the reputation and image of the Franchisor, and are for the protection of the Franchisor, the Area Developer and all other area developers and franchisees who have been granted the right to operate Bakery Cafés. Any Transfer permitted by this Article 7.5 will not be effective until the Franchisor receives a completely executed copy of all Transfer documents and the Franchisor consents to the Transfer in writing. Any attempted Transfer made without complying with the requirements of this Article will be void.

7.6 Transfer Fee. If this Agreement is Transferred to another person or Entity, or if any of the Owners transfer any Ownership Interest in the Area Developer to a third party, then except as provided for in Articles 7.2 and 7.4, the Area Developer will pay the Franchisor a fee equal to 50% of the Franchisor's then-current initial franchise fee for a single franchise ("**Transfer Fee**"). The Area Developer will the Transfer Fee amount with the Area Developer's prior to the closing on the Transfer transaction. The Transfer Fee is to cover the costs incurred by the Franchisor in connection with the Transfer. The Franchisor also reserves the right to charge the Transferee its Per-Diem Training Fee to cover the costs to provide the initial training program to the Transferee and its Management Staff. The Transferee will also be responsible for all Salaries and Benefits, Travel Expenses and other expenses incurred by all personnel attending the initial training program on behalf of the Transferee.

7.7 Transfer to Competitor Prohibited. The Area Developer and the Owners will not Transfer this Agreement or their Ownership Interests in the Area Developer to any person or Entity that owns, operates, franchises, develops, consults with, manages, is involved in, or controls any Competitive Restaurant. If the Franchisor refuses to permit a Transfer of this Agreement under this provision, then the Area Developer's and the Owners' only remedy will be to have a mediator or arbitrator determine whether the proposed transferee owns or operates a Competitive Restaurant.

8. TERMINATION RIGHTS OF THE FRANCHISOR

8.1 Immediate Termination Rights of the Franchisor. The Area Developer will be deemed to be in default subject to immediate termination under this Agreement, without prior notice of the default from the Franchisor and without an opportunity to cure the default unless precluded by applicable law or otherwise as stated herein, if any of the following events occur:

(a) the Area Developer fails to comply with the Development Schedule set forth in Article 5.1 and has no extensions of the opening date available pursuant to Article 5.3 or Article 5.4;

(b) the Area Developer voluntarily or otherwise Abandons any of the Area Developer's Bakery Cafés;

(c) the Area Developer materially violates any federal, state or municipal law, rule, code or regulation applicable to the operations of the Area Developer's Bakery Cafés, including a violation of any health department rules or regulations relating to any food safety standards that would in any way endanger the health or well-being of any of the customers or guests of the Area Developer's Bakery Cafés;

(d) the Area Developer, the Operator, or any of its Executive Management or Owners are convicted of, or plead guilty to or no contest to a charge of violating any law, and such conviction or plea could have a material adverse effect on the Area Developer's right or ability to operate the Bakery Cafés or could have a material adverse effect on the Marks;

(e) the Area Developer breaches any material provision, term or condition of this Agreement;

(f) the Area Developer fails to timely pay any of its uncontested obligations or liabilities (where there is no reasonable commercial dispute) due and owing to the Franchisor, suppliers, banks, purveyors, other creditors or to any federal, state or municipal government;

(g) any check issued by the Area Developer is dishonored because of insufficient funds (except where the check is dishonored because of bank error or an error in bookkeeping or accounting) or closed accounts;

(h) the Area Developer is determined to be insolvent within the meaning of applicable state or federal law, any involuntary petition for bankruptcy is filed against the

Area Developer and the Area Developer is unable, within a period of 60 days from such filing, to obtain the dismissal of the involuntary petition, or the Area Developer files for bankruptcy or is adjudicated a bankrupt under applicable state or federal law;

(i) the Area Developer makes an assignment for the benefit of creditors or enters into any similar arrangement for the disposition of its assets for the benefit of creditors;

(j) the Area Developer is involved in any act or conduct which materially impairs the goodwill associated with "La Boulangerie", "La Boulangerie of San Francisco", "The American Boulangerie" any other of the Marks or with the System and the Area Developer fails to correct the breach within 24 hours after receipt of written notice of the breach from the Franchisor;

(k) any Franchise Agreement between the Area Developer (or a Controlled Entity) and the Franchisor is terminated by either party for any reason;

(l) the Area Developer makes an assignment for the benefit of creditors or enters into any similar arrangement for the disposition of its assets for the benefit of creditors;

(m) any check issued by the Area Developer is dishonored because of insufficient funds (except where the check is dishonored because of bank error or an error in bookkeeping or accounting) or closed accounts;

(n) the Area Developer is involved in any act or conduct which materially impairs the goodwill associated with "La Boulangerie", "La Boulangerie of San Francisco", "The American Boulangerie" or any other of the Marks or the System;

(o) the Area Developer fails to designate a duly qualified replacement Operator within 30 days after the former Operator ceases to serve in that capacity;

(p) the Area Developer, an affiliated Entity or an Owner breaches any Franchise Agreement or any other agreement between such person or Entity and the Franchisor or an Affiliate; or

(q) any Franchise Agreement between the Area Developer (or a Controlled Entity) and the Franchisor is terminated by either party for any reason.

If this Agreement is terminated by the Franchisor pursuant to this Article 8.1, then the Franchisor will give the Area Developer written notice that this Agreement is terminated and, in that event, the effective date of termination of this Agreement will be the day the written notice of termination is received by the Area Developer. If notice of termination is given to the Area Developer by the Franchisor pursuant to Article 8.1(e), then this Agreement will terminate on the first minute of the 25th hour after receipt of the written notice of termination if the Area Developer fails to correct the alleged breach within 24 hours after receiving the written notice of termination.

8.2 Other Remedies. Nothing in this Article will preclude the Franchisor from seeking other remedies or damages under any state or federal law, common law, or under this Agreement against the Area Developer including, but not limited to, attorneys' fees, and injunctive relief. If this Agreement is terminated by the Franchisor pursuant to this Article, or if the Area Developer breaches or violates this Agreement by a wrongful termination or a termination that is not in strict compliance with the terms and conditions of this Agreement, then the Franchisor will be entitled to seek recovery of all the damages that the Franchisor has sustained and will sustain in the future as a result of the Area Developer's breach of this Agreement. If this Agreement is terminated due to the Area Developer's failure to meet the Development Schedule, the Area Developer will, within 10 days of the effective date of termination, pay the Franchisor damages in the amount of any unpaid fees owed to the Franchisor pursuant to Article 4. The foregoing will not limit the Franchisor's rights under any Franchise Agreements between the Franchisor and the Area Developer.

8.3 Franchisor's Right to Acquire Existing Bakery Cafés. In addition to all of the other rights granted to Franchisor in this Article 8 upon termination of this Agreement, Franchisor has the right to acquire from Area Developer or its approved operating Affiliate, any Bakery Cafés currently open and operating in the Territory. The acquisition shall be made in accordance with the terms of the individual Franchise Agreement for each Bakery Café and the purchase price shall be calculated in accordance with the terms and procedures set forth in the Franchise Support Guide.

9. OBLIGATIONS UPON TERMINATION OR EXPIRATION

9.1 Obligations upon Termination; Reversion of Rights. Upon termination of this Agreement for any reason, all rights to open and operate additional Bakery Cafés in the Territory and all other rights granted to the Area Developer pursuant to this Agreement will automatically revert to the Franchisor, and the Franchisor will have the right to develop the Territory or to contract with another area developer for the future development of the Territory. In addition, the Area Developer will comply with all other applicable provisions of this Agreement, including those provisions with obligations that continue beyond the termination of this Agreement.

9.2 Franchise Agreements Not Affected. The Area Developer will continue to operate the Bakery Cafés operated by the Area Developer in the Territory pursuant to the terms of the applicable Franchise Agreements signed by the Area Developer and the Franchisor prior to the termination of this Agreement, and the rights and obligations of the Area Developer and the Franchisor with respect to the Area Developer's Bakery Cafés in the Territory will be governed by the terms of the applicable Franchise Agreements.

9.3 Continuation of Obligations. The indemnities and covenants contained in this Agreement will continue in full force and effect subsequent to and notwithstanding the expiration or termination of this Agreement.

9.4 Franchisor's Right to Acquire the Bakery Café. In addition to all of the other rights granted to the Franchisor in this Article 9 upon termination of this Agreement, if the Area Developer has opened any Bakery Cafés pursuant to this Agreement, then the Franchisor has the right to acquire all right, title and interest in the assets of such Bakery Cafés, including all real property owned by the Area Developer or its Affiliates from which the Bakery Café is operated, from Developer. Franchisor must notify the Area Developer its intention to acquire any Bakery Cafés at the time Franchisor sends the final notice of termination and must comply with all other provisions related to the acquisition set forth in the Franchise Support Guide. In addition, the parties agree that the purchase price for any such Bakery Cafés will be calculated in accordance with the terms and procedures set forth in the Franchise Support Guide.

10. OPTION OF THE FRANCHISOR TO PURCHASE

10.1 Terms of Option. The Area Developer will not Transfer or otherwise dispose of any interest in or any part of (i) the Area Developer's interest in this Agreement, including the right of the Area Developer to develop Bakery Cafés in the Territory, or (ii) any Ownership Interest in the Area Developer (collectively, the "**Major Assets**") to any purchaser without first offering the same to the Franchisor in a written offer that contains the purchase price, payment terms, and all other material terms and conditions of the proposed transaction with the third party, including price and payment terms ("**Area Developer's Offer**"). The Franchisor will have 30 days after receipt of the Area Developer's Offer to give the Area Developer written notice of the Franchisor's desire to either waive its option to purchase ("**Waiver Notice**") or its intention to exercise its rights to purchase or acquire the Major Assets according to the terms contained in the Area Developer's Offer ("**Notice of Intent to Purchase**").

10.2 Due Diligence Review. If the Franchisor provides the Area Developer with a Notice of Intent to Purchase within 30 days after receipt of the Area Developer's Offer, then the Franchisor will have 90 days after the date the Notice of Intent to Purchase is received by the Area Developer ("**Notice Date**") to conduct a "**due diligence**" review. The Area Developer will promptly provide the Franchisor with all Financial Records and other information requested by the Franchisor or its representatives to conduct its due diligence review. The Franchisor will have the absolute and unconditional right to terminate the Notice of Intent to Purchase and any obligation to purchase the Major Assets from the Area Developer for any reason and at any time during the 90-day due diligence review period by giving the Area Developer written notice.

10.3 Good Faith Negotiations. Unless the Franchisor terminates its Notice of Intent to Purchase as provided in Article 10.2, then the Area Developer and the Franchisor will act in good faith to agree on the terms and conditions of the definitive agreement or agreements for the purchase of the Major Assets (other than those objective terms and conditions contained in the Area Developer's Offer) and the closing date for the sale of the Major Assets to the Franchisor will take place within 120 days after the Notice Date.

10.4 Sale to Purchaser. The Area Developer will have the right to complete the transaction for the sale of the Major Assets to a purchaser according to the terms and conditions contained in the Area Developer's Offer to the Franchisor, if (a) the Franchisor delivers a Waiver Notice to the Area Developer, (b) the Franchisor fails to deliver either a Waiver Notice or the Notice of Intent to Purchase to the Area Developer within 30 days after receiving the Area Developer's Offer, (c) the Franchisor terminates its Notice of Intent to Purchase during the due diligence period pursuant to the provisions of Article 10.2, or (d) the Area Developer and the Franchisor fail to agree on the terms and conditions for the definitive agreement or agreements for the purchase of the Major Assets by the Franchisor from the Area Developer (other than those terms and conditions contained in the Area Developer's Offer) on or before the 120th day after the Notice Date.

10.5 Negotiated Changes with Purchaser. If the Franchisor does not purchase the Major Assets from the Area Developer under the terms and conditions contained in the Area Developer's Offer, then if during any negotiations with a purchaser the Area Developer agrees to negotiate, change, delete, or modify any of the terms and conditions contained in the Area Developer's Offer or the terms and conditions contained in the most recent version of the definitive agreement or agreements proposed by the Area Developer during negotiations that were not acceptable to the Franchisor, then the Area Developer will be required to re-offer to sell the Major Assets to the Franchisor under the new terms and conditions offered to the purchaser in accordance with the provisions of this Article, and the Area Developer's failure to do will be a material breach of this Agreement.

10.6 Compliance with Agreement. The Area Developer's obligations under this Agreement will in no way be affected or changed because of non-acceptance by the Franchisor of the Area Developer's Offer and, as a consequence, the terms and conditions of this Agreement will remain in full force and effect. The decision by the Franchisor not to exercise the option to purchase granted to it pursuant to this Article will not, in any way, be deemed to grant the Area Developer the right to terminate this Agreement and will not affect the term of this Agreement. Moreover, if the Franchisor does not exercise the option to purchase granted to it pursuant to this Article and if the Area Developer sells or otherwise disposes of its Major Assets to a third party, then both the Area Developer and the purchaser will be required to comply in all respects with the terms and conditions of Article 7 of this Agreement. Any Transfer of the Area Developer's Bakery Cafés that does not include a Transfer of this Agreement to the transferee will constitute a wrongful termination of this Agreement by the Area Developer.

10.7 Transfer of Ownership Interest. The Ownership Interests owned by the Area Developer or by the Owners of the Area Developer may not be Transferred or otherwise disposed of by the Area Developer or the Owners until the Ownership Interests have first been offered to the Franchisor in writing. If the Area Developer or the Owners desire to Transfer their Ownership Interests, then they will first offer the Ownership Interests in the Area Developer to the Franchisor in writing under the same terms and conditions as being offered to any party. The Franchisor will have 30 days within which to accept any offer to purchase the Owner's Ownership Interest in the Area Developer. The Owner will be required to comply with the provisions of Article 7.4 if the Franchisor does not exercise its right to purchase the Owner's Ownership Interest.

10.8 Acknowledgment of Restrictions. The Area Developer and the Owners acknowledge and agree that the restrictions on Transfer imposed herein are reasonable and are necessary to protect the System and the Marks, as well as the reputation and image of the Franchisor, and are for the protection of the Franchisor, the Area Developer and all other area developers and franchisees who develop and operate Bakery Cafés. Any Transfer permitted by this Agreement will not be effective until the Franchisor receives a completely executed copy of all Transfer documents and the Franchisor consents to the Transfer in writing.

10.9 Bankruptcy Issues. If the Area Developer or any person or Entity holding any Ownership Interests (direct or indirect) in the Area Developer 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 Area Developer's obligations and/or rights hereunder, any material assets of the Area Developer, or any indirect or direct interest in the Area Developer will be subject to all of the provisions of this Article.

11. REPRESENTATIONS, WARRANTIES AND COVENANTS OF AREA DEVELOPER

11.1 Organization. If the Area Developer is a corporation, limited liability company, partnership or other entity, then the Area Developer and the Owners represent, warrant and covenant that:

(a) The Area Developer is duly organized and validly existing under the law of the state or territory where formed;

(b) The Area Developer is duly qualified and is authorized to do business in the jurisdiction where the Bakery Cafés will be located and in each jurisdiction where it conducts business, maintains offices, owns real estate or where qualification is required;

(c) The Area Developer's articles of incorporation, by-laws, operating agreement, member control agreement, partnership agreement or other organizational documents ("**Organizational Documents**") will at all times provide that the Area Developer's business activities will be confined exclusively to the development and operation of the Bakery Cafés, unless otherwise consented to in writing by the Franchisor;

(d) The execution of this Agreement and the consummation of the transactions contemplated by this Agreement and the Franchise Support Guide are within the powers granted to the Area Developer by the Organizational Documents and have been duly authorized and approved by the Area Developer or by the board of directors, board of governors, managing partner or other governing body of the Area Developer;

(e) Copies of all Organizational Documents and any other documents, agreements or resolutions in the Area Developer's possession will be provided to the Franchisor upon written request;

(f) The names of the Owners of the Area Developer and their Ownership Interests in the Area Developer are accurately stated and completely described in the Owners' statement attached to this Agreement;

(g) The Area Developer will at all times maintain a current schedule of the Owners of the Area Developer and their Ownership Interests, and the Area Developer will immediately provide the Franchisor with a copy of the updated Ownership schedule whenever there is any change of Ownership. The Ownership schedule will contain the name, address, telephone number and e-mail address of each Owner of the Area Developer and will state the percentage of Ownership that each Owner has in the Area Developer;

(h) If any person or entity ceases to be one of the Area Developer's Owners, or if any individual or entity becomes an Owner of the Area Developer, then the Area

Developer will notify the Franchisor in writing and within five days the Area Developer will require the new Owner to execute all documents required by the Franchisor;

(i) The Area Developer's Organizational Documents and any documents representing Ownership in the Area Developer will provide that no Ownership Interest in the Area Developer may be assigned or transferred to any person or entity unless it is in strict compliance with the terms, conditions and restrictions contained in this Agreement;

(j) The Area Developer has no material liabilities, adverse claims, commitments or obligations of any nature as of the date of this Agreement, whether accrued, unliquidated, absolute, contingent or otherwise, except as disclosed to the Franchisor in writing or set forth in the financial statements of the Area Developer that have been provided to the Franchisor;

(k) Each of the Area Developer's Owners who owns at least 10% of the issued and outstanding Ownership Interests in the Area Developer will execute the Personal Guaranty attached hereto;

(l) The Area Developer will, at all times, maintain sufficient working capital to operate the Bakery Cafés and to fulfill its obligations under this Agreement, and will take steps to ensure availability of capital to fulfill the Area Developer's obligations to maintain, remodel and modernize the Bakery Café premises as required under the Franchise Agreements; and

(m) The representations, warranties and covenants contained in this Article are continuing obligations of the Area Developer and the Owners and that any failure to comply with such representations, warranties and covenants will constitute a material breach of this Agreement.

11.2 Compliance with Agreement. The Area Developer and the Owners represent, warrant and covenant that they will comply with all requirements and will perform all obligations in accordance with the terms and conditions of this Agreement.

12. AREA DEVELOPER'S COVENANTS NOT TO COMPETE

12.1 Consideration. The Area Developer and the Owners acknowledge that the Area Developer, the Operator, its Owners, Executive Management and employees will receive specialized training, marketing and advertising plans, business strategies, confidential recipe, cooking and food preparation information, and trade secrets from the Franchisor pertaining to the System and the operation of the Bakery Cafés. In consideration for this information, the Area Developer and the Owners will comply in all respects with the provisions of this Article. The Franchisor has advised the Area Developer that this provision is a material provision of this Agreement, and that the Franchisor will not enter into a development agreement with any person or Entity that owns or intends to own, operate or be involved in any Competitive Bakery Café; however, the Franchisor may, under certain circumstances, exclude from the coverage of Articles 12.2 and 12.3 existing operational restaurant(s) and operated by the Area Developer on the date of this Agreement, and the Area Developer may, with the express written consent of the Franchisor, continue to own and operate such restaurants during the term of this Agreement and thereafter.

The Area Developer warrants and represents that it does not, except as disclosed to and approved by the Franchisor pursuant to this Article 12.1, own, operate, or have any involvement with or interest in any Competitive Restaurant.

12.2 In-Term Covenant Not to Compete. The Area Developer and the Owners covenant that they will not, during the term of this Agreement, on their own account or as an employee, principal, agent, franchisee, independent contractor, consultant, affiliate, licensee, partner, officer, director, shareholder, member, manager, governor or Owner of any other person or Entity, own, operate, manage, maintain, lease, franchise, conduct, engage in, consult, be connected with, have any interest in, or assist any person or Entity engaged in any Competitive Restaurant, except with the prior written consent of the Franchisor.

12.3 Post-Term Covenant Not to Compete. Except as provided to the contrary in Article 12.1, for a period of 24 months after the termination or expiration of this Agreement, the Area Developer and its Owners covenant they will not: (a) on their own account or as an employee, principal, agent, franchisee, independent contractor, consultant, affiliate, licensee, partner, officer, director, shareholder, member, manager, governor or Owner of any other person or Entity, own, operate, manage, maintain, lease, franchise, conduct, engage in, consult, be connected with, have any interest in or assist any person or Entity engaged in any Competitive Restaurant which is located within the Territory, within 10 miles of the Territory, within 10 miles of any Bakery Café, or within any exclusive area or territory granted by the Franchisor pursuant to an Area Development Agreement or other territorial agreement; or (b) convert any Bakery Café developed by the Area Developer pursuant to this Agreement to a Competitive Restaurant. The Area Developer and the Owners expressly agree that the time and geographical limitations set forth in this provision are reasonable and necessary to protect the Franchisor and its other area developers and franchisees if this Agreement expires or is terminated by either party for any reason, and that this covenant not to compete is necessary to permit the Franchisor the opportunity to resell and/or develop new Bakery Cafés within or near the Territory.

12.4 Ownership of Public Companies. The restrictions set forth in Articles 12.2 and 12.3 will not apply to ownership of up to 3% of the shares of any publicly-held company or mutual fund that owns, operates, has an interest in, or controls any Competitive Restaurant business, provided that such company has a class of securities that is listed and publicly traded on a national securities exchange and is subject to the reporting requirements of the Securities Exchange Act of 1934, as amended, and such shares are owned for investment only, and are not owned by an officer, director, employee or consultant of such publicly-traded company.

12.5 Injunctive Relief. The Area Developer and the Owners agree that the provisions of this Article are necessary to protect the legitimate business interest of the Franchisor and its area developers and franchisees including, without limitation, preventing the unauthorized dissemination of marketing, promotional and other Confidential Information to competitors of the Franchisor and its area developers and franchisees, protecting recipes, cooking and food preparation techniques and other trade secrets, protecting the integrity of the franchise system, preventing duplication of the System by unauthorized third parties, preventing damage to and/or loss of goodwill associated with the Marks and protecting the Franchisor's intellectual property rights. The Area Developer and the Owners also agree that damages alone cannot adequately compensate the Franchisor if there is a breach of this Article 12 by the Area Developer or the

Owners, and that injunctive relief against the Area Developer is essential for the protection of the Franchisor and its area developers and franchisees. The Area Developer and the Owners agree therefore, that if the Franchisor alleges that the Area Developer or the Owners have breached this Article 12, then the Franchisor will have the right to petition a court of competent jurisdiction for injunctive relief against the Area Developer and the Owners, in addition to all other remedies that may be available to the Franchisor. The Franchisor will not be required to post a bond or other security for any injunctive proceeding. If the Franchisor is granted ex parte injunctive relief against the Area Developer or the Owners, then the Area Developer or the Owners will have the right to petition the court for a hearing on the merits at the earliest time convenient to the court.

12.6 Effect on Other Agreements. The covenants not to compete set forth in this Article will apply and be enforced independently of any covenant not to compete set forth in any other agreements between the Franchisor and the Area Developer (or a Controlled Entity) and/or the Owners.

13. INDEPENDENT CONTRACTORS

13.1 Independent Contractors. Nothing in this Agreement is intended by the parties hereto to create a fiduciary relationship between them nor to constitute the Area Developer as a subsidiary, joint venture, partner, agent or employee of the Franchisor for any purpose whatsoever. It is understood and agreed that the Area Developer is an independent contractor and is in no way authorized to make any warranty or representation on behalf of the Franchisor other than those contained in any disclosure document provided prepared by the Franchisor for use by the Area Developer, nor is the Area Developer authorized to create any obligation or enter into any contract binding on the Franchisor.

13.2 Operation of Bakery Cafés. The Area Developer will be totally and solely responsible for the development and daily management and operation of its Bakery Cafés in the Territory, and will control, supervise and manage all the employees, agents and independent contractors who work for or with the Area Developer, including the right to hire and fire its employees. The Area Developer will be responsible for the acts of its employees, agents and independent contractors, and will take all reasonable business actions necessary to ensure that its employees, agents and independent contractors comply with all federal, state and local laws, rules and regulations. The Franchisor will not have any right, obligation or responsibility to control, supervise or manage the Area Developer’s employees, agents or independent contractors.

14. INDEMNIFICATION

14.1 Indemnification by Area Developer. The Franchisor and its Affiliates and their respective employees, Executive Management, Owners, directors, officers, attorneys, accountants and agents (individually and collectively, the “**Franchisor Indemnified Parties**”) will not be obligated to any person or Entity for any Damages arising out of, from, in connection with, relating to, or as a result of the Area Developer’s negligence, the Area Developer’s wrongdoing or the operation of the Area Developer’s Bakery Cafés. Therefore, the Area Developer will indemnify and hold harmless the Franchisor Indemnified Parties against, and will reimburse the Franchisor Indemnified Parties for, all Damages that the Franchisor Indemnified Parties incur in the defense of or as a result of any Claim brought against the Franchisor Indemnified Parties arising from, in connection with, arising out of, relating to, or as a result of the Area Developer's negligence, the Area Developer's wrongdoing or the operation of the Area Developer's Bakery Cafés. The Area Developer will indemnify the Franchisor Indemnified Parties, without limitation, for all Damages arising from, out of, in connection with, relating to, or as a result of any and all Claims, including, but not limited to:

(a) any personal injury, property damage, commercial loss or environmental contamination resulting from any act or omission of the Area Developer or its Executive Management, employees, agents or representatives;

(b) any failure on the part of the Area Developer to comply with any requirement of any federal or state laws or any rules or regulations of any Governmental Authority;

(c) any failure of the Area Developer to pay any of its obligations to any person or Entity;

(d) any failure of the Area Developer to comply with any requirement or condition of this Agreement, the Franchise Support Guide, or any other agreement with the Franchisor and/or the Franchisor Indemnified Parties;

(e) any misfeasance or malfeasance by the Area Developer or its Executive Management, employees, agents or representatives;

(f) any tort committed by the Area Developer or its Executive Management, employees, agents or representatives;

(g) any determination by a court or agency that the Franchisor is the employer or a joint employer of any of Franchisee's employees;

(h) any claim, action, suit, or proceeding by Franchisee's employees, including but not limited to workers compensation, unemployment, and wage-and-hour claims; and

(i) any other Claims brought against any of the Franchisor Indemnified Parties.

The Area Developer will not be obligated to indemnify the Franchisor Indemnified Parties for any Damages attributable to, arising out of, from, in connection with, or as a result of any gross negligence or intentional misconduct by the Franchisor Indemnified Parties or any matter for which the Franchisor is obligated to defend the Area Developer pursuant to Article 14.2. Any of the Franchisor Indemnified Parties will have the right to defend any Claim made against it arising from, as a result of, in connection with or out of the operation of the Area Developer's Bakery Cafés.

14.2 Payment of Costs and Expenses by the Area Developer. The Area Developer will pay all reasonable attorneys' fees, costs and expenses incurred by the Franchisor Indemnified Parties to defend any action brought by a third party against any of the Franchisor Indemnified Parties as set forth in Article 14.1. These indemnification provisions under this Article and the other obligations contained in this Agreement will continue in full force and effect subsequent to and notwithstanding the expiration or termination of this Agreement.

15. MANDATORY NON-BINDING MEDIATION

15.1 Disputes Subject to Mediation. Except as provided in Article 15.6, all disputes between the Franchisor and the Area Developer will be subject to mandatory non-binding mediation. The mediator will be appointed in accordance with the Code of Procedure of the National Arbitration Forum unless the parties agree on a mediator in writing within 10 days after either party gives written notice of mediation.

15.2 Purpose. The Franchisor and the Area Developer acknowledge that resolving disputes prior to commencing court proceedings is in the best interests of both parties, all other developers and franchisees, and the System. Therefore, the parties agree that they will act in good faith to settle any dispute between them either prior to or during mediation.

15.3 Mediation Protocol. If either party alleges that a dispute exists between them, then either party will have the right to demand non-binding mediation within 10 days after the complaining party has provided the other party with written notice describing the dispute and the desired action. All mediation sessions will take place exclusively in Denver, Colorado, and will be held within 30 days after the mediator has been appointed. The mediation hearing will be informal and the mediator will have the right to hear and review all testimony and evidence presented by either party. The cost of the mediator will be paid equally by the parties.

15.4 Conditions. The Franchisor and the Area Developer will not have the right to commence any legal proceedings against the other party until the dispute has been mediated as provided for herein. Both parties will have the right to take all actions necessary to commence legal proceedings prior to any mediation proceedings; however, neither party will have the right to prosecute any legal proceedings beyond commencement of an action until the mediation has concluded. If the mediation proceedings have not been concluded within 30 days after the first meeting with the mediator, then either party will have the right to pursue all other remedies available to them under this Agreement.

15.5 Miscellaneous. All matters, testimony, arguments, evidence, allegations, documents and memorandums, and the decision of the mediator will be confidential in all respects and will not be disclosed to any other person or Entity by either party. The Franchisor and the Area Developer will continue to perform their respective obligations pursuant to this Agreement during the mediation process.

15.6 Disputes Not Subject to Mediation. The following disputes between the Franchisor and the Area Developer will not be subject to mediation:

(a) use of the Marks by either the Franchisor or the Area Developer;

(b) the obligations of the Area Developer and the Franchisor upon termination or expiration of this Agreement;

(c) any alleged breach of the provisions of this Agreement relating to Confidential Information and in-term and post-term covenants not to compete contained in Article 12;

(d) any dispute regarding the Area Developer's obligations to indemnify the Franchisor and/or an Affiliate for any Claims or Damages pursuant to Article 14 of this Agreement; and

(e) any injunctive actions commenced by either party pursuant to this Agreement or pursuant to any statutory or common law rights.

16. ENFORCEMENT

16.1 Injunctive Relief. Either the Area Developer or the Franchisor will have the right to petition a court of competent jurisdiction for the entry of temporary and permanent injunctions and orders of specific performance enforcing the provisions of this Agreement for any action relating to:

(a) the use of the Marks and/or the System by the Franchisor or the Area Developer;

(b) the obligations of the Area Developer or the Franchisor upon termination or expiration of this Agreement; and

(c) any breaches by the Area Developer or the Franchisor of the provisions of this Agreement relating to Confidential Information and the provisions of Article 12 relating to the interpretation, construction or enforcement of the covenants not to compete.

16.2 Payments to the Franchisor. The Area Developer will not, on grounds of the alleged nonperformance by the Franchisor of any of its obligations under this Agreement, any other contract between the Franchisor and the Area Developer, or for any other reason, withhold payment of any Fees or payments due the Franchisor pursuant to this Agreement, any Franchise Agreement or any other contract with the Franchisor. The Area Developer will not have the right to "**offset**" or withhold any liquidated or unliquidated amounts, damages or other funds allegedly due to the Area Developer by the Franchisor against any Fees or payments due to the Franchisor by the Area Developer. The Franchisor will have the right to deduct from amounts payable to the Area Developer by the Franchisor or an Affiliate any Fees or other payments owed to the Franchisor, an Affiliate or a third party. The Franchisor will also have the right to apply the Fees and other payments made to the Franchisor by the Area Developer in such order as the Franchisor may designate from time to time. As to the Area Developer and its Affiliates, the Franchisor will have the right to:

(a) apply any payments received to any past due, current, future or other indebtedness of any kind, no matter how payment is designated by the Area Developer, except that Marketing Fees may only be credited to the Production Fund;

(b) set off, from any amounts that may be owed by the Franchisor, any amount owed to the Franchisor, the Production Fund or any other fund or account; and

(c) retain any amounts received for the Area Developer's account (and/or that of any Affiliate of the Area Developer), whether rebates from suppliers or otherwise, as a payment against any Fee owed to the Franchisor.

The Franchisor will have the right to exercise any of the foregoing rights in connection with amounts owed to or from the Franchisor and/or any Affiliate.

16.3 Effect of Wrongful Termination. If either the Franchisor or the Area Developer takes any action to terminate this Agreement except as provided for under the terms of this Agreement, then:

(a) such actions will not relieve either party of, or release either party from, any of its obligations under this Agreement;

(b) the terms and conditions of this Agreement will remain in full force and effect; and

(c) the parties will be obligated to fully perform all terms and conditions of this Agreement until such time as this Agreement expires or is terminated in accordance with the provisions of this Agreement and applicable law.

16.4 Attorneys' Fees and Costs. The prevailing party in an action will be entitled to all reasonable attorneys' fees and costs incurred by the prevailing party in any proceeding or court action brought against the other party to enforce the terms and conditions of this Agreement, including a breach of this Agreement.

16.5 Venue and Jurisdiction. All court proceedings, lawsuits and court hearings initiated by the Area Developer or the Franchisor must and will be venued exclusively in Denver, Colorado. The Area Developer, the Operator, and the Area Developer's Executive Management and Owners do hereby agree and submit to personal jurisdiction in Denver, Colorado for the purposes of any suit, proceeding or hearing brought to enforce or construe the terms of this Agreement or to resolve any dispute or controversy arising under, as a result of, or in connection with this Agreement or any of the Area Developer's Bakery Cafés, and do hereby agree and stipulate that any such suits, proceedings and hearings will be exclusively venued and held in Denver, Colorado. The Area Developer, its Executive Management and its Owners waive any rights to contest such venue and jurisdiction and waive any rights to argue or contest before any court or Arbitrator the validity of such venue and jurisdiction.

16.6 Limitation of Actions. Except as provided otherwise in this Agreement or by applicable law, any and all Claims arising out of or relating to this Agreement, the relationship of the Area Developer and the Franchisor, or the Area Developer's operation of the Bakery Cafés brought by either party against the other, whether in mediation or any court proceeding, must be commenced within 12 months after the earlier of (a) the occurrence of the facts giving rise to such Claims or (b) the date on which the complaining party becomes aware of the occurrence of such facts, or such Claims will be absolutely barred and unenforceable.

16.7 Severability. All provisions of this Agreement are severable. Should any provision of this Agreement be for any reason held invalid, illegal or unenforceable, such provision will be deemed restricted in application to the extent required to render it valid, and the remainder of this Agreement will in no way be affected and will remain valid and enforceable for all purposes, both parties hereto declaring that they would have executed this Agreement without inclusion of such provision. In the event such total or partial invalidity or unenforceability of any provision of this Agreement exists only with respect to the laws of a particular jurisdiction, this Article 16.7 will operate upon such provision only to the extent that the laws of such jurisdiction are applicable to such provision. Each party agrees to execute and deliver to the other any further documents which may be reasonably required to effectuate fully the provisions hereof. If any applicable law or rule of any jurisdiction requires a greater prior notice of the termination of this Agreement than is required hereunder or the taking of some other action not required hereunder, or if under any applicable law or rule of any jurisdiction, any provision of this Agreement or any specification, standard or operating procedure prescribed by the Franchisor is invalid or unenforceable under applicable law, then the prior notice or other action required by such law or rule will be substituted for the notice requirements hereof, or such invalid or unenforceable provision, specification, standard or operating procedure will be modified to the extent required to be valid and enforceable.

16.8 Waiver. The Franchisor and the Area Developer may, by written instrument signed by the Franchisor and the Area Developer, waive any obligation of or restriction upon the other under this Agreement. Acceptance by the Franchisor of any payment by the Area Developer and the failure, refusal or neglect of the Franchisor to exercise any right under this Agreement or to insist upon full compliance by the Area Developer of its obligations hereunder will not constitute a waiver by the Franchisor of any provision of this Agreement. The Franchisor will have the right to waive obligations or restrictions for other area developers under their development agreements without waiving those obligations or restrictions for the Area Developer and, except to the extent provided by law, the Franchisor will have the right to negotiate terms and conditions, grant concessions and waive obligations for other area developers without granting those same rights to the Area Developer and without incurring any liability to the Area Developer whatsoever.

16.9 No Oral Modification. No modification, change, addition, rescission, release, amendment or waiver of this Agreement and no approval, consent or authorization required by any provision of this Agreement may be made by any person except by a written agreement signed by a duly authorized officer or partner of the Area Developer and the Chief Executive Officer or Chief Financial Officer of the Franchisor.

16.10 Entire Agreement. This Agreement supersedes and terminates all prior agreements, either oral or in writing, between the parties involving the franchise relationship and therefore, representations, inducements, promises or agreements alleged by either the Franchisor or the Area Developer that are not contained in this Agreement will not be enforceable. The Introduction is part of this Agreement, which constitutes the entire agreement of the parties, and there are no other oral or written understandings or agreements between the Franchisor and the Area Developer relating to the subject matter of this Agreement. This Agreement will not supersede any written agreements or contracts that are signed concurrently with this Agreement. In addition, any Area Development Agreement between the parties, as well as any other Franchise Agreement(s), will remain in full force and effect in accordance with the terms and conditions thereof, and will not be superseded by this Agreement. The parties hereby acknowledge that this provision will not act as a disclaimer of the representations made by the Franchisor in the Franchise Disclosure Document provided to the Area Developer prior to the execution of this Agreement by the Area Developer.

16.11 Headings; Terms. The headings of the Articles are for convenience only and do not in any way define, limit or construe the contents of such Articles. The term "**Area Developer**" as used herein is applicable to one or more individuals or an Entity, as the case may be, and the singular usage includes the plural, the masculine usage includes the neuter and the feminine, and the neuter usage includes the masculine and the feminine. References to "**Area Developer**" and "**Transferee**" which are applicable to an individual or individuals will mean the Owner or Owners of the equity or operating control of the Area Developer or any such assignee or transferee if the Area Developer or such assignee or transferee is an Entity.

16.12 Franchisor's Reasonable Business Judgment. Whenever the Franchisor reserves discretion in a particular area or where Franchisor agrees to exercise its rights reasonably or in good faith, Franchisor will satisfy its obligations whenever it exercises reasonable business judgment ("**Reasonable Business Judgment**") in making a decision or exercising a right. The Franchisor's decisions or actions will be deemed to be the result of Reasonable Business Judgment, even if other reasonable or even arguably preferable alternatives are available, if the Franchisor's decisions or actions are intended, in whole or significant part, to promote or benefit the System generally even if the decision or action also promotes the Franchisor's financial or other individual interests. Examples of items that will promote or benefit the System include, without limitation, enhancing the value of the Marks, improving customer service and satisfaction, improving product quality, improving uniformity, enhancing or encouraging modernization and improving the competitive position of the System.

16.13 Miscellaneous. The rights of the Franchisor hereunder are cumulative and no exercise or enforcement by the Franchisor of any right or remedy hereunder will preclude the exercise or enforcement by the Franchisor of any other right or remedy hereunder or which the Franchisor is entitled by law to enforce. This Agreement is binding upon the parties hereto and their executors, administrators, heirs, assigns and successors in interest. If the Area Developer consists of more than one person or Entity, their liability under this Agreement will be deemed to be joint and several.

17. NOTICES

All notices required or permitted under this Agreement must be in writing and made by personal service or sent by prepaid certified mail to the respective parties at the following addresses unless and until a different address has been designated by written notice to the other party:

Notices to Franchisor: Chief Financial Officer
NB Franchising , LLC
7700 E. Arapahoe Rd. Ste. 270
Centennial, Colorado 80112

With a copy to: _________________________
____
____
____

With a copy via email to: _________________________

Notices to Area Developer: _________________________
____
____
____

For the purposes of this Agreement, personal service will include service by a recognized overnight delivery service (such as Federal Express, Airborne Express or UPS) which requires a written confirmation of delivery to the addressee. Any notice delivered in the manner specified herein will be deemed delivered and received, regardless of whether the recipient refuses or fails to sign for the notice, if addressed to the recipient at the address set forth above or the last designated or last known address of the recipient, and will be deemed effective upon written confirmation of delivery to the recipient or three business days after being mailed, whichever is applicable.

18. ACKNOWLEDGMENTS; DISCLAIMER

18.1 Disclaimer. The Franchisor does not warrant or guarantee that the Area Developer will derive income or profit from its Bakery Cafés, or that the Franchisor will refund all or part of the Development Fee or Development Initial Fees paid by the Area Developer or repurchase any of the Foods, Beverages and Products, technology, or FF&E supplied, licensed, or sold by the Franchisor or by an Approved or Designated Supplier if the Area Developer is in any way unsatisfied with its Bakery Cafés. The Franchisor expressly disclaims the making of any express or implied representations or warranties regarding the sales, earnings, income, profits, Revenues, economics, business or financial success, or value of the Area Developer's Bakery Cafés except as specifically contained in the Franchise Disclosure Document received by the Area Developer.

18.2 Acknowledgments by Area Developer. The Area Developer acknowledges that it has conducted an independent investigation of the Bakery Cafés and recognizes that the business venture contemplated by this Agreement and the operation of the Bakery Cafés involve business and economic risks. The Area Developer acknowledges that the financial, business and economic success of the Area Developer's Bakery Cafés will be primarily dependent upon the personal efforts of the Area Developer, its management and employees, and on economic conditions in the area where the Area Developer's Bakery Cafés are located and economic conditions in general. The Area Developer acknowledges and agrees that the officers, directors, employees, and agents of the Franchisor act only in a representative capacity and not in an individual capacity, and that no other persons and/or Entities other than the Franchisor has or will have any duties or obligations to the Area Developer under this Agreement. The Area Developer acknowledges that, it has not received any estimates, projections, representations, warranties or guaranties, expressed or implied, regarding potential sales, Revenues, income, profits, earnings, expenses, financial or business success, value of the Bakery Cafés, or other economic matters pertaining to the Area Developer's Bakery Cafés from the Franchisor or any of its agents that were not expressly set forth in the Franchise Disclosure Document received by the Area Developer from the Franchisor ("**Representations**"). The Area Developer further acknowledges that if it had received any such Representations, it would not have executed this Agreement, promptly notified the Chief Executive Officer of the Franchisor in writing of the person or persons making such Representations, and provided to the Franchisor a specific written statement detailing the Representations made.

18.3 Other Area Developers. The Area Developer acknowledges that other La Boulangerie area developers have or will be granted development agreements at different times, for different areas, under different economic conditions and in different situations, and further acknowledges that the economics, terms and conditions of such other development agreements may vary substantially in form and in substance from those contained in this Agreement.

18.4 Receipt of Agreement and Franchise Disclosure Document. The Area Developer acknowledges that it received a copy of this Agreement with all material blanks fully completed at least seven calendar days prior to the date that this Agreement was executed by the Area Developer. The Area Developer further acknowledges that it received a copy of the Franchisor's Franchise Disclosure Document at least 14 calendar days prior to the date on which this Agreement was executed. The Area Developer confirms receiving the Franchise Disclosure Document on the date the Area Developer signed the acknowledgment of receipt page ("**Receipt Page**") attached to the Franchise Disclosure Document. The Area Developer and the Franchisor each acknowledge receiving a signed and dated copy of the Receipt Page.

18.5 Franchisor's Consent. Except where expressly provided to the contrary, any consent, approval, authorization, clearance, exemption, waiver, or similar affirmation required from or by the Franchisor under the terms of this Agreement will be granted or withheld by the Franchisor in its reasonable discretion.

19. AREA DEVELOPER'S LEGAL COUNSEL

The Area Developer acknowledges that this Agreement constitutes a legal document which grants certain rights to and imposes certain obligations upon the Area Developer. The Area Developer has been advised by the Franchisor to retain an attorney or advisor prior to the execution of this Agreement to review the NB Franchising , LLC Franchise Disclosure Document, to review this Agreement in detail, to review all legal documents, to review the economics, operations and other business aspects of the Bakery Cafés, to determine compliance with franchising and other applicable laws, to advise the Area Developer on economic risks, liabilities, obligations and rights under this Agreement and to advise the Area Developer on tax issues, financing matters, applicable state and federal laws, liquor laws, health and safety laws, environmental laws, employee issues, insurance, structure of the restaurant business, and other legal and business matters. The name and telephone number of the Area Developer's attorney or other advisor will be included in **Attachment A** to this Agreement.

20. GOVERNING LAW; STATE MODIFICATIONS

20.1 Governing Law; Severability. Except to the extent governed by the United States Trademark Act of 1946 (Lanham Act, 15 U.S.C. §1051 et seq.), this Agreement and the relationship between the Franchisor and the Area Developer will be governed by the laws of the State of Colorado, unless applicable state law specifically provides to the contrary; and further provided that the parties expressly agrees that this Agreement is not intended to confer on any Franchisee that is not operating a Bakery Cafés in, or a resident of, the State of Colorado the benefit of the Colorado franchise law or any other Colorado law providing specific protection to franchisees residing in or operating in the State of Colorado. The provisions of this Agreement which conflict with or are inconsistent with applicable governing law will be superseded and/or modified by such applicable law only to the extent such provisions are inconsistent. All other provisions of this Agreement will be enforceable as originally made and entered into upon the execution of this Agreement by the Area Developer and the Franchisor.

20.2 Applicable State Laws. If applicable, various states have statutes and regulations which may supersede the provisions of this Agreement.

[Signatures on following page]

IN WITNESS WHEREOF, the Franchisor, the Area Developer and the Area Developer's Owners have respectively signed this Agreement effective as of the date set forth above.

"Franchisor"	**"Area Developer"**
NB FRANCHISING, LLC	______________________ Legal Name
By______________________ Signature	By______________________ Signature
By______________________ Print Name	By______________________ Print Name
Its______________________ Title	Its______________________ Title

Each of the undersigned Owners of the Area Developer hereby confirms that the Ownership Interests set forth below for each Owner are true and correct and, as a condition to the Franchisor agreeing to enter into this Agreement with the Area Developer, each Owner who owns at least 10% of the issued and outstanding Ownership Interests in the Area Developer agrees to execute and be bound by the terms and conditions of the Personal Guaranty attached to this Agreement.

Names of Owners:	Percentage of Ownership:
______________________ Signature	__________%
______________________ Print Name	
______________________ Signature	__________%
______________________ Print Name	
______________________ Signature	__________%
______________________ Print Name	
______________________ Signature	__________%
______________________ Print Name	
	Total 100%

Operator:

____
Name

____
Address

____
City, State, Zip Code

____
Telephone

____
Cell Phone

____
E-Mail Address

PERSONAL GUARANTY

THIS PERSONAL GUARANTY (this "**Personal Guaranty**") is made and entered into this day of ____________________, 20___ ("**Effective Date**"), by and between NB Franchising, LLC, a Colorado limited liability company ("**Franchisor**"), and each one of the undersigned personal guarantors ("**Personal Guarantors**").

WHEREAS, the Franchisor and ___________________, (a/an) ("**Area Developer**") have entered into an Area Development Agreement, dated the same date as set forth above, for the development and operation of franchised Bakery Cafés in the Territory ("**Area Development Agreement**").

WHEREAS, it is the desire of each one of the undersigned Personal Guarantors to personally guaranty the obligations of the Area Developer under the Area Development Agreement and to be individually, jointly and severally bound by the terms and conditions of the Area Development Agreement.

NOW, THEREFORE, in consideration of the execution of the Area Development Agreement by the Franchisor, and for other good and valuable consideration, each one of the undersigned, for themselves, their heirs, successors, and assigns, do individually, jointly and severally hereby become surety and guaranty for the payment of all amounts and the performance of the covenants, terms and conditions of the Area Development Agreement, including the covenants not to compete, to be paid, kept and performed by the Area Developer.

Obligations under Agreement. Each one of the undersigned, individually and jointly, hereby agree to be personally bound by each and every condition and term contained in the Area Development Agreement, and agree that this Personal Guaranty should be construed as though the undersigned and each of them executed an agreement containing the identical terms and conditions of the Area Development Agreement. Each one of the Personal Guarantors acknowledges having received a copy of the Area Development Agreement which is incorporated herein by reference.

Obligations to Franchisor. If the Area Developer is at any time in default on any obligation to pay monies to the Franchisor or any affiliate of the Franchisor, whether for the Development Fee, Initial Franchise Fees, Continuing Fees, Marketing Fees, goods or services purchased by the Area Developer from the Franchisor or any Affiliate of the Franchisor, or for any other indebtedness of the Area Developer to the Franchisor or any Affiliate of the Franchisor, then each of the undersigned, their heirs, successors and assigns, do hereby, individually, jointly and severally, promise and agree to pay all such monies due and payable by the Area Developer to the Franchisor or any Affiliate of the Franchisor upon default by the Area Developer.

Binding Agreement. Each one of the Personal Guarantors warrant and represent that they have the capacity to execute this Personal Guaranty and that they will each be bound by all of the terms and conditions of this Personal Guaranty. The provisions, covenants and conditions of this Personal Guaranty will inure to the benefit of the successors and assigns of the Franchisor.

Jurisdiction and Venue. Except as precluded by applicable law, all mediation, arbitration, litigation, actions or proceedings pertaining to this Personal Guaranty will be brought and venued in accordance with the terms of the Area Development Agreement, and each one of the Personal

Guarantors agrees to the dispute resolution provisions, including jurisdiction and venue, contained in the Area Development Agreement.

Signature	Signature
Print Name	Print Name
Address	Address
City, State and Zip Code	City, State and Zip Code
Telephone	Telephone
Signature	Signature
Print Name	Print Name
Address	Address
City, State and Zip Code	City, State and Zip Code
Telephone	Telephone

ATTACHMENT A
TERRITORY, DEVELOPMENT FEE AND DEVELOPMENT SCHEDULE

A. TERRITORY: In accordance with Article 2.1, the Territory within which the rights and privileges granted to the Area Developer pursuant to this Agreement may be exercised is the geographic area described and delineated as follows:

(see attached map).

B. DEVELOPMENT FEE: In accordance with Article 4.2, the Area Developer will pay the Franchisor a Development Fee in the amount of $________ on the date of this Agreement.

C. DEVELOPMENT SCHEDULE: In accordance with Article 5.1, the Area Developer agrees to the following Development Schedule:

Bakery Café Number	**"Required Opening Date" by Which Bakery Café Must be Opened and Continuously Operating in Territory**	**Cumulative Number of Bakery Cafés Required to be Open and Continuously Operating in Territory as of Date in Preceding Column**
1		1
2		2

D. COMPLIANCE WEEK BANK: In accordance with Article 5.3, the Area Developer's beginning Compliance Week Bank balance will be _________ weeks.

E. AREA DEVELOPER'S ATTORNEY OR ADVISOR: The name, telephone number and email address of the Area Developer's attorney or other advisor are:_______________, Telephone Number: (___)____________________; E-mail Address:_______________________.

[The remainder of this page has been intentionally left blank]

IN WITNESS WHEREOF, the parties hereto have duly executed and delivered this **Attachment A** on the day and year first above written.

“Franchisor”	**“Area Developer”**
NB FRANCHISING, LLC	____________________ Legal Name
By____________________ Signature	By____________________ Signature
By____________________ Print Name	By____________________ Print Name
Its____________________ Title	Its____________________ Title

EXHIBIT E

LA BOULANGERIE

SAMPLE RELEASE

NB FRANCHISING, LLC
SAMPLE RELEASE

Unless precluded by applicable state law, if you sell, assign or transfer your Franchise Agreement or Area Development Agreement to a third party, you will sign a joint and mutual release containing language substantially similar to the following:

This Joint and Mutual Release is made, entered into and effective this ____ day of ______________, 20__, by and between __________________________ Franchising, LLC (the "**Franchisor**") and (the "**Franchisee**").

The Franchisee entered into a Franchise/Area Development Agreement, dated ______________, 20__ with the Franchisor (the "**Agreement**") authorizing the Franchisee to open and operate a franchised La Boulangerie Bakery Café(s) at/in _________________.

The Franchisee desires to transfer, sell and assign the Agreement to a third party (the "**Assignee**").

The Franchisor has agreed to consent to the transfer, sale and assignment of the Agreement by the Franchisee to the Assignee, a condition of which is the execution of the following joint and mutual release by the Franchisor and the Franchisee:

1. Release of Franchisor by Franchisee. For and in consideration of the execution of this Joint and Mutual Release and the consent by the Franchisor to the assignment of the Agreement to the Assignee, the Franchisee and its affiliates hereby release and forever discharge the Franchisor and its affiliates from any and all claims which the Franchisee and its affiliates have had or now have or may in the future have against the Franchisor and its affiliates or any of them, for, upon or by reason of any matter, fact or thing whatsoever from the beginning of time through and including the date of this Joint and Mutual Release including, but not limited to, any alleged violations of the Federal Trade Commission's Trade Regulation Rule relating to Disclosure Requirements and Prohibitions Concerning Franchising and Business Opportunity Ventures, "mini" FTC laws, deceptive or unfair trade practices laws, franchise laws or securities laws, and all other local, municipal, state, federal or other laws, statutes, rules or regulations, and any alleged breaches or violations of the Agreement and/or any other agreements between the Franchisee and its affiliates and any of them, and the Franchisor and its affiliates and any of them; provided, however, that this provision will not apply to any claims specifically excluded by terms of this Joint and Mutual Release.

2. Release of Franchisee by Franchisor. For and in consideration of the execution of this Joint and Mutual Release and the consent by the Franchisor to the assignment of the Agreement to the Assignee, the Franchisor and its affiliates hereby release and forever discharge the Franchisee and its affiliates from any and all claims which the Franchisor and its affiliates have had or now have against the Franchisee and its affiliates for, upon or by reason of any matter, fact or thing whatsoever from the beginning of time through, up to and including the date of this Joint and Mutual Release including, but not limited to, any local, municipal, state, federal or other laws, statutes, rules or regulations, and any alleged violations of the Agreement, and/or any other agreements between the Franchisee and its affiliates and any of them, and the Franchisor and its affiliates and any of them; provided, however, that this provision will not apply to any claims specifically excluded by terms of this Joint and Mutual Release.

[*Signature Page Follows*]

"**Franchisor**"	"**Franchisee**"
NB Franchising, LLC	
	______________________________
By______________________________	By______________________________
Its______________________________	Its______________________________

The above language may be modified or supplemented to address issues specific to the transfer of your Franchise Agreement or Area Development Agreement to a third party, or to comply with applicable law (see Addendum to the Franchise Disclosure Document).

EXHIBIT F

LA BOULANGERIE

STATE AGENCY/AGENTS FOR SERVICE OF PROCESS

EXHIBIT F
LIST OF STATE ADMINISTRATORS
AND AGENTS FOR SERVICE OF PROCESS

STATE	STATE ADMINISTRATOR	AGENT FOR SERVICE OF PROCESS
CALIFORNIA	California Department of Business Oversight One Sansome Street, Suite 600 San Francisco, CA 94104 415-972-8559 1-866-275-2677	California Commissioner of Business Oversight 320 West 4th Street, Suite 750 Los Angeles 90013-2344 1-866-275-2677
FLORIDA	Department of Agriculture & Consumer Services Division of Consumer Services Mayo Building, Second Floor Tallahassee, FL 32399-0800 850-245-6000	Same
HAWAII	Department of Commerce and Consumer Affairs Business Registration Division Commissioner of Securities 335 Merchant Street, Room 203 Honolulu, HI 96813 808-586-2722	Commissioner of Securities of the State of Hawaii Dept. of Commerce and Consumer Affairs Securities Compliance Branch 335 Merchant Street, Room 203 Honolulu, HI 96813
ILLINOIS	Franchise Division Office of the Attorney General 500 South Second Street Springfield, IL 62706 217-782-4465	Illinois Attorney General Same Address
INDIANA	Securities Commissioner Indiana Securities Division 302 West Washington Street, Room E 111 Indianapolis, IN 46204 317-232-6681	Indiana Secretary of State 201 State House 200 West Washington Street Indianapolis, IN 46204
KENTUCKY	Kentucky Attorney General's Office Consumer Protection Division 1024 Capitol Center Drive Frankfort, KY 40602 502-696-5389	Same
MARYLAND	Office of the Attorney General Securities Division 200 St. Paul Place Baltimore, MD 21202 410-576-6360	Maryland Securities Commissioner Same Address
MICHIGAN	Michigan Department of Attorney General Consumer Protection Division Antitrust and Franchise Unit 525 W. Ottawa Street G. Mennen Williams Building, 1st Floor Lansing, MI 48913 517-373-7117	Michigan Department of Commerce Corporations and Securities Bureau Same Address
MINNESOTA	Minnesota Department of Commerce 85 7th Place East, Suite 500 St. Paul, MN 55101 651-539-1500	Minnesota Commissioner of Commerce Same Address

STATE	STATE ADMINISTRATOR	AGENT FOR SERVICE OF PROCESS
NEBRASKA	Department of Banking and Finance Bureau of Securities/Financial Institutions Division 1526 K Street, Suite 300 Lincoln, NE 68508-2732 P.O. Box 95006 Lincoln, Nebraska 68509-5006 Tele: 402-471-2171	Same
NEW YORK	NYS Department of Law Investor Protection Bureau 28 Liberty St. 21st Fl. New York, NY 10005 212-416-8285	Secretary of State of New York 99 Washington Avenue Albany, New York 12231
NORTH DAKOTA	North Dakota Securities Department 600 East Boulevard Avenue State Capitol, Fifth Floor Bismarck, ND 58505-0510 701-328-4712; Fax: 701-328-0140	North Dakota Securities Commissioner Same Address
RHODE ISLAND	Rhode Island Department of Business Regulation Securities Division John O. Pastore Center – Building 69-1 1511 Pontiac Avenue Cranston, RI 02920 401-222-3048	Director, Rhode Island Department of Business Regulation Same address
SOUTH DAKOTA	South Dakota Department of Labor and Regulation Division of Securities 124 S. Euclid Avenue, Suite 104 Pierre, SD 57501 605-773-4823	Director of the South Dakota Division of Securities Same Address
TEXAS	Secretary of State Statutory Documents Section P.O. Box 12887 Austin, TX 78711-2887 512-475-1769	Same
UTAH	Utah Department of Commerce Consumer Protection Division 160 East 300 South (P.O. Box 45804) Salt Lake City, UT 84145-0804 TELE: 801-530-6601 FAX:801-530-6001	Same
VIRGINIA	State Corporation Commission Division of Securities and Retail Franchising Tyler Building, 9th Floor 1300 E. Main Street Richmond, VA 23219 804-371-9733	Clerk of the State Corporation Commission Tyler Building, 1st Floor 1300 E. Main Street Richmond, VA 23219 804-371-9051
WASHINGTON	Department of Financial Institutions Securities Division 150 Israel Rd S.W. Tumwater, WA 98501 360-902-8762	Director, Dept. of Financial Institutions Securities Division 150 Israel Rd S.W. Tumwater, WA 98501

STATE	STATE ADMINISTRATOR	AGENT FOR SERVICE OF PROCESS
WISCONSIN	Wisconsin Dept. of Financial Institutions Division of Securities 345 W. Washington Avenue, 4th Floor Madison, WI 53703 608-266-8557	Wisconsin Commissioner of Securities Same Address

EXHIBIT G

LA BOULANGERIE

FRANCHISEE QUESTIONNAIRE

FRANCHISEE QUESTIONNAIRE

As you know, NB Franchising, LLC (the "**Franchisor**") and you are preparing to enter into a Franchise Agreement for the operation of a franchised La Boulangerie Bakery business (the "**Franchise**"). 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 carefully and provide honest responses to each question.

	QUESTION	YES	NO
1.	Have you received and personally reviewed the Franchisor's Franchise Disclosure Document (the "**Disclosure Document**") provided to you?		
2.	Did you sign a receipt for the Disclosure Document indicating the date you received it?		
3.	Do you understand all of the information contained in the Disclosure Document?		
4.	Have you received and personally reviewed the Franchise Agreement and each exhibit or schedule attached to it?		
5.	Please insert the date on which you received a copy of the Franchise Agreement with all material blanks fully completed:________________________________		
6.	Do you understand the terms of and your obligations under the Franchise Agreement?		
7.	Have you discussed the benefits and risks of operating the Franchise with an attorney, accountant or other professional advisor?		
8.	Do you understand the risks associated with operating the Franchise?		
9.	Do you understand that the success or failure of the Franchise will depend in large part upon your skills and abilities, competition, interest rates, the economy, inflation, labor and supply costs, lease terms and the marketplace?		
10.	Has any employee or other person speaking on behalf of the Franchisor made any statement or promise regarding the amount of money you may earn in operating the Franchise that is contrary to, or different from, the information contained in the Disclosure Document?		
11.	Has any employee or other person speaking on behalf of the Franchisor made any statement or promise concerning the total amount of revenue the Franchise will generate that is contrary to, or different from, the information contained in the Disclosure Document?		
12.	Has any employee or other person speaking on behalf of the Franchisor made any statement or promise regarding the costs involved in operating the Franchise that is contrary to, or different from, the information contained in the Disclosure Document?		
13.	Has any employee or other person speaking on behalf of the Franchisor made any statement or promise concerning the actual, average or projected profits or earnings or the likelihood of		

	QUESTION	YES	NO
	success that you should or might expect to achieve from operating the Franchise that is contrary to, or different from, the information contained in the Disclosure Document?		
14.	Has any employee or other person speaking on behalf of the Franchisor made any statement or promise or agreement, other than those matters addressed in your Franchise Agreement, concerning advertising, marketing, media support, market penetration, training, support service or assistance relating to the Franchise that is contrary to, or different from, the information contained in the Disclosure Document?		

If you answered "**Yes**" to any of questions ten (10) through fourteen (14), please provide a full explanation of your answer in the following blank lines. (Attach additional pages, if necessary, and refer to them below.) If you have answered "**No**" to each of the foregoing questions, please leave the following lines blank.

____
____
____
____
____

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 responded truthfully to the above questions. No representations contained herein are intended to or will act as a release, estoppel or waiver of any liability incurred under the Maryland Franchise Registration and Disclosure Law.

____________________________________ ____________________________________
FRANCHISE APPLICANT FRANCHISE APPLICANT

Dated:__________________________ Dated:___________________________

EXHIBIT H

LA BOULANGERIE

STATE-SPECIFIC ADDENDUM

EXHIBIT H
STATE-SPECIFIC ADDENDUM

The following modifications are to the NB Franchising, LLC franchise disclosure document and may supersede, to the extent then required by valid applicable state law, certain portions of the Franchise Agreement dated _________________, 20___.

CALIFORNIA

1. The California Department of Business Oversight requires that certain provisions contained in franchise documents be amended to be consistent with California law, including the California Franchise Investment Law, CAL. CORP. CODE Section 31000 et seq., and the California Franchise Relations Act, CAL. BUS. & PROF. CODE Section 20000 et seq. To the extent that the disclosure document and/or franchise agreement and Area Development Agreement contain provisions that are inconsistent with the following, such provisions are hereby amended:

A. Item 3 of the disclosure document is supplemented by the following language:

No person disclosed in Item 2 of the disclosure document is subject to any currently effective order of any national securities association or national securities exchange, as defined in the Securities Exchange Act of 1934, 15 U.S.C.A.78a et seq., suspending or expelling such persons from membership in such association or exchange.

B. Item 17 of the disclosure document is supplemented by the following language.

a. 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.

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

c. The franchise agreement provides for termination upon bankruptcy. This provision may not be enforceable under federal bankruptcy law (11 U.S.C.A. Sec. 101 et seq.).

d. 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.

e. The franchise agreement requires application of the laws of Colorado. This provision may not be enforceable under California law.

f. 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).

2. OUR WEBSITE HAS NOT BEEN REVIEWED OR APPROVED BY THE CALIFORNIA DEPARTMENT OF BUSINESS OVERSIGHT. ANY COMPLAINTS CONCERNING

THE CONTENT OF THIS WEBSITE MAY BE DIRECTED TO THE CALIFORNIA DEPARTMENT OF BUSINESS OVERSIGHT AT www.dbo.ca.gov.

3. THE CALIFORNIA FRANCHISE INVESTMENT LAW REQUIRES THAT A COPY OF ALL PROPOSED AGREEMENTS RELATING TO THE SALE OF THE FRANCHISE BE DELIVERED TOGETHER WITH A COPY OF THE DISCLOSURE DOCUMENT.

4. 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.

5. Each provision of this Addendum shall be effective only to the extent that the jurisdictional requirements of the California law applicable to the provision are met independent of this Addendum. This Addendum shall have no force or effect if such jurisdictional requirements are not met.

6. You must comply with the requirements set forth in the Alcoholic Beverage Control Act and the California Code of Regulations, Title 4 for the sale of alcoholic beverages.

California-Specific Modification to Franchise Agreement

1. California. If this Agreement is governed by the laws of the State of California, then: (1) the covenant not to compete upon termination or expiration of this Agreement contained in this Agreement may be unenforceable, except in certain circumstances provided by law; and (2) provisions of this Agreement giving the Franchisor the right to terminate in the event of the Franchisee's bankruptcy may not be enforceable under federal bankruptcy laws (11 U.S.C. Sec. 101, et seq.).

2. Each provision of this Addendum shall be effective only to the extent that the jurisdictional requirements of the California law applicable to the provision are met independent of this Addendum. This Addendum shall have no force or effect if such jurisdictional requirements are not met.

California-Specific Modification to Area Development Agreement

(a) California. If this Agreement is governed by the laws of the State of California, then: (1) the covenant not to compete upon termination or expiration of this Agreement contained in this Agreement may be unenforceable, except in certain circumstances provided by law; and (2) provisions of this Agreement giving the Franchisor the right to terminate in the event of the Area Developer's bankruptcy may not be enforceable under federal bankruptcy laws (11 U.S.C. Sec. 101, et seq.).

ILLINOIS

Item 17, line item v., is amended to provide that if the Franchise Agreement requires litigation to be conducted in a forum other than the State of Illinois, the requirement is void with respect to claims under the Illinois Franchise Disclosure Act.

Item 17, line item w., is amended to provide that (a) the Illinois Franchise Disclosure Act paragraphs 705/19 and 705/20 provide rights to you concerning nonrenewal and termination of the Franchise Agreement. If the Franchise Agreement contains a provision that is inconsistent with the Act, the Act will control; and (b) if the Franchise Agreement requires that it be governed by a state's law, other than the State of Illinois, to the extent that such law conflicts with the Illinois Franchise Disclosure Act, the Act will control.

Illinois-Specific Modification to Franchise Agreement

(a) Illinois. If this Agreement is governed by the laws of the State of Illinois, then: (1) the Illinois Franchise Disclosure Act of 1987 [815 ILCS 705/1-44] (the "**Illinois Act**") and Illinois law will be applicable to this Agreement; (2) Section 19 of the Illinois Act will be applicable to the termination of this Agreement by the Franchisor; (3) any provision of this Agreement that designates jurisdiction or venue in a forum outside of Illinois is void, provided that this Agreement may provide for mediation and arbitration in a forum outside of Illinois; (4) Section 27 of the Illinois Act will be applicable to any action maintained by the Franchisee to enforce any liability created by the Illinois Act; (5) any representations made by the Franchisor in the Franchise Disclosure Document provided to the Franchisee will remain valid and enforceable by the Franchisee after the execution of this Agreement; (6) any condition, stipulation or provision of this Agreement requiring the Franchisee to waive compliance with any provision of the Illinois Act is void; and (7) the acknowledgments made by the Franchisee in this Agreement will not be construed to act as a release, estoppel or waiver of the Franchisee's rights under the Illinois Act.

Illinois-Specific Modification to Area Development Agreement

(a) Illinois. If this Agreement is governed by the laws of the State of Illinois, then: (1) the Illinois Franchise Disclosure Act of 1987 [815 ILCS 705/1-44] (the "**Illinois Act**") and Illinois law will be applicable to this Agreement; (2) Section 19 of the Illinois Act will be applicable to the termination of this Agreement by the Franchisor; (3) any provision of this Agreement that designates jurisdiction or venue in a forum outside of Illinois is void, provided that this Agreement may provide for mediation and arbitration in a forum outside of Illinois; (4) Section 27 of the Illinois Act will be applicable to any action maintained by the Area Developer to enforce any liability created by the Illinois Act; (5) any representations made by the Franchisor in the Franchise Disclosure Document provided to the Area Developer will remain valid and enforceable by the Area Developer after the execution of this Agreement; (6) any condition, stipulation or provision of this Agreement requiring the Area Developer to waive compliance with any provision of the Illinois Act is void; and (7) the acknowledgments made by the Area Developer in this Agreement will not be construed to act as a release, estoppel or waiver of the Area Developer's rights under the Illinois Act.

INDIANA

The "Summary" column in both ITEM 17.t. tables of the Franchise Disclosure Document is deleted and the following is inserted in its place:

> "Notwithstanding anything to the contrary in this provision, you do not waive any right under the Indiana Statutes with regard to prior representations made by us."

The "Summary" column in both ITEM 17.u. tables of the Franchise Disclosure Document is deleted and the following is inserted in its place:

> "Except for certain claims, all disputes must be arbitrated in Indiana. This language has been included in this Franchise Disclosure Document as a condition to registration. The Franchisor and the Franchisee do not agree with the above language and believe that each of the provisions of the Franchise Agreement, AND Area Development Agreement, including all venue provisions, are fully enforceable. The Franchisor and the Franchisee intend to fully enforce all of the provisions of the Franchise Agreement, Area Development Agreement and all other documents signed

> by them, including but not limited to, all venue, choice-of-law, arbitration provisions and other dispute avoidance and resolution provisions and to rely on federal pre-emption under the Federal Arbitration Act."

The "Summary" column in both ITEM 17.v. tables of the Franchise Disclosure Document is deleted and the following is inserted in its place:

> "Litigation regarding Franchise Agreement in Indiana; other litigation in Colorado. This language has been included in this Franchise Disclosure Document as a condition to registration. The Franchisor and the Franchisee do not agree with the above language and believe that each of the provisions of the Franchise Agreement, and Area Development Agreement including all venue provisions, are fully enforceable. The Franchisor and the Franchisee intend to fully enforce all of the provisions of the Franchise Agreement, Area Development Agreement and all other documents signed by them, including but not limited to, all venue, choice-of-law, arbitration provisions and other dispute avoidance and resolution provisions and to rely on federal pre-emption under the Federal Arbitration Act."

The "Summary" column in both ITEM 17.w. tables of the Franchise Disclosure Document is deleted and the following is inserted in its place:

> "Indiana law applies to disputes covered by Indiana franchise laws; otherwise Colorado law applies."

The following is hereby added at the end of Section 31.2 of the Franchise Agreement and 18.2 of the Area Development Agreement:

> "Notwithstanding anything to the contrary in this provision, Franchisee does not waive any right under the Indiana statutes with regard to prior representations made by the Franchisor."

MARYLAND

(a) The Summary column for Items 17.v., "Choice of Forum" (Franchise Agreement chart) is amended as follows:

> "Except for any rights a franchisee has under the Maryland Franchise Registration and Disclosure Law to bring suit in Maryland for claims arising under the Law, mediation of disputes which are subject to mediation will be held at our corporate headquarters. Except as otherwise required by the Maryland Franchise Registration and Disclosure Law, venue for all proceedings arising under the Franchise Agreement is the state, county or judicial district where our principal place of business is located, unless otherwise brought by us."

(b) Item 17.c., "Requirements for you to renew or extend" (Franchise Agreement chart) and Items 7.m. "Conditions for our approval of transfer" (Franchise Agreement charts) are amended by the addition of the following:

> "The Code of Maryland Regulations COMAR 02.02.08.16L., states that a general release 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. This may affect the enforceability of certain provisions in the Franchise Agreement relating to renewal, sale, assignment or transfer of the Franchise Agreements."

(c) Item 17 is amended to add the following note at the end of that Item:

"Any claims that Franchisee may have under the Maryland Franchise Registration and Disclosure Law must be brought within 3 years after the grant of the franchise."

(d) the addition of the following as the last paragraph of Item 17:

"A provision in the Franchise Agreement which terminates the agreement upon your bankruptcy may not be enforceable under Title 11, United States Code Section 101."

Maryland-Specific Modification to Franchise Agreement

(a) Maryland. In accordance with the laws of the State of Maryland: (1) the provisions of this Agreement requiring jurisdiction and venue of lawsuits in the State of Colorado will be deleted from this Agreement, and the Franchisee will have the right to commence litigation, lawsuits and other court proceedings alleging claims arising under the Maryland Franchise Registration and Disclosure Law (the "**Maryland Law**") in the State of Maryland; (2) the acknowledgments made by the Franchisee in this Agreement will not be construed to act as a release, estoppel or waiver of the Franchisee's rights under the Maryland Law and the release agreement required to be signed upon renewal, sale, or assignment/transfer shall not apply to any liability under the Maryland Law; (3) any limitation on the period of time during which claims must be brought will not act to reduce the thee-year statute of limitations afforded to a franchisee for bringing a claim arising under the Maryland Law, and any claims arising under the Maryland Law must be brought within three years after the grant of the Franchise; and (4) notwithstanding any provision of this Agreement to the contrary, nothing in this Agreement will be construed to disclaim any representations made by the Franchisor in the Franchise Disclosure Document.

Maryland-Specific Modification to Area Development Agreement

(b) Maryland. In accordance with the laws of the State of Maryland: (1) the provisions of this Agreement requiring jurisdiction and venue of lawsuits in the State of Colorado will be deleted from this Agreement, and the Area Developer will have the right to commence litigation, lawsuits and other court proceedings alleging claims arising under the Maryland Franchise Registration and Disclosure Law (the "**Maryland Law**") in the State of Maryland; (2) the acknowledgments made by the Area Developer in this Agreement will not be construed to act as a release, estoppel or waiver of the Area Developer's rights under the Maryland Law and the release agreement required to be signed upon renewal, sale, or assignment/transfer shall not apply to any liability under the Maryland Law; (3) any limitation on the period of time during which claims must be brought will not act to reduce the thee-year statute of limitations afforded to a franchisee for bringing a claim arising under the Maryland Law and any claims arising under the Maryland Law must be brought within three years after the grant of the Franchise; and (4) notwithstanding any provision of this Agreement to the contrary, nothing in this Agreement will be construed to disclaim any representations made by the Franchisor in the Franchise Disclosure Document.

MINNESOTA

Minnesota-Specific Modification to Franchise Disclosure Document

Minnesota Statutes, Section 80C.21 and Minnesota Rule 286Q.4400(J) prohibit the franchisor from requiring litigation to be conducted outside Minnesota, requiring waiver of a jury trial, or requiring the franchisee to consent to liquidated damages, termination penalties or judgment notes. In addition, nothing in the Franchise Disclosure Document or agreement(s) can abrogate or reduce any of franchisee's rights as provided for in Minnesota Statutes, Chapter SOC, or franchisee's rights to any procedure, forum, or remedies provided for by the laws of the jurisdiction.

Minnesota-Specific Modification to Franchise Agreement

(b) Minnesota. If this Agreement is governed by the laws of the State of Minnesota, then: (1) except in certain circumstances specified by Minnesota law, the Franchisor must give the Franchisee at least 180 days prior written notice of nonrenewal of the Franchise; (2) except in certain circumstances provided by Minnesota law, if the Franchisor gives the Franchisee written notice that the Franchisee has breached this Agreement, such written notice will be given to the Franchisee at least 90 days prior to the date this Agreement is terminated by the Franchisor, and the Franchisee will have 60 days after such written notice within which to correct the breach specified in the written notice; (3) notwithstanding any provisions of this Agreement to the contrary, a court of competent jurisdiction will determine whether the Franchisor will be required to post a bond or other security, and the amount of such bond or other security, in any injunctive proceeding commenced by the Franchisor against the Franchisee or the Owners; and (4) notwithstanding any provisions of this Agreement to the contrary, the Franchisee will have up to three years after the cause of action accrues to bring an action against the Franchisor pursuant to Minn. Stat. §80C.17.

Each provision of this Agreement shall be effective only to the extent that the jurisdictional requirements of the Minnesota law applicable to the provision are met independent of this Amendment. This Amendment shall have no force or effect if such jurisdictional requirements are not met.

Minnesota Statutes, Section 80C.21 and Minnesota Rule 286Q.4400(J) prohibit the franchisor from requiring litigation to be conducted outside Minnesota, requiring waiver of a jury trial, or requiring the franchisee to consent to liquidated damages, termination penalties or judgment notes. In addition, nothing in the Franchise Disclosure Document or agreement(s) can abrogate or reduce any of franchisee's rights as provided for in Minnesota Statutes, Chapter SOC, or franchisee's rights to any procedure, forum, or remedies provided for by the laws of the jurisdiction.

Minnesota-Specific Modification to Area Development Agreement

(a) Minnesota. If this Agreement is governed by the laws of the State of Minnesota, then: (1) except in certain circumstances specified by Minnesota law, the Franchisor must give the Area Developer at least 180 days prior written notice of nonrenewal of the Franchise; (2) except in certain circumstances provided by Minnesota law, if the Franchisor gives the Area Developer written notice that the Area Developer has breached this Agreement, such written notice will be given to the Area Developer at least 90 days prior to the date this Agreement is terminated by the Franchisor, and the Area Developer will have 60 days after such written notice within which to correct the breach specified in the written notice; (3) notwithstanding any provisions of this Agreement to the contrary, a court of competent jurisdiction will determine whether the Franchisor will be required to post a bond or other security, and the amount of such bond or other security, in any injunctive proceeding commenced by the Franchisor against the Area Developer or the Owners;

and (4) notwithstanding any provisions of this Agreement to the contrary, the Area Developer will have up to three years after the cause of action accrues to bring an action against the Franchisor pursuant to Minn. Stat. §80C.17.

Minnesota Statutes, Section 80C.21 and Minnesota Rule 286Q.4400(J) prohibit the franchisor from requiring litigation to be conducted outside Minnesota, requiring waiver of a jury trial, or requiring the franchisee to consent to liquidated damages, termination penalties or judgment notes. In addition, nothing in the Franchise Disclosure Document or agreement(s) can abrogate or reduce any of franchisee's rights as provided for in Minnesota Statutes, Chapter SOC, or franchisee's rights to any procedure, forum, or remedies provided for by the laws of the jurisdiction.

NEW YORK

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 F 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, 120 BROADWAY, 23RD FLOOR, NEW YORK, NEW YORK 10271. 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.

The following information applies to franchises and franchisees subject to New York statutes and regulations. Item numbers correspond to those in the main body.

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 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.

The following is added to the end of Item 4.

Neither the franchisor, its affiliate, its predecessor, officers or general partner has, during the 10-year period immediately before the date of the offering circular, has:

(a) filed as a 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;

(c) was a principal officer of a company or a general partner in any partnership that either filed as a debtor (or had filed against it) a petition to start action under the U.S. Bankruptcy Code or that obtained a discharge of its debts under the Bankruptcy Code during or within 1 year after the officer or general partner of the franchisor held this position in the company or partnership.

The following is added to ITEM 5:

The initial franchise fee constituted part of our general operating funds and will be used as such in our discretion.

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.

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.

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.

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.

NORTH DAKOTA

North Dakota-Specific Modification to Franchise Agreement

(c) North Dakota. If this Agreement is governed by the laws of the State of North Dakota, then: (1) the covenant not to compete upon termination or expiration of this Agreement may be unenforceable, except in certain circumstances provided by law; (2) mediation or arbitration hearings will be conducted in Fargo, North Dakota or at a mutually agreed upon location; (3) the consent by the Franchisee to jurisdiction and venue in the State of Colorado contained in this Agreement will be inapplicable to the Franchisee; and (4) any provisions of this Agreement which limit the statute of limitations period for claims under the North Dakota Franchise Investment Law (the "**North Dakota Law**") or the parties' rights or remedies under the North Dakota Law, such as the right to recover exemplary or punitive damages or to a jury trial, will not be enforceable.

Each provision of this Amendment shall be effective only to the extent that the jurisdictional requirements of the North Dakota Franchise Investment Law, with respect to each such provision, are met independent of this Amendment. This Amendment shall have no force or effect if such jurisdictional requirements are not met.

North Dakota-Specific Modification to Area Development Agreement

(a) North Dakota. If this Agreement is governed by the laws of the State of North Dakota, then: (1) the covenant not to compete upon termination or expiration of this Agreement may be unenforceable, except in certain circumstances provided by law; (2) mediation or arbitration hearings will be conducted in Fargo, North Dakota or at a mutually agreed upon location; (3) the consent by the Area Developer to jurisdiction and venue in the State of Colorado contained in this Agreement will be inapplicable to the Area Developer; and (4) any provisions of this Agreement which limit the statute of limitations for claims under the North Dakota Franchise Investment Law (the "**North Dakota Law**") or the parties' rights or remedies under the North Dakota Law, such as the right to recover punitive damages or to a jury trial, will not be enforceable.

RHODE ISLAND

Rhode Island-Specific Modification to Franchise Agreement

Each provision of this Amendment shall be effective only to the extent that the jurisdictional requirements of the Rhode Island Franchise Investment Act, with respect to each such provision, are met independent of this Amendment. This Amendment shall have no force or effect if such jurisdictional requirements are not met.

(d) Rhode Island. If this Agreement is governed by the laws of the State of Rhode Island, then any provision of this Agreement restricting jurisdiction or venue to a forum outside the

State of Rhode Island is void with respect to a claim otherwise enforceable under the Rhode Island Franchise Investment Act.

Rhode Island-Specific Modification to Area Development Agreement

(b) Rhode Island. If this Agreement is governed by the laws of the State of Rhode Island, then any provision of this Agreement restricting jurisdiction or venue to a forum outside the State of Rhode Island is void with respect to a claim otherwise enforceable under the Rhode Island Franchise Investment Act.

VIRGINIA

In recognition of the restrictions contained in Section 13.1-564 of the Virginia Retail Franchising Act, the Franchise Disclosure Document for NB Franchising, LLC for use in the Commonwealth of Virginia shall be amended as follows:

"Additional Disclosure: The following statements are added to Item 17.h.:

Under Section 13.1-564 of the Virginia Retail Franchising Act, it is unlawful for a franchisor to cancel a franchise without reasonable cause. If any grounds for default or termination stated in the development agreement does not constitute "reasonable cause," as that term may be defined in the Virginia Retail Franchising Act or the laws of Virginia, that provision may not be enforceable."

WASHINGTON

Washington-Specific Modification to the Franchise Disclosure Document and Franchise Agreement

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 any arbitration involving a franchise purchased in Washington, the arbitration site shall be either in the state of Washington, or in a place mutually agreed upon at the time of the arbitration, or as determined by the arbitrator.

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.

Item 5 of the Franchise Disclosure Document and Section 3.1 of the Franchise Agreement is amended to include the following:

"Franchisor will not require or accept the payment of any initial franchise fees until the franchisee has (a) received all initial training that is required under the Franchise Agreement or Franchise Disclosure Document and (b) is open for business."

ACKNOWLEDGMENT

It is agreed that the applicable foregoing State Specific Addenda, if any, supersedes any inconsistent portion of the Franchise Agreement dated the _____ day of ___________________ 20__, and of the disclosure document.

DATED this _______ day of _________________ 20__.

FRANCHISOR:	**FRANCHISEE:**
NB FRANCHISING, LLC	____________________________________
By:_____________________________________	By:_____________________________________
Title:___________________________________	Title:___________________________________

EXHIBIT I

LA BOULANGERIE

OPERATIONS MANUAL TABLE OF CONTENTS

OPERATIONS MANUAL
TABLE OF CONTENTS

Table of Contents

The total number of pages in the Operations Manual is approximately 85.

EXHIBIT J

LA BOULANGERIE

PROSPECT NONDISCLOSURE AND

NONCOMPETITION AGREEMENT

NB FRANCHISING, LLC
PROSPECT NONDISCLOSURE AND NONCOMPETITION AGREEMENT

This Prospect Nondisclosure and Noncompetition Agreement ("**Agreement**") is made and entered into this ____ day of ________________, 20___ by and between **NB Franchising, LLC,** a Delaware limited liability company ("**Company**"), located at 7700 E. Arapahoe Rd. Ste. 270, Centennial, CO 80112 and ___________________________ ("**Prospect**"), who resides or has a principal place of address at _____________________________________.

RECITALS

A. The Company is engaged in the business of selling franchises for the operation of La Boulangerie Bakery Cafés. La Boulangerie Bakery Cafés feature French inspired gourmet baked goods, chef inspired sandwiches, specialty food offerings, beverages, and other menu items in a distinctive atmosphere ("**Franchise Business**"). The Franchise Business is operated under the Company's trademark "LA BOULANGERIE®" and other service marks, trademarks, logo types, designs, and other commercial symbols (collectively "**Marks**").

B. The Company has developed methods for establishing, operating and promoting Franchise Businesses pursuant to the Company's distinctive business format, plans, methods, data, processes, supply systems, marketing systems, formulas, techniques, designs, layouts, operating procedures, Marks and information and know-how of the Company ("**Confidential Information**" and "**Trade Secrets**") and such Confidential Information and Trade Secrets as may be further developed from time to time by the Company.

C. The Company and its affiliates have established substantial goodwill and an excellent reputation with respect to the quality of its System, which goodwill and reputation have been and will continue to be of major benefit to the Company.

D. Prospect desires to become involved with the Company or a franchisee of the Company in the capacity of an officer, partner, director, agent, manager, employee, Designated Business Manager or as a beneficial owner of the Franchise Business, or is an immediate family member or domestic partner of a principal owning an interest in the Franchise Business, and will become privileged as to certain Confidential Information and Trade Secrets. Prospect may or may not have signed the Franchise Agreement or Guaranty and Assumption of Franchisee's Obligations form.

E. Prospect and the Company have reached an understanding with regard to nondisclosure by Prospect of Confidential Information and Trade Secrets and with respect to noncompetition by Prospect with the Company and other franchisees of the Company. Prospect agrees to the terms of this Agreement as partial consideration for the Company's willingness to allow Prospect to engage in a business relationship with Company or a franchisee of the Company using the Company's Confidential Information and Trade Secrets.

NOW THEREFORE, in consideration of the foregoing, the mutual promises contained herein and other good and valuable consideration, the receipt and sufficiency of which are acknowledged, Prospect and the Company, intending legally to be bound, agree as follows:

1. <u>Definitions.</u>

(a) "**Competitive Business**" as used in this Agreement only, means any business operating in competition with or similar to the Franchise Business, and specifically featuring gourmet baked goods, sandwiches, and other specialty foods similar to those offered in the Franchise Business, however, Prospect will not be prohibited from owning not more than a total of 5% of the stock of any company which is subject to the reporting requirements of the U.S. Securities and Exchange Act of 1934.

(b) "**Confidential Information**" shall mean without limitation, all knowledge, know-how, standards, formulas, methods and procedures related to the establishment and operation of the Franchise Business and includes all records pertaining to customers, suppliers, and other service providers of, and/or related in any way to, the Franchise Business including, without limitation, all databases (whether in print, electronic or other form), all names, addresses, phone numbers, e-mail addresses, customer purchase records, mail lists, manuals, promotional and marketing materials, marketing strategies and any other data and information which the Company or its affiliates designate as confidential including all information contained in the Company's Operations Manual, which may be provided as one or more separate manuals, written instructional guides, CD Rom, or other communications from the Company or its affiliates, which may be changed or supplemented from time to time.

(c) "**Franchise Agreement**" shall mean the franchise agreement between Company and ______________________________, dated _________________, as amended or renewed from time to time.

(d) "**Prospect**" shall mean the individual or entity described on page 1 of this Agreement and the Prospect's managers, officers, beneficial owners, directors, employees, partners, members, principals and immediate family members.

(e) "**Territory**" shall have the meaning defined in the Franchise Agreement.

(f) "**Term**" shall have the meaning defined in the Franchise Agreement.

(g) "**Trade Secret(s)**" shall mean information, including a formula, pattern, compilation, program, device, method, technique or process related to the Franchise Business that both derives independent economic value, actual or potential, from not being generally known to, and not being readily ascertainable by proper means by other persons who can obtain economic value from its disclosure or use and is the subject of efforts that are reasonable under the circumstances to maintain its secrecy.

(h) All other capitalized terms not defined in this Agreement shall have the meaning given to them in the Franchise Agreement.

2. Confidential Information and Trade Secrets. Prospect and the Company acknowledge that the Confidential Information and Trade Secrets which are developed and utilized in connection with the operation of the Franchise Business are unique and the exclusive property of the Company or its affiliates. Prospect acknowledges that any unauthorized disclosure or use of the Confidential Information and Trade Secrets would be wrongful and would cause irreparable injury and harm to the Company or its affiliates. Prospect further acknowledges that the Company or its affiliates has expended a great amount of effort and money in obtaining and developing the Confidential Information and Trade Secrets, that the Company or its affiliates has taken numerous precautions to guard the secrecy of the Confidential Information and Trade Secrets, and that it would be very costly for competitors to acquire or duplicate the Confidential Information and Trade Secrets.

3. Nondisclosure of Confidential Information and Trade Secrets. During the Term and any Successor Term of the Franchise Agreement and for a period of two (2) years after the expiration or termination of the Franchise Agreement (unless such information is a Trade Secret in which case the requirements in this Section 3 will remain in place for as long as such information constitutes a Trade Secret), Prospect shall not at any time, publish, disclose, divulge or in any manner communicate to any

person, firm, corporation, association, partnership or any other entity whatsoever or use, directly or indirectly, for its own benefit or for the benefit of any person, firm, corporation or other entity other than for the use of the Company or the Franchise Business, any of the Confidential Information or Trade Secrets of the Company or its affiliates.

4. Exceptions to Disclosing Confidential Information. Notwithstanding the foregoing, the restrictions on the disclosure and use of the Confidential Information will not apply to the following: (a) information that was in the public domain prior to being communicated to the Prospect through no fault of the Prospect; (b) information that entered the public domain after it was communicated to the Prospect through no fault of the Prospect; (c) information that was in the Prospect's possession free of any obligation of confidence at the time it was communicated to the Prospect; or (d) the disclosure of the Confidential Information in judicial or administrative proceedings to the extent that the Prospect is legally compelled to disclose the information, if the Prospect has notified the Company before disclosure and used the Prospect's best efforts, and afforded the Company the opportunity, to obtain an appropriate protective order or other assurance satisfactory to the Company of confidential treatment for the information required to be so disclosed.

5. Noncompetition Covenant. Prospect acknowledges that the Company must be protected against the potential for unfair competition by Prospect's use of the Confidential Information and Trade Secrets in direct competition with the Company. Prospect further acknowledges that the Confidential Information and Trade Secrets would not have been divulged to the Prospect absent the Prospect's agreement to strictly comply with the provisions of this Agreement. Prospect therefore agrees that, other than the Franchise Business licensed under the Franchise Agreement, Prospect will not during the Term and Successor Term of the Franchise Agreement:

(a) have any direct or indirect interest as a disclosed or beneficial owner in a Competitive Business;

(b) perform services as a manager, officer, beneficial owner, director, principal, employee, partner, member, consultant, representative, agent or otherwise for a Competitive Business; or

(c) divert or attempt to divert any business related to, or any customer or account of the Franchise Business, the Company's business, the business of any affiliate of the Company or any other franchisee's business, by direct inducement or otherwise, or divert or attempt to divert the employment of any employee of the Company or another franchisee licensed by Company, to any Competitive Business by any direct inducement or otherwise.

6. Post-Termination Covenant Not to Compete. Upon termination or expiration of Prospect's relationship with the Company, the Franchise Business or the Franchise Agreement for any reason, Prospect agrees that, for a period of two (2) years commencing on the effective date of termination or expiration of the Franchise Agreement, Prospect will not have any direct or indirect interest (through any immediate family member of Prospect or its beneficial owners or otherwise) as a disclosed or beneficial owner, investor, partner, director, officer, manager, employee, consultant, representative or agent or in any other capacity in any Competitive Business, located or operating: (a) in the Territory or any other franchisee's territory; (b) within 100 miles of the Territory or any other franchisee's Territory; or (3) within 100 miles of any Company or Company's affiliate owned Franchise Business.

The restrictions of this Section 6 will not be applicable to the ownership of shares of a class of securities listed on a stock exchange or traded on the over-the-counter market that represent 5% or less of the number of shares of that class of securities issued and outstanding.

The parties have attempted in this Agreement to limit the Prospect's right to compete only to the extent necessary to protect the Company from unfair competition. The parties hereby expressly agree that if the scope of enforceability of the provision of Sections 5 and 6 are disputed at any time by the Franchisee, a court or arbitrator, as the case may be, may modify Sections 5 and 6 to the extent that it deems necessary to make such provisions enforceable under applicable law. THE PROSPECT EXPRESSLY ACKNOWLEDGES THAT THE PROSPECT POSSESSES SKILLS AND ABILITIES OF A GENERAL NATURE AND HAS OTHER OPPORTUNITIES TO EXPLOIT SUCH SKILLS. CONSEQUENTLY, ENFORCEMENT OF THE COVENANTS SET FORTH ABOVE WILL NOT DEPRIVE PROSPECT OF THE ABILITY TO EARN A LIVING.

7. Injunction. Prospect hereby acknowledges and agrees that in the event of any breach or threatened breach of this Agreement, the Company shall be authorized and entitled to seek, from any court of competent jurisdiction, preliminary and permanent injunctive relief in addition to any other rights or remedies to which the Company may be entitled. Prospect agrees that the Company may obtain such injunctive relief, without posting a bond or bonds. Prospect's sole remedy, in the event of the entry of such injunctive relief, shall be dissolution of such injunctive relief, if warranted, upon a hearing duly had; provided, however, that all claims for damages by reason of the wrongful issuance of any such injunction are hereby expressly waived by Prospect. In any litigation, arbitration or other proceeding concerning the entry of any requested injunction against Prospect, Prospect, for value, voluntarily waives such defenses as Prospect might otherwise have under the law of the jurisdiction in which the matter is being litigated, arbitrated or otherwise relating to any claimed “prior breach” on the part of the Company; it being specifically understood and agreed between the parties that no action or lack of action on the part of the Company will entitle or permit the Prospect to disclose any such Confidential Information and Trade Secrets in any circumstances.

8. Effect of Waiver. The waiver by Prospect or the Company of a breach of any provision of this Agreement shall not operate or be construed as a waiver of any subsequent breach thereof.

9. Binding Effect. This Agreement shall be binding upon and inure to the benefit of Prospect and the Company and their respective heirs, executors, representatives, successors and assigns.

10. Entire Agreement. This instrument contains the entire agreement of Prospect and the Company relating to the matters set forth herein. It may not be changed verbally, but only by an agreement in writing, signed by the party against whom enforcement of any waiver, change, modification, extension or discharge is sought.

11. Governing Law. This instrument shall be governed by and construed under the laws of the State of Colorado.

12. Jurisdiction and Venue. In the event of a breach or threatened breach by Prospect of this Agreement, Prospect hereby irrevocably submits to the jurisdiction of the state and federal courts of Colorado, and irrevocably agrees that venue for any action or proceeding shall be in the state and federal courts of Colorado. Both parties waive any objection to the jurisdiction of these courts or to venue in the state and federal courts of Colorado. Notwithstanding the foregoing, in the event that the laws of the state where the Prospect resides prohibit the aforesaid designation of jurisdiction and venue, then such other state’s laws shall control.

13. Severability. If any provision of this Agreement shall be held, declared or pronounced void, voidable, invalid, unenforceable or inoperative for any reason, by any court of competent jurisdiction, government authority or otherwise, such holding, declaration or pronouncement shall not affect adversely any other provisions of this Agreement which shall otherwise remain in full force and effect.

14. Attorneys' Fees. In any action at law or in equity to enforce any of the provisions or rights under this Agreement, the unsuccessful party in such litigation, as determined by the court in a final judgment or decree, shall pay the successful party or parties all costs, expenses and reasonable attorneys' fees incurred therein by such party or parties (including without limitation such costs, expenses and fees on any appeals), and if such successful party shall recover judgment in any such action or proceeding, such costs, expenses and attorneys' fees shall be included as part of such judgment.

IN WITNESS WHEREOF, the parties have signed this Agreement on the date first above written.

COMPANY:	**PROSPECT:**
NB FRANCHISING, LLC	______________________________
By: ______________________________	By: ______________________________
Title: ______________________________	Print Name: ______________________________
Date: ______________________________	Date: ______________________________

EXHIBIT K

LA BOULANGERIE

STATE EFFECTIVE DATES

& RECEIPTS

State Effective Dates

The following states have franchise laws that require that the Franchise Disclosure Document be registered or filed with the state, or be exempt from registration: California, Hawaii, Illinois, Indiana, Maryland, Michigan, Minnesota, New York, North Dakota, Rhode Island, South Dakota, Virginia, Washington, and Wisconsin.

This document is effective and may be used in the following states, where the document is filed, registered or exempt from registration, as of the Effective Date stated below:

STATE	EFFECTIVE DATE
CALIFORNIA	Pending
HAWAII	NOT REGISTERED
ILLINOIS	NOT REGISTERED
INDIANA	NOT REGISTERED
MARYLAND	NOT REGISTERED
MICHIGAN	NOT REGISTERED
MINNESOTA	NOT REGISTERED
NEW YORK	NOT REGISTERED
NORTH DAKOTA	NOT REGISTERED
RHODE ISLAND	NOT REGISTERED
SOUTH DAKOTA	NOT REGISTERED
VIRGINIA	NOT REGISTERED
WASHINGTON	NOT REGISTERED
WISCONSIN	NOT REGISTERED

Other states may require registration, filing, or exemption of a franchise under other laws, such as those that regulate the offer and sale of business opportunities or seller-assisted marketing plans.

EXHIBIT K
RECEIPT

This Disclosure Document summarizes certain provisions of the Franchise Agreement and other information in plain language. Read this Disclosure Document and all agreements carefully.

If NB Franchising, LLC offers you a franchise, it must provide this Disclosure Document to you at least 14 calendar days before you sign a binding agreement with, or make a payment to, NB Franchising, LLC or an affiliate in connection with the proposed franchise sale.

New York and Rhode Island require that La Boulangerie give you this Disclosure Document at the earlier of the first personal meeting or 10 business days before the execution of the Franchise Agreement or other agreement or the payment of any consideration that relates to the franchise relationship. Michigan requires that NB Franchising, LLC give you this Disclosure Document at least 10 business days before the execution of any binding Franchise Agreement or other agreement or the payment of any consideration, whichever occurs first.

If NB Franchising, 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 the state agency listed in the State Agency Exhibit (Exhibit F).

Issuance Date: February 19, 2020

The effective dates for this Disclosure Document in the franchise registration states are listed on the page immediately preceding the Receipt pages of this Disclosure Document.

The franchise seller(s) for this offering is/are: Larry Sidoti, NB Franchising, LLC, 7700 E. Arapahoe Rd. Ste. 270, Centennial, CO 80112 (303) 221-2559 and Gabriel Moreno, 7700 E. Arapahoe Rd., Ste. 270, Centennial, CO 80112 (303) 221-2559

La Boulangerie authorizes the respective state agencies identified in the State Agency Exhibit to receive service of process for it in the particular state.

I received this Disclosure Document, dated February 19, 2020, that included the following exhibits:

EXHIBIT A: LIST OF FRANCHISED AND COMPANY-OWNED BAKERY CAFÉS
EXHIBIT B: FINANCIAL STATEMENTS
EXHIBIT C: FRANCHISE AGREEMENT
EXHIBIT D: AREA DEVELOPMENT AGREEMENT
EXHIBIT E SAMPLE RELEASE
EXHIBIT F: STATE AGENCY EXHIBIT
EXHIBIT G: FRANCHISEE QUESTIONNAIRE
EXHIBIT H: STATE-SPECIFIC ADDENDUM
EXHIBIT I: OPERATIONS MANUAL TABLE OF CONTENTS
EXHIBIT J: PROSPECT NONDISCLOSURE AND NONCOMPETITION AGREEMENT
EXHIBIT K: STATE EFFECTIVE DATES & RECEIPTS

Signed:__________	Signed: __________
Print Name:__________	Print Name:__________
Address:__________	Address: __________
City/State/Zip: __________	City/State/Zip:__________
Telephone:__________	Telephone: __________
Dated:__________	Dated: __________

Copy To: NB Franchising, LLC, 7700 E. Arapahoe Rd. Ste. 270, Centennial, CO 80112
Copy To: Franchisee

EXHIBIT K
RECEIPT

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EXHIBIT D:	AREA DEVELOPMENT AGREEMENT
EXHIBIT E	SAMPLE RELEASE
EXHIBIT F:	STATE AGENCY EXHIBIT
EXHIBIT G:	FRANCHISEE QUESTIONNAIRE
EXHIBIT H:	STATE-SPECIFIC ADDENDUM
EXHIBIT I:	OPERATIONS MANUAL TABLE OF CONTENTS
EXHIBIT J:	PROSPECT NONDISCLOSURE AND NONCOMPETITION AGREEMENT
EXHIBIT K:	STATE EFFECTIVE DATES & RECEIPTS

Signed:____________________	Signed: ____________________
Print Name:____________________	Print Name:____________________
Address:____________________	Address: ____________________
City/State/Zip: ____________________	City/State/Zip:____________________
Telephone:____________________	Telephone: ____________________
Dated:____________________	Dated: ____________________