



FRANCHISE DISCLOSURE DOCUMENT

CREST FOODS, INC.
a Texas corporation
101 West Renner Road, Suite 240
Richardson, Texas 75082
(214) 495-9533 (telephone)
(214) 239-3091 (fax)
www.nestlecafe.com



The franchises offered are for the establishment and operation of quick service bakery cafes ("Bakery Cafés") and quick service sandwich and bakery cafes ("Combination Cafés" and, together with the Bakery Cafes, "Cafes"). We also offer area representative franchises for Cafes.

The total investment necessary to begin operation of a Nestle Toll House Café by Chip franchise is \$157,500 to \$395,400 for an in-line or street unit, \$162,050 to \$251,300 for a kiosk and \$27,900 to \$48,000 for an auxiliary satellite cart, and the total investment necessary to begin operation of a combination Nestle Toll House Café by Chip/Brick House Subs franchise is \$290,250 to \$595,100. This includes \$30,000 (\$35,000 if an auxiliary satellite cart is included) that must be paid to the franchisor or affiliate. The total investment necessary to begin operation of an area representative franchise is \$33,000 to \$383,000. This includes an amount that must be paid to the franchisor or affiliate equal to the sum of (a) \$.05 times the number of people residing (year-round or seasonally) within the geographic area ("Territory") we grant to you and (b) 1/3 of the aggregate royalties we project to be paid to us under existing franchise agreements for Cafes located in the Territory, which is estimated to be \$25,000 to \$340,000.

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

You may wish to receive your Disclosure Document in another format that is more convenient for you. To discuss the availability of disclosures in different formats, contact Ted Milburn or Amanda Aguilar, 101 West Renner Road, Suite 240, Richardson, Texas 75082, 214-495-9533.

The terms of your contract will govern your franchise relationship. Don't rely on this Disclosure Document alone to understand your contract. Read all of your contract carefully. Show your contract and this Disclosure Document to an advisor, like a lawyer or an accountant.

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

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

Date of Issuance: April 15, 2014

DAL:0522055/68173:2251276v1

STATE COVER PAGE

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

Call the state franchise administrator listed in Exhibit I for information about the franchisor or about franchising in your state.

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

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

1. THE FRANCHISE, DEVELOPMENT AND AREA REPRESENTATIVE AGREEMENTS REQUIRES YOU TO RESOLVE DISPUTES WITH US BY LITIGATION/ARBITRATION/MEDIATION ONLY IN TEXAS. OUT OF STATE LITIGATION/ARBITRATION/MEDIATION MAY FORCE YOU TO ACCEPT A LESS FAVORABLE SETTLEMENT FOR DISPUTES. IT MAY ALSO COST YOU MORE TO SUE/ARBITRATE/MEDIATE WITH US IN TEXAS THAN IN YOUR HOME STATE.
2. THE FRANCHISE AGREEMENT STATES THAT TEXAS LAW GOVERNS THE AGREEMENT, AND TEXAS LAW MAY NOT PROVIDE THE SAME PROTECTIONS AND BENEFITS AS YOUR STATE'S LAW. YOU MAY WANT TO COMPARE THESE LAWS.
3. THERE MAY BE OTHER RISKS CONCERNING THIS FRANCHISE.

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

STATE EFFECTIVE DATES

The following states require that this 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 Disclosure Document is either not registered or registered, on file or exempt from registration in the following states having franchise registration and disclosure laws, with the following effective dates:

California-	Pending
Hawaii-	Not registered
Illinois-	Pending
Indiana-	Pending
Maryland-	Pending
Michigan-	June 20, 2014
Minnesota-	Pending
New York-	August 16, 2000; amended _____
North Dakota-	Not registered
Rhode Island-	Not registered
South Dakota-	Not registered
Virginia-	Pending
Washington-	Pending
Wisconsin-	Not registered

This Disclosure Document is not required to be registered in the following states, but an exemption has been filed as required by the state's business opportunity laws and the Disclosure Document is effective as of the date specified below:

Florida-	Pending
Kentucky-	Date of Issuance
Nebraska-	Date of Issuance
Texas-	Date of Issuance
Utah-	Pending

In all other states the Disclosure Document is effective as of its Date of Issuance.

TABLE OF CONTENTS

<u>ITEM</u>	<u>Page</u>
ITEM 1 THE FRANCHISOR AND ANY PARENTS, PREDECESSORS AND AFFILIATES	1
ITEM 2 BUSINESS EXPERIENCE.....	5
ITEM 3 LITIGATION	5
ITEM 4 BANKRUPTCY	5
ITEM 5 INITIAL FEES	5
ITEM 6 OTHER FEES	7
ITEM 7 ESTIMATED INITIAL INVESTMENT	12
ITEM 8 RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES.....	23
ITEM 9 FRANCHISEE’S OBLIGATIONS	27
ITEM 10 FINANCING	28
ITEM 11 FRANCHISOR’S ASSISTANCE, ADVERTISING COMPUTER SYSTEMS, AND TRAINING	29
ITEM 12 TERRITORY	41
ITEM 13 TRADEMARKS	45
ITEM 14 PATENTS, COPYRIGHTS AND PROPRIETARY INFORMATION	47
ITEM 15 OBLIGATION TO PARTICIPATE IN THE ACTUAL OPERATION OF THE FRANCHISE BUSINESS.....	48
ITEM 16 RESTRICTIONS ON WHAT THE FRANCHISEE MAY SELL.....	50
ITEM 17 RENEWAL, TERMINATION, TRANSFER AND DISPUTE RESOLUTION	51
ITEM 18 PUBLIC FIGURES	56
ITEM 19 FINANCIAL PERFORMANCE REPRESENTATIONS	57
ITEM 20 OUTLETS AND FRANCHISEE INFORMATION	58
ITEM 21 FINANCIAL STATEMENTS	64
ITEM 22 CONTRACTS	64
ITEM 23 RECEIPTS	64
STATE ADDENDUMS TO DISCLOSURE DOCUMENT	

EXHIBITS

A.	FINANCIAL STATEMENTS
B.	FRANCHISE AGREEMENT
B-1.	STATE AMENDMENTS TO FRANCHISE AGREEMENT
B-2.	CART ADDENDUM TO FRANCHISE AGREEMENT
C.	DEVELOPMENT AGREEMENT
C-1.	STATE AMENDMENTS TO DEVELOPMENT AGREEMENT
D.	AREA REPRESENTATIVE AGREEMENT
D-1.	STATE AMENDMENTS TO AREA REPRESENTATIVE AGREEMENT
E.	ELECTRONIC FUNDS TRANSFER AUTHORIZATION
F.	POWER OF ATTORNEY (TELECOMMUNICATIONS)
G.	POWER OF ATTORNEY (TAX)
H.	MANUALS TABLE OF CONTENTS
I.	LIST OF STATE ADMINISTRATORS
J.	AGENTS FOR SERVICE OF PROCESS
K-1.	LIST OF FRANCHISEES
K-2.	LIST OF FRANCHISEES WHO HAVE LEFT THE SYSTEM
L-1.	LIST OF AREA REPRESENTATIVES
L-2.	LIST OF AREA REPRESENTATIVES WHO HAVE LEFT THE SYSTEM
M.	ITEM 2, 3 AND 4 DISCLOSURE FOR AREA REPRESENTATIVES
N.	FORM OF FRANCHISE APPLICATION
O.	FORM OF FDD-FRANCHISE AGREEMENT REVIEW
P.	FORM OF GENERAL RELEASE

ITEM 1

THE FRANCHISOR AND ANY PARENTS, PREDECESSORS AND AFFILIATES

We have written the Disclosure Document in “plain English” in order to comply with legal requirements. Any differences in the language in this Disclosure Document describing the terms, conditions or obligations under the Franchise Agreement, Development Agreement, Area Representative Agreement (each as defined below) or any other agreements is not intended to alter in any way your or our rights or obligations under the particular agreement. In this Disclosure Document, Crest Foods, Inc. is referred to as “we,” “us,” or “our” and the person or entity that will be signing the Franchise Agreement is referred to as “you” or “your.”

Franchisor

We were incorporated as a Texas corporation in March 1998. Our principal place of business is 101 West Renner Road, Suite 240, Richardson, Texas 75082, and we do business under our corporate name and the Marks as described below.

Since June 1, 2000, we have franchised retail outlets that feature cookies, desserts, ice cream, confection products, other baked goods, coffees, other beverage items and promotional items (“Bakery Cafes”). In March 2006 we began offering franchised retail outlets that feature sandwiches and soups in addition to the menu items offered in the Bakery Cafes (“Combination Cafes” and, together with the Bakery Cafes, “Cafes” or “franchised businesses”). Since March 2005, we have offered area representative franchises. The Bakery Cafes are generally located within enclosed shopping malls, medical centers, airports and other similar facilities with a captive market customer base. The Combination Cafes are generally located in strip shopping centers or other outside mall location. The Bakery Cafes will feature the marks “Café by Chip,” “Nestlé” and “Toll House.” The Combination Cafés will feature the marks “Brick House Subs,” “Café by Chip,” “Nestlé” and “Toll House.” These principal marks and all other marks which may be designated by us in the future in writing for use with the System (defined below) are referred to in this Disclosure Document as the “Marks.” As of the date of this Disclosure Document, we own five Cafes, four of which we operate and one of which we entered into a management agreement with a former franchisee to operate. As of the date of this Disclosure Document, except as described above, we do not own or operate any Café. We have not offered franchises in any other line of business and, except as described below, we do not engage in any other business activity.

From August 1998 to January 2000, we operated a Mrs. Fields Original Cookie franchise in Oklahoma City, Oklahoma. We do not currently operate any business substantially similar to the business that you will operate.

Except as described in this Disclosure Document, we have not offered franchises in this or any other line of business.

Our Parents, Predecessors and Affiliates

Except as described below, we do not have any parents, predecessors or affiliates.

Crest Foods International Ltd. (“International”), a British Virgin Island company with a principal place of business of 101 West Renner Road, Suite 240, Richardson, Texas 75082, was formed on November 11, 2008 and is our affiliate. On February 1, 2009, we licensed International to develop and franchise Cafes in Lebanon, Syria, Jordan, Iraq, Iran, Yemen, Kuwait, Oman, Bahrain, Qatar, Dubai-United Arab Emirates and Saudi Arabia (collectively, the “Middle East”) in accordance with the System. Since February 2009, International has offered franchises in the Middle East for Cafes using the principal marks “Nestlé” and “Toll House.” Except as described in this Disclosure Document, International has not offered franchises in this or any other line of business.

Agents for Service of Process

Our agents for service of process are listed in Exhibit J.

Description of Franchises

We franchise the right to establish and operate a Bakery Cafe that is typically located in enclosed shopping malls under the Marks and the System under the terms of the Franchise Agreement. We may, however, consider alternative sites such as medical centers, airports, university campuses or other captive market spaces, and strip shopping centers, office/business parks, transportation centers and other similar locations, on a case-by-case basis. Each Bakery Cafe will typically offer a menu specializing in cookies, desserts, ice cream, confection products, other baked goods, coffees, and other beverage items, some of which will be prepared with our and/or Nestlé's (defined below) proprietary recipes and ingredients. The in-line and street units will typically range in size from 400 to 1,500 square feet, and kiosks and related storage space will typically range between 300 and 400 square feet. Each Bakery Cafe generally will have 15 to 30 square feet of service counter space.

We also franchise the right to establish and operate a Combination Cafe that is typically located in a strip shopping center or other outside mall location under the Marks and the System under the terms of the Franchise Agreement. Each Combination Cafe will typically offer a menu specializing in sandwiches, soups and certain of the menu items offered by the Bakery Cafe, some of which will be prepared with our and/or Nestlé's proprietary recipes and ingredients. The Combination Cafes will typically range in size from 1,400 to 2,800 square feet. Each Combination Cafe generally will have 75 to 150 square feet of service counter space.

The Cafes are established and operated under a comprehensive and unique system (the "System") that includes distinctive exterior and interior design, decor, color scheme, and furnishings; proprietary products and ingredients; proprietary recipes and special menu items, uniform standards, specifications, and procedures for operations; quality and uniformity of products and services offered; procedures for inventory, management and financial control (including point of purchase and tracking systems); training and assistance; and advertising and promotional programs; all of which we may change, improve, and further develop, in our discretion. Certain aspects of the System are more fully described in this Disclosure Document and the Franchise Manuals that are provided to you.

We primarily offer the right to establish and operate a Cafe under the terms of a single unit franchise agreement (the "Franchise Agreement"). The Franchise Agreement that you must sign is attached as Exhibit B to this Disclosure Document. You may be an individual or legal entity. Under the Franchise Agreement, certain parties are characterized as your Principals (referred to in this Disclosure Document as "your Principals"). The Franchise Agreement is signed by us, by you, and by those of your Principals whom we designate as Controlling Principals. In most instances, we will designate your principal equity owners and executive officers, and certain affiliated entities as Controlling Principals. By signing the Franchise Agreement, your Controlling Principals agree to be individually bound by certain obligations in the Franchise Agreement, including covenants concerning confidentiality and noncompetition, and to personally guarantee your performance under the Franchise Agreement. Depending on the type of business activities in which you or your Principals may be involved, we may require you or your Principals to sign additional confidentiality and noncompetition agreements.

We also offer to franchisees a license to operate a satellite cart ("Cart") as an auxiliary to the Café. If you elect to operate a Cart, you must sign the Cart Addendum to Franchise Agreement that is attached as Exhibit B-2 to this Disclosure Document. The Cart will carry only a limited menu of items. For purposes of this Disclosure Document, the term Cafe includes any auxiliary Cart.

You must also designate an "Operating Principal" who will be the main individual responsible for your business. If you are an individual, you will be the Operating Principal. If you are not an individual, the

person you designate as your Operating Principal must maintain an equity interest in you. The Operating Principal must sign the Franchise Agreement as the Operating Principal and as one of your Controlling Principals. The Operating Principal must individually make certain covenants in the Franchise Agreement and must personally guarantee your performance under the Franchise Agreement.

In certain limited circumstances, we will offer to you the right to enter into an area development agreement to develop more than 1 franchised Cafe within a specifically described geographic territory or within specifically described shopping malls or other buildings (the "Development Agreement"). The Development Agreement that you must sign is attached as Exhibit C to this Disclosure Document. We will determine the territory, malls, or buildings before you sign the Development Agreement and it will be included in the Development Agreement (the "Territory"). Under a Development Agreement, you must establish more than 1 Cafe within the Territory according to a development schedule, and to enter into a separate Franchise Agreement for each Cafe established under the Development Agreement. The Franchise Agreement for the first Cafe developed under the Development Agreement will be in the form attached as Exhibit B to this Disclosure Document. For each additional Cafe developed under the Development Agreement, you must sign the form of Franchise Agreement that we are then offering to new franchisees. The size of the Territory will vary depending upon local market conditions and the number of Cafes to be developed.

The person or entity signing the Development Agreement is referred to as the "Developer." The Development Agreement contains concepts similar to the Franchise Agreement involving the "Developer's Principals," Controlling Principals of Developer, and an Operating Principal of Developer. For purposes of this Disclosure Document, the terms your Principals, Controlling Principals and Operating Principal, include those persons having similar obligations identified in both the Development Agreement and Franchise Agreement, and the terms you, your, and Franchisee also include the Developer under the Development Agreement, unless we have noted otherwise.

In certain limited circumstances we may also offer you the right to establish and operate an area representative business ("AR Business") in a specific geographic area ("Territory"). The Area Representative Agreement that you must sign is attached as Exhibit D to this Disclosure Document. You may be an individual or legal entity. The person or entity signing the Area Representative Agreement is referred to as the "Area Representative." The Area Representative Agreement contains concepts similar to the Franchise Agreement involving the "Area Representative's Principals," Controlling Principals of Area Representative, and an Operating Principal of Area Representative. For purposes of this Disclosure Document, the terms your Principals, Controlling Principals and Operating Principal, include those persons having similar obligations identified in both the Franchise Agreement and Area Representative Agreement, and the terms you, your, and Franchisee also include the Area Representative under the Area Representative Agreement, unless we have noted otherwise. Any reference to the "Agreements" means the Franchise Agreement, Development Agreement and Area Representative Agreement, as applicable.

As an area representative, you must develop the Territory by soliciting franchisees to own and operate franchises within the Territory. However, the grant of franchises is subject to our discretion. You may not negotiate or sign Franchise Agreements, nor may you solicit franchisees in a franchise registration state until our Disclosure Document is registered in that state. As an area representative, you must also assist and service the franchisees within the Territory and own and operate at least 1 Café within the Territory under a Franchise Agreement. If we request that you operate a Café within the Territory that is in breach of its Franchise Agreement or that we have acquired, you must operate the Café, in good faith and in the same manner that you operate Cafes that you own. We will pay you a per diem fee, a percentage of gross sales or a fee based upon such other formula as we designate.

As an area representative, subject to certain conditions, during the term of the Area Representative Agreement you will receive one-third of the initial franchise fees paid by new franchisees within the Territory and one-third of the royalties (other than amounts paid or owing to us by a particular franchisee with respect to periods during which that franchisee is in breach of its obligations under its Franchise

Agreement (“Breaching Royalties”)) paid by franchisees within the Territory. However, you will have no authority or responsibility as an area representative, and will not receive any payments, with respect to Cafes owned or operated by us and our affiliates or Permitted Exceptions (as defined below). However, if we request you to manage, service and/or supervise Cafes that qualify as Permitted Exceptions, you will have such authority and responsibility with respect to such Cafes as we may designate and receive such percentage of royalties (other than Breaching Royalties) with respect to those Cafes as we may designate.

For purposes of this Disclosure Document, the term “Permitted Exceptions” means Cafes owned or operated by (i) a franchisee who we believe intends to own or operate 10 or more Cafes in accordance with an understanding or agreement with us that provides for regional or national establishment of Cafes by that franchisee, (ii) a master concessionaire or Cafes located in other unique or non-traditional marketplaces (in our sole discretion), such as kiosks, carts, cafeterias, convenience stores, stadiums, entertainment pavilions, amusement parks, sports or entertainment venues, airports, train stations, travel plazas, toll roads, military bases, prisons, hospitals, hotels, casinos and high school and college campuses, or (iii) us or our affiliates.

In addition, you will have no authority under the Area Representative Agreement and you will receive no payments as an area representative (and no amounts will accrue), until and unless: (i) you directly own and operate at least one Café; (ii) you are licensed or registered, or maintain a permit, as necessary in connection with your activities as an area representative (for example, as a subfranchisor or franchise broker); and (iii) our Disclosure Document has been updated or supplemented with respect to you, as an area representative, as necessary to comply with applicable law. There are certain other limitations on payments to area representatives and the return of payments made to area representatives that are contained in the Area Representative Agreement.

As an area representative, you must open and maintain in operation, directly or through franchisees, a minimum number of Cafes within the Territory during each year of your Area Representative Agreement. In addition, Cafes (excluding Permitted Exceptions) in the Territory must maintain an average annual gross sales exceeding a designated percentage of the annual average gross sales of all Cafes in the United States, calculated in accordance with the Area Representative Agreement.

General Description of the Market and Competition

The market for the food products and services offered by the Cafes is developed and highly competitive, as is the market for obtaining locations in qualified shopping malls or other similar buildings with a captive market customer base or in strip shopping centers. You will compete against local and national branded quick service dessert and bakery establishments, as well as other quick service food and beverage establishments. We plan controlled expansion into areas that we determine can support the Cafes to improve name recognition and the reputation of the System through franchised businesses. We believe that our competitive position will be improved based on that expansion, and that our concept will be able to attract customers consistently in those markets. As an area representative, you will have to compete with other business opportunities to solicit prospective franchisees.

Regulations Specific to the Industry

In addition to the laws and regulations applicable to businesses generally, you should consider the federal, state and local laws, rules and ordinances related to the method of preparation and sanitation conditions applicable to businesses in the restaurant and food service industry.

As an Area Representative, you will be subject to various federal and state franchise laws and regulations with respect to solicitation of franchisees, including disclosure and licensing laws and regulations. However, we will register the offering and sale of franchises with the various states of the United States. You are advised to investigate the federal, state and local laws, regulations and ordinances applicable to being an area representative and conducting your AR Business.

ITEM 2 BUSINESS EXPERIENCE

Director and Chief Executive Officer: Ziad S. Dalal

Ziad has served as Director since our inception and as Chief Executive Officer since March 2001.

Senior Vice President of Global Operations: Shawnon Bellah

Shawnon has served in her current position since December 2011. From January 2009 to December 2011, she served as our Vice President of Operation. From January 2008 to November 2009 she served as our Director of Training.

Vice President of Franchise Development: Ted Milburn

Ted has served in his current position since November 2010. From November 2007 to November 2010 he was Director of Franchise Development at Kahala Corp., overseeing all development duties for the Blimpie Subs & Salads brand, in Snohomish, Washington.

Senior Director of Operations: Fidel Martinez

Fidel has served in his current position since February 2006. From May 2000 to February 2006, he served as an Operations Director.

ITEM 3 LITIGATION

Except for the action described below, no litigation is required to be disclosed in this Item. For information on our Area Representatives in the United States, see Exhibit M.

Michael Pecoraro, Kathy Pecoraro and Blue Moon Cookie Company v. Crest Foods, Inc., Doyle Liesenfelt and Ziad S. Dalal (Case No. 37-2009-00087424-CU-FR-CTL), Superior Court of the State of California, San Diego County. On April 10, 2009, Michael Pecoraro, Kathy Pecoraro and Blue Moon Cookie Company (the “Pecoraros”), a former franchisee, filed a civil action against us, Doyle Liesenfelt and Ziad S. Dalal. In this action the Pecoraros alleged intentionally misrepresentation, negligent misrepresentation, breach of contract, negligence and violation of the Texas deceptive trade practices and consumer protection act relating to their selection of a site for their café and sought unspecified damages. The parties executed a Settlement Agreement and Release effective as of September 19, 2009, under which the Pecoraros assigned to us all right, title and interest in any assets located at the Café as of July 1, 2009 and we agreed to pay the Pecoraros \$75,000 over a 12 month period.

ITEM 4 BANKRUPTCY

No bankruptcy is required to be disclosed in this Item. For information on our Area Representatives in the United States, see Exhibit M.

ITEM 5 INITIAL FEES

Initial Franchise Fee and Development Fee

You must pay us an initial franchise fee of \$30,000 for the right to establish a single Café under a Franchise Agreement. If you sign the Cart Addendum to Franchise Agreement, you must pay us a

satellite cart fee of \$5,000. If you enter into a Development Agreement to develop more than 1 Café, you must pay a development fee of \$5,000 per Café to be developed when you sign the Development Agreement. If the Development Agreement is for development of 2 Cafes, we charge an initial franchise fee of \$30,000 for each Café to be developed. If the Development Agreement is for development of 3 or 4 Cafes, we charge an initial franchise fee of \$30,000 for the first Café to be developed and \$25,000 for each additional Café to be developed. If the Development Agreement is for development of 5 or more Cafes, we charge an initial franchise fee of \$30,000 for the first Café to be developed and \$25,000 for the second and third Café to be developed and \$22,500 for the fourth and each additional Café to be developed. We will credit the \$5,000 development fee you pay against the franchise fees due for each additional Café when you sign each additional Franchise Agreement. Except as described above, the basis for calculating the development fee will be the same for all franchisees entering into Development Agreements under this offering; however, the actual dollar amount paid may vary depending on the number of Cafes you commit to develop. You must pay the initial franchise fee in full when you sign the Franchise Agreement and, except as described in this Item 5, the initial franchise fee is the same for all franchisees under this offering. The initial franchise fee and any development fees are not refundable.

In certain circumstances, we may discount the initial franchise fee for existing franchisees who wish to open additional Cafes, including Cafes as part of a co-brand or management leveraged concept, but are not under a Development Agreement or new franchisees who execute a Franchise Agreement within a specified number of days after being approved for a franchise. In our fiscal year ended December 29, 2013, the initial franchise fees ranged from \$1,500 to \$30,000, with the \$1,500 initial franchise fee being granted to an existing Haagen Daz franchisees who added a Cafe to his exiting Haagen-Daz shop.

Initial Area Representative Fee

If you purchase an area representative franchise, you must pay us an initial area representative fee equal to sum of: (a) the product of \$.05 times the number of people residing (year-round or seasonally) within the Territory at the time the Area Representative Agreement is signed, as determined in accordance with the most recent edition or announcement of the source we designate (subject to adjustment, in our discretion, with respect to seasonal and other population increases) (the “Population-based Fee”); and (b) 33-1/3% of the aggregate Royalties (as defined in Item 6) we project to be paid under existing Franchise Agreements (i.e., Franchise Agreements executed prior to the date of the Area Representative Agreement for Cafes, excluding Permitted Exceptions, located or to be located within the Territory) during the three-year period beginning on the date of the Area Representative Agreement. The basis for calculating the area representative fee will be the same for all Area Representatives entering into Area Representatives Agreements under this offering; however, the actual dollar amount paid may vary depending on the population in the Territory and the number of existing Cafes in the Territory. The estimated area representative fee is \$25,000 to \$340,000. The estimated low fee is for a population of 500,000 and estimated Royalties of \$0 and the estimated high fee is for a population of 5,000,000 and estimated Royalties of \$90,000. You must pay the initial area representative fee in full when you sign the Area Representative Agreement. The initial area representative fee is not refundable.

Initial Training Fee

We do not charge a training fee for the initial training of your Operating Principal and General Manager (or 1 other additional personnel). At your request, and if space is available, we will provide initial training to additional members of your personnel, and we may charge a fee for that initial training. We currently charge \$1,500 per person for initial training of additional personnel. This fee represents our cost of providing the training, including our administrative costs of making personnel available for training purposes, and the cost of materials. You must pay the initial training fee for the additional personnel before training begins and it is nonrefundable. The initial training fee is charged uniformly to all franchisees under this Disclosure Document, although actual dollar amounts may vary depending on how many additional persons are trained.

Site Evaluation Fee

We reserve the right to charge a reasonable fee for any on-site evaluation as described below. If we determine that on-site evaluations are necessary, or you reasonably request additional on-site evaluations, you must pay us a fee for the evaluation and must reimburse us for all of our reasonable expenses (such as the cost of travel, lodging, meals and wages) incurred performing the evaluation. Our current site evaluation fee is \$500, which must be paid within 15 days after we bill you. This fee is charged uniformly to all franchisees under this offering, although the actual dollar amounts paid may vary depending on the number of site evaluations and the expenses we incur performing the services. Site evaluation fees and expenses are nonrefundable.

ITEM 6 OTHER FEES

(Franchise and Development Agreement)

Type of Fee (1)	Amount	Due Date	Remarks
Royalty Fee	6% of Gross Sales. (2)	Weekly on Wednesday.	Amounts due will be withdrawn by EFT from your designated bank account (3).
Marketing Fund	Currently 1% of Gross Sales. Maximum of 2% of Gross Sales. (4)	Weekly on Wednesday.	We have the right to require you to contribute up to a maximum of 2% of Gross Sales. Amounts due will be withdrawn by EFT from your designated bank account. (3)
Local Advertising	Currently 0% of Gross Sales. Maximum of 1% of Gross Sales. (4)	As incurred by you.	We do not currently impose a local advertising obligation. We have the right to require you to spend up to 1% of Gross Sales on local advertising. Your contributions to an Advertising Cooperative are credited against your local advertising obligation.
Cooperative Advertising	Currently 0% of Gross Sales. Maximum of 1% of Gross Sales. (4)	As determined by Cooperative.	No Cooperatives have been established as of the date of this Disclosure Document. Cooperatives will be comprised of all franchised and company-owned Cafes located in designated geographic areas. Each Café will have 1 vote in the cooperative. We may allocate your Cooperative contribution to the Fund.
Advertising & Promotional Materials	Varies, depending on your advertising needs.	When billed.	
Intranet Access Fee	Currently \$300 per year	Monthly	Amounts due will be withdrawn by EFT from your designated bank account. (3)
Interest	18% or highest rate allowed by applicable law.	On demand.	Interest may be charged on all overdue amounts.
Initial Training of additional or replacement and successor personnel	\$1,500 per person	Before training.	No charge for initial training for initial General Manager and Operating Principal.
Additional Assistance	If you request additional assistance, you must pay the current per diem charge for our employees used to provide the assistance and our associated costs. Current per diem \$500.	When billed.	We provide opening assistance without additional charge. Any additional assistance you requested is billed at the current per diem rate.

Type of Fee (1)	Amount	Due Date	Remarks
Transfer Fee	\$15,000 (\$30,000 if the transfer occurs during the first year of the Franchise Agreement) plus our reasonable costs and expenses associated with the transfer, including training costs, legal and accounting fees and costs, and referral fees paid to franchise brokers.	Before transfer.	Only our costs and expenses are charged if you transfer your rights to an entity controlled by you. The transfer fee is the same under both the Franchise Agreement and the Development Agreement.
Public Offering	\$10,000 or any greater amount necessary to reimburse us for our reasonable costs and expenses in reviewing the proposed securities offering.	When billed.	This covers our cost to review the proposed offering of your securities. The offering fee is the same under both the Franchise Agreement and the Development Agreement.
Renewal Fee	25% of then current initial franchise fee.	On signing renewal franchise agreement.	You must give us at least 6 months' notice; remodel to current standards; sign then current agreement.
Additional or Remedial Training	Our cost in providing the training.	Before additional training.	We reserve the right to charge a fee for additional or remedial training that is not mandatory. We do not charge for mandatory training. Cost will vary based on the staff, location, and type of training being offered.
Annual and Other Mandatory Meetings	The registration fee for the annual or other mandatory meetings. You must pay this fee even if your Operating Principal fails to attend any mandatory meeting.	At the time you register for the meeting or, if you fail to register, when we invoice you.	Your Operating Principal must attend each annual or other meeting we designate as mandatory. The registration fee may be withdrawn by EFT from your designated bank account.
Support Fee	\$100 per week	Weekly	If you fail to have a replacement General Manager trained or certified as meeting our standards after a General Manager leaves, we may charge you this fee until your replacement manager is trained or certified, as applicable
Site Evaluation	\$500 per visit, plus expenses.	15 days after billing.	
Inspection and Testing	Cost of inspection or testing.	When billed.	We may require you to pay us or an independent laboratory for the cost of inspection or testing if you purchase or lease items used in the Cafe from sources we have not previously approved.
Indemnification	Varies according to loss.	On demand.	You must indemnify us when certain of your actions result in loss to us under the Agreements.
Audit Fee	Cost of audit.	When billed.	Payable only if we find, after an audit, that you have understated any amount you owe to us by more than 2%.
Late Payment or Reporting Fee	\$50 per day you are late	Daily	If you fail to pay royalties when due or fail to submit royalty reports weekly as required, we may charge you \$50 per day until the payment or report is received.
Extension Fee	\$5,000	With your request.	If you request an extension of the Development Period to meet your Development obligations, you must pay an extension fee.
Manual Replacement Fee	\$1,000	When billed.	If you request additional or replacement copies of the Franchise Manual.
Satellite Cart Fee	\$5,000	Upon signing Cart Addendum to Franchise Agreement.	If you elect to operate a satellite cart in conjunction with your Café

Type of Fee (1)	Amount	Due Date	Remarks
Satellite Cart Transfer Fee	50% of then current satellite cart fee.	Before transfer.	Payable upon transfer of the Franchise Agreement if you have a satellite cart.

Notes:

(1) All fees and expenses described in this Item 6 are nonrefundable and are generally uniformly imposed. Except as otherwise indicated in the preceding chart, we impose all fees and expenses listed and you must pay them to, us. Except as specifically stated above, the amounts given may be subject to increases based on changes in market conditions, our cost of providing services and future policy changes. At the present time, we have no plans to increase payments over which we have control.

(2) “Gross Sales” means the total selling price of all services and products and all income of every other kind and nature related to the Cafe (including, income related to catering and delivery activities, and any sales or orders of food products or food preparation services provided from or related to the Cafe), whether for cash or credit and regardless of collection in the case of credit. If a cash shortage occurs, the amount of Gross Sales will be determined based on the records of the electronic point of sale system and any cash shortage will not be considered in the determination. Gross Sales expressly excludes the following:

(a) Sums representing sales taxes collected directly from customers, based on present or future laws of federal, state or local governments, collected by you in the operation of the Cafe, and any other tax, excise or duty which is levied or assessed against you by any federal, state, municipal or local authority, based on sales of specific merchandise sold at or from the Cafe, provided that the taxes are actually transmitted to the appropriate taxing authority;

(b) Proceeds from isolated sales of trade fixtures not constituting any part of your products and services offered for resale at the Cafe nor having any material effect on the ongoing operation of the Cafe required under the Franchise Agreement; and

(c) Other items we may authorize to be excluded from Gross Sales. Any exclusion may be revoked or withdrawn at any time in writing by us.

If you operate the Café as part of a co-brand or management leveraged concept, Gross Sales will exclude the selling price of all products upon which we and the franchisor of the other concept agree will be allocated to the other concept. We and the franchisor of the other concept may, at any time, change the sales allocation of products between the Café and the other concept, and you must comply with any such change in sales allocation.

(3) The royalty fee, Fund contribution, and intranet access fee will be withdrawn from your designated bank account by electronic fund transfer (“EFT”) weekly on Wednesday (or monthly for the intranet access fee) (see Sections 4.2, 7.7 and 8.3 of the Franchise Agreement), unless we require otherwise. You must maintain sufficient funds in your designated bank account to pay the royalty fee, required Fund contribution, and intranet access fee.

(4) Your total required advertising contributions or payments (i) to a Fund, (ii) to a Cooperative, and (iii) for Local Advertising will not exceed 2% of your Gross Sales.

OTHER FEES
(Area Representative Agreement)

Type of Fee (1)	Amount	Due Date	Remarks
Costs of complying with franchise laws applicable to the Territory	\$1,000 to \$10,000	As incurred.	You must bear your proportional part of these costs.
National advertising campaign assessment	Your proportionate share of the cost as we determine.	Within 10 days after request or invoice.	We may assess you a proportionate share of the cost of national advertising campaigns to solicit franchisees.
Collection Costs	1/3 of the costs and expenses of collecting delinquent payments from franchisees.	Within 10 days after request or invoice.	
Interest	18% or highest rate allowed by applicable law.	On demand.	Interest may be charged on all overdue amounts.
Initial Training of additional or replacement and successor personnel	\$1,500 per person	Before training.	No charge for initial training for initial Operating Principal and 1 additional personnel.
Transfer Fee	Greater of \$50,000 or 10% of gross sales price or other consideration to be received or realized by you.	Before transfer.	Only our costs and expenses are charged if you transfer your rights to an entity controlled by you.
Public Offering	\$10,000 or any greater amount necessary to reimburse us for our reasonable costs and expenses in reviewing the proposed securities offering.	When billed.	This covers our cost to review the proposed offering of your securities.
Renewal Fee	10% of then current Population based fee.	On signing renewal Area Representative Agreement.	You must give us at least 12 months' notice; sign then current agreement.
Additional or Remedial Training	Our cost in providing the training.	Before additional training.	We reserve the right to charge a fee for additional or remedial training that is not mandatory. We do not charge for mandatory training. Cost will vary based on the staff, location, and type of training being offered.
Annual and Other Mandatory Meetings	The registration fee for the annual or other mandatory meetings. You must pay this fee even if your Operating Principal fails to attend any mandatory meeting.	At the time you register for the meeting or, if you fail to register, when we invoice you.	Your Operating Principal must attend each annual or other meeting we designate as mandatory.
International Franchise Association's Annual Franchise Convention	We may impose a reasonable fee if your Operating Principal fails to attend the International Franchise Association's annual franchise convention	When billed.	Your Operating Principal must attend the International Franchise Association's annual franchise convention.
Indemnification	Varies according to loss.	On demand.	You must indemnify us when certain of your actions result in loss to us under the Agreements.
Audit Fee	Cost of audit.	When billed.	Payable only if we find, after an audit, that you have understated any amount you owe to us by more than 2%.
Late Reporting Fee	\$100 per week or part thereof you are late	As incurred.	If you fail to pay to submit reports as required. We may increase this fee.
AR Manual Replacement Fee	\$1,000	When billed.	If you request additional or replacement copies of the AR Manual.

Type of Fee (1)	Amount	Due Date	Remarks
Taxes	Sales, gross receipts and similar taxes payable by us with respect to the Area Representative fee and other amounts payable under the Area Representative Agreement	Within 10 days of invoice.	
Failure to pay or perform	Will vary under the circumstances	As incurred.	You must reimburse for our costs in curing any of your defaults under the Area Representative Agreement.
Attorneys' fees and costs	Will vary under the circumstances	As incurred.	You must reimburse us for these costs in our enforcement of the Area Representative Agreement and for preparing Franchise Agreements for applicants who fail to sign them.
Sharing of payment made to Franchisee	1/3 of amount paid or waived by us	Promptly upon our payment to Franchisee or waiver thereof.	If we are required or agree to refund any payment to a franchisee, you must share the cost of these refunds.
Sharing of loss or damages in connection with franchise	1/3 of amount suffered or paid by us.	Promptly upon our payment to third party or recognition of loss or damages.	If we or our affiliates agree to pay any person any amount of if a court or arbitrator determines we or our affiliates must pay any person any amount, or if we or our affiliates suffer a loss or damage in connection with a franchisee, you must share the costs of that payment, loss or damage.

Notes:

(1) All fees and expenses described in this Item 6 are nonrefundable and are generally uniformly imposed. Except as otherwise indicated in the preceding chart, we impose all fees and expenses listed and you must pay them to, us. Except as specifically stated above, the amounts given may be subject to increases based on changes in market conditions, our cost of providing services and future policy changes. At the present time, we have no plans to increase payments over which we have control.

ITEM 7
ESTIMATED INITIAL INVESTMENT

YOUR ESTIMATED INITIAL INVESTMENT
(Bakery Café – In-line and Street Unit)

Type of expenditure (1)	Amount (Low)	Amount (High)	Method of payment	When due	To whom payment is to be made
Initial franchise fee (2)	\$30,000	\$30,000	Lump Sum	On signing Franchise Agreement.	Us
Build out (3)	\$40,000	\$165,000	As Invoiced	As Arranged	Building Contractors
Architectural engineering (4)	\$2,000	\$11,000	As Invoiced	As Arranged	Architect
Project manager fees (5)	\$3,000	\$6,000	As Invoiced	As Arranged	Project Manager
Legal fees (6)	\$1,500	\$3,000	As Invoiced	As Arranged	Attorney
Lease payments and other rental expenses (7)	\$2,500	\$10,000	Per Lease	Monthly	Lessor
Equipment and furniture (8)	\$25,000	\$71,000	As Invoiced	As Arranged	Suppliers
Signage (9)	\$7,200	\$12,100	As Invoiced	As Arranged	Suppliers
Initial inventory (10)	\$4,000	\$9,000	As Invoiced	As Arranged	Suppliers
Electronic point of sale system, monitoring software and required hardware (11)	\$2,300	\$4,600	As Invoiced	Lump Sum	Suppliers
Phone and Internet service (12)	\$350	\$500	As Invoiced	Lump Sum	Suppliers
Travel, lodging and meals for initial training (13)	\$1,900	\$2,700	As Incurred	As Incurred	Suppliers
Business supplies (stationery, business cards, brochures, presentation folders, paper and other materials) (14)	\$1,000	\$1,500	As Invoiced	Lump Sum	Suppliers
Business licenses, permits, etc. (for first year) (15)	\$250	\$1,500	As Incurred	As Arranged	Local Government
Insurance deposits and premiums (for first year) (16)	\$1,500	\$2,500	As Invoiced	As Arranged	Insurance company
Opening advertising (17)	\$5,000	\$5,000	As Invoiced	As Arranged	Advertising Agency
Additional funds (18)	\$30,000	\$60,000	As Incurred	As Arranged	
Total	\$157,500	\$395,400			

Notes:

(1) The amounts you pay are typically non-refundable. We do not finance any part of the initial investment.

(2) You must pay an initial franchise fee of \$30,000 if you sign a Franchise Agreement to obtain a single Cafe or for the first Cafe under a Development Agreement. If you entered into a Development Agreement, we will credit the \$5,000 development fee you paid against the initial franchise fee. The initial franchise fee is nonrefundable under the terms of the Franchise Agreement. No amounts for a

separate development fee charged for the development of Cafes in addition to the first Cafe is included in the estimate since those payments are credited against franchise fees.

(3) The cost of build out will vary depending on (i) the size and configuration of the premises; (ii) pre-construction costs (e.g., demolition of existing walls and removal existing improvements and fixtures); and (iii) cost of materials and labor which may vary based on geography and location. You must adapt our prototypical plans and specifications for the construction and finish-out of the Bakery Cafe. These figures are our best estimate based on construction/finish-out rates and conditions in Dallas, Texas. Those amounts may vary substantially based on local conditions, including the availability and prices of labor and materials. These costs may also vary depending on whether certain of these costs will be incurred by the landlord and allocated over the term of the lease.

(4) The architectural engineering fees will vary depending on location of the firm, location of the Cafe, number of final plans required, state and local regulations, and various other factors. You should obtain detailed quotes from various architects before making a selection, to ensure the costs are in line with the work being performed.

(5) The project manager fees will vary depending on location of the firm, location of the Cafe, state and local regulations, and various other factors. You should consult various project managers to determine the costs that are appropriate for your area.

(6) The legal fees will vary depending upon the scope of work performed by your legal counsel. Legal fees also vary depending on the size and location of your legal counsel. You should consult various legal firms to determine the costs that are appropriate for your area.

(7) The figures are for the first month's rent and assume that the premises of the Bakery Cafe will be an in-line unit in a regional or super-regional mall or a street unit in a shopping center ranging from 400 to 1,500 square feet, and that no security deposit is required. Further, the figures assume base annual rental rates ranging from \$50 to \$150 per square foot. Landlords may also vary the base rental rate and charge rent based on a percentage of gross sales. In addition to base rent, the lease may require you to pay common area maintenance charges ("CAM Charges") for the mall or shopping center, your pro rata share of the real estate taxes and insurance for the mall or shopping center, and your pro rata share of HVAC and trash removal. The actual amount you pay under the lease will vary depending on the size of the Bakery Cafe, the types of changes that are allocated to tenants under the lease, your ability to negotiate with landlords and the prevailing rental rates in the geographic region.

(8) You must purchase certain equipment meeting our specifications to be used in the Bakery Cafe, including, ice machine, refrigerator, walk-in cooler and freezer, oven, coffee brewer, espresso machine, ice cream display, work tables, shelving and other items including smallwares. We have established relationships with equipment vendors for certain equipment used in the Bakery Cafe that meets our specifications. We do not require you to purchase from these vendors.

(9) These amounts represent your cost for menu boards, menu panels, graphics, graphics hardware, neon logo and descriptive signs. Each mall has different restrictions it places on interior and exterior signage that may affect your costs.

(10) These amounts represent your initial inventory of food supplies, cups and paper goods, and gift cards for use in the first month of operating the franchise business.

(11) Typically, you will use 2 terminals per Bakery Cafe; however, many locations use 3 terminals. Our approved supplier will make available to you certain customized data base configurations and upgrades specific for the Bakery Cafe to be loaded on to your system. We have the right to access this information through file transfer protocol or polling through the Internet at our discretion. This total also

includes the various software and hardware necessary to complete back office reporting, polling, credit card and gift card transactions.

(12) You must have a back office PC with Internet access and a fully integrated POS system with full Internet access for email and polling in order to communicate with and receive communication from us. You must install the software we require, including the entire Microsoft Office Suite and Adobe Acrobat. You must also have an all in one printer unit that scans, prints, copies and faxes.

(13) We provide initial training to your initial Operating Principal and General Manager at no charge. These estimates include only your out-of-pocket costs associated with the training of the Operating Principal and General Manager (including travel, room, and board). These amounts do not include any fees or expenses for training any other personnel. Training is for an 11-day period. These costs will vary depending on your selection of lodging and dining facilities and mode and distance of transportation.

(14) You must purchase business cards, brochures and other written materials for use in the franchise business. You will typically purchase amounts that may last as long as 6 months.

(15) These are estimates of the costs for obtaining local business licenses that typically remain in effect for 1 year. These figures do not include occupancy and construction permits that were included in the leasehold improvement costs. The cost of these permits and licenses will vary substantially depending on the location of the franchised business.

(16) These figures are estimates of the cost of the annual premiums for the insurance you must obtain and maintain for the franchised business.

(17) You must spend a minimum of \$5,000 on opening advertising and promotion of your Café.

(18) These amounts are our estimate of the amount needed to cover your expenses for the start-up phase of your business, including: professional fees in connection with obtaining and establishing the franchise business; 2 months' lease payments; the cost of 3 months' advertising and promotional expenditures; 3 months payroll for a manager, 2 assistant managers and 4 hourly employees; utilities and telephone service for 3 months and other costs. We estimated the start-up phase to be 3 months from the date the Bakery Cafe opens for business. These figures are estimates and we cannot assure you that you will not have additional expenses starting the Bakery Cafe. Your actual costs will depend on your management skill, experience and business acumen; local economic conditions; the local market for products; the prevailing wage rate; competition; and the sales level reached during the start-up phase. These amounts do not include any estimates for debt service.

YOUR ESTIMATED INITIAL INVESTMENT
(Bakery Café - Kiosk)

Type of expenditure (1)	Amount (Low)	Amount (High)	Method of payment	When due	To whom payment is to be made
Initial franchise fee (2)	\$30,000	\$30,000	Lump Sum	On signing Franchise Agreement.	Us
Leasehold improvements (3)	\$10,000	\$20,000	As Invoiced	As Arranged	Building Contractors
Kiosk manufacture and installation (4)	\$40,000	\$50,000	As Invoiced	As Arranged	Architect
Project manager fees (5)	\$3,000	\$6,000	As Invoiced	As Arranged	Project Manager
Legal fees (6)	\$1,500	\$3,000	As Invoiced	As Arranged	Attorney
Lease payments and other rental expenses (7)	\$2,500	\$10,000	Per Lease	Monthly	Lessor
Equipment (8)	\$35,000	\$50,000	As Invoiced	As Arranged	Suppliers
Signage (9)	\$4,000	\$8,000	As Invoiced	As Arranged	Suppliers
Initial inventory (10)	\$4,000	\$6,000	As Invoiced	As Arranged	Suppliers
Electronic point of sale system, monitoring software and required hardware (11)	\$2,300	\$4,600	As Invoiced	Lump Sum	Suppliers
Phone and Internet service (12)	\$100	\$500	As Invoiced	Lump Sum	Suppliers
Travel, lodging and meals for initial training (13)	\$1,900	\$2,700	As Incurred	As Incurred	Suppliers
Business supplies (stationery, business cards, brochures, presentation folders, paper and other materials (14)	\$1,000	\$1,500	As Invoiced	Lump Sum	Suppliers
Business licenses, permits, etc. (for first year) (15)	\$250	\$1,500	As Incurred	As Arranged	Local Government
Insurance deposits and premiums (for first year) (16)	\$1,500	\$2,500	As Invoiced	As Arranged	Insurance company
Opening advertising (17)	\$5,000	\$5,000	As Invoiced	As Arranged	Advertising Agency
Additional funds (18)	\$20,000	\$50,000	As Incurred	As Arranged	
Total	\$162,050	\$251,300			

Notes:

(1) The amounts you pay are typically non-refundable. We do not finance any part of the initial investment.

(2) You must pay an initial franchise fee of \$30,000 if you sign a Franchise Agreement to obtain a single Cafe or for the first Cafe under a Development Agreement. If you entered into a Development Agreement, we will credit the \$5,000 development fee you paid against the initial franchise fee. The initial franchise fee is nonrefundable under the terms of the Franchise Agreement. No amounts for a separate development fee charged for the development of Cafes in addition to the first Cafe is included in the estimate since those payments are credited against franchise fees.

- (3) The leasehold improvements will depend on the size of the kiosk as well as the necessary construction related to bringing the utility hook-up to the designated area of the kiosk unit for connection.
- (4) The cost of the kiosk will vary depending on (i) the cost to fabricate the kiosk, which will vary depending on the size and configuration of the kiosk; and (ii) the cost of installation of the kiosk, which will vary based on geography and location. You may also need to make improvements to your storage space for the kiosk. These figures are our best estimate based on the fabrication and installation of a kiosk and other conditions in Dallas, Texas. Those amounts may vary substantially based on local conditions, including the availability and prices of labor and materials.
- (5) The project manager fees will vary depending on location of the firm, location of the Cafe, state and local regulations, and various other factors. You should consult various project managers to determine the costs that are appropriate for your area.
- (6) The legal fees will vary depending upon the scope of work performed by your legal counsel. Legal fees also vary depending on the size and location of your legal counsel. You should consult various legal firms to determine the costs that are appropriate for your area.
- (7) The figures are for the first month's rent and assume that the kiosk and related storage space will be in a regional or super- regional mall and occupy approximately 300 to 400 square feet, and that no security deposit is required. Further, the figures assume base annual rental rates ranging from \$100 to \$200 per square foot. Landlords may also vary the base rental rate and charge rent based on a percentage of gross sales. In addition to base rent, the lease may require you to pay common area maintenance charges ("CAM Charges") for the mall, your pro rata share of the real estate taxes and insurance for the mall, and your pro rata share of HVAC and trash removal. The actual amount you pay under the lease will vary depending on the size of the kiosk and related storage space, the types of changes that are allocated to tenants under the lease, your ability to negotiate with landlords and the prevailing rental rates in the geographic region.
- (8) You must purchase certain equipment meeting our specifications to be used with the kiosk, including, ice machine, refrigerator, cooler and freezer, oven, coffee brewer, espresso machine, ice cream display, work tables, shelving and other items including smallwares. We have established relationships with equipment vendors for certain equipment used with the kiosk that meets our specifications. We do not require you to purchase from these vendors.
- (9) These amounts represent your cost for menu boards, menu panels, graphics, graphics hardware, neon logo and descriptive signs. Each mall has different restrictions it places on interior and exterior signage that may affect your costs.
- (10) These amounts represent your initial inventory of food supplies, cups and paper goods, and gift cards for use in the first month of operating the franchise business.
- (11) Typically, you will use 2 terminals per kiosk. Our approved supplier will make available to you certain customized data base configurations and upgrades specific for the kiosk to be loaded on to your system. We have the right to access this information through file transfer protocol or polling through the Internet at our discretion. This total also includes the various software and hardware necessary to complete back office reporting, polling, credit card and gift card transactions.
- (12) You must have a back office PC with Internet access and a fully integrated POS system with full Internet access for email and polling in order to communicate with and receive communication from us. You must install the software we require, including the entire Microsoft Office Suite and Adobe Acrobat. You must also have an all in one printer unit that scans, prints, copies and faxes.

(13) We provide initial training to your initial Operating Principal and General Manager at no charge. These estimates include only your out-of-pocket costs associated with the training of the Operating Principal and General Manager (including travel, room, and board). These amounts do not include any fees or expenses for training any other personnel. Training is for an 11-day period. These costs will vary depending on your selection of lodging and dining facilities and mode and distance of transportation.

(14) You must purchase business cards, brochures and other written materials for use in the franchise business. You will typically purchase amounts that may last as long as 6 months.

(15) These are estimates of the costs for obtaining local business licenses that typically remain in effect for 1 year. These figures do not include occupancy and construction permits that were included in the leasehold improvement costs. The cost of these permits and licenses will vary substantially depending on the location of the franchised business.

(16) These figures are estimates of the cost of the annual premiums for the insurance you must obtain and maintain for the franchised business.

(17) You must spend a minimum of \$5,000 on opening advertising and promotion of your Café.

(18) These amounts are our estimate of the amount needed to cover your expenses for the start-up phase of your business, including: professional fees in connection with obtaining and establishing the franchise business; 2 months' lease payments; the cost of 3 months' advertising and promotional expenditures; 3 months payroll for a manager, an assistant manager and 4 hourly employees; utilities and telephone service for 3 months and other costs. We estimated the start-up phase to be 3 months from the date the kiosk opens for business. These figures are estimates and we cannot assure you that you will not have additional expenses starting the kiosk. Your actual costs will depend on your management skill, experience and business acumen; local economic conditions; the local market for products; the prevailing wage rate; competition; and the sales level reached during the start-up phase. These amounts do not include any estimates for debt service.

Except as specifically stated above, the amounts given may be subject to increases based on changes in market conditions, our cost of providing services and future policy changes. At the present time, we have no plans to increase payments over which we have control.

YOUR ESTIMATED INITIAL INVESTMENT
(Combination Café)

Type of expenditure (1)	Amount (Low)	Amount (High)	Method of payment	When due	To whom payment is to be made
Initial franchise fee (2)	\$30,000	\$30,000	Lump Sum	On signing Franchise Agreement.	Us
Build out (3)	\$110,000	\$300,000	As Invoiced	As Arranged	Building Contractors
Architectural engineering (4)	\$5,000	\$14,000	As Invoiced	As Arranged	Architect
Project manager fees (5)	\$3,000	\$6,000	As Invoiced	As Arranged	Project Manager
Legal fees (6)	\$1,500	\$3,000	As Invoiced	As Arranged	Attorney
Lease payments and other rental expenses (7)	\$3,600	\$12,000	Per Lease	Monthly	Lessor
Equipment and furniture(8)	\$82,000	\$100,000	As Invoiced	As Arranged	Suppliers
Signage (9)	\$6,000	\$26,000	As Invoiced	As Arranged	Suppliers
Initial inventory (10)	\$5,000	\$12,000	As Invoiced	As Arranged	Suppliers
Electronic point of sale system, monitoring software and required hardware (11)	\$2,300	\$4,600	As Invoiced	Lump Sum	Suppliers
Phone and Internet service (12)	\$300	\$1,500	As Invoiced	Lump Sum	Suppliers
Travel, lodging and meals for initial training (13)	\$3,800	\$4,500	As Incurred	As Incurred	Suppliers
Business supplies (stationery, business cards, brochures, presentation folders, paper and other materials) (14)	\$1,000	\$1,500	As Invoiced	Lump Sum	Suppliers
Business licenses, permits, etc. (for first year) (15)	\$250	\$1,500	As Incurred	As Arranged	Local Government
Insurance deposits and premiums (for first year) (16)	\$1,500	\$3,500	As Invoiced	As Arranged	Insurance company
Opening advertising (17)	\$5,000	\$5,000	As Invoiced	As Arranged	Advertising Agency
Additional funds (18)	\$30,000	\$70,000	As Incurred	As Arranged	
Total	\$290,250	\$595,100			

Notes:

(1) The amounts you pay are typically non-refundable. We do not finance any part of the initial investment.

(2) You must pay an initial franchise fee of \$30,000 if you sign a Franchise Agreement to obtain a single Café or for the first Café under a Development Agreement. If you entered into a Development Agreement, we will credit the \$5,000 development fee you paid against the initial franchise fee. The initial franchise fee is nonrefundable under the terms of the Franchise Agreement. No amounts for a separate development fee charged for the development of Cafés in addition to the first Café is included in the estimate since those payments are credited against franchise fees.

- (3) The cost of build out will vary depending on (i) the size and configuration of the premises; (ii) pre-construction costs (e.g., demolition of existing walls and removal existing improvements and fixtures); and (iii) cost of materials and labor which may vary based on geography and location. You must adapt our prototypical plans and specifications for the construction and finish-out of the Combination Cafe. These figures are our best estimate based on construction/finish-out rates and conditions in Dallas, Texas. Those amounts may vary substantially based on local conditions, including the availability and prices of labor and materials. These costs may also vary depending on whether certain of these costs will be incurred by the landlord and allocated over the term of the lease.
- (4) The architectural engineering fees will vary depending on location of the firm, location of the Cafe, number of final plans required, state and local regulations, and various other factors. You should obtain detailed quotes from various architects before making a selection, to ensure the costs are in line with the work being performed.
- (5) The project manager fees will vary depending on location of the firm, location of the Cafe, state and local regulations, and various other factors. You should consult various project managers to determine the costs that are appropriate for your area.
- (6) The legal fees will vary depending upon the scope of work performed by your legal counsel. Legal fees also vary depending on the size and location of your legal counsel. You should consult various legal firms to determine the costs that are appropriate for your area.
- (7) The figures are for the first month's rent and assume that the premises of the Combination Cafe will be in a strip shopping center or outside mall location with space ranging from 1,400 to 2,800 square feet, and that no security deposit is required. Further, the figures assume base annual rental rates ranging from \$20 to \$50 per square foot. Landlords may also vary the base rental rate and charge rent based on a percentage of gross sales. In addition to base rent, the lease may require you to pay common area maintenance charges ("CAM Charges") for the mall, your pro rata share of the real estate taxes and insurance for the mall, and your pro rata share of HVAC and trash removal. The actual amount you pay under the lease will vary depending on the size of the Combination Cafe, the types of changes that are allocated to tenants under the lease, your ability to negotiate with landlords and the prevailing rental rates in the geographic region.
- (8) You must purchase certain equipment meeting our specifications to be used in the Combination Cafe, including, ice machine, refrigerator, walk-in cooler and freezer, oven, coffee brewer, espresso machine, ice cream display, work tables, shelving, furniture and other items including smallwares. We have established relationships with equipment vendors for certain equipment used in the Combination Cafe that meets our specifications. We do not require you to purchase from these vendors.
- (9) These amounts represent your cost for menu boards, menu panels, graphics, graphics hardware, neon logo and descriptive signs. Each location will have different restrictions on interior and exterior signage that may affect your costs.
- (10) These amounts represent your initial inventory of food supplies, cups and paper goods, and gift cards for use in the first month of operating the franchise business.
- (11) Typically, you will use 2 terminals per Combination Cafe; however, many locations use 3 terminals. Our approved supplier will make available to you certain customized data base configurations and upgrades specific for the Combination Cafe to be loaded on to your system. We have the right to access this information through file transfer protocol or polling through the Internet at our discretion. This total also includes the various software and hardware necessary to complete back office reporting, polling, credit card and gift card transactions.

(12) You must have a back office PC with Internet access and a fully integrated POS system with full Internet access for email and polling in order to communicate with and receive communication from us. You must install the software we require, including the entire Microsoft Office Suite and Adobe Acrobat. You must also have an all in one printer unit that scans, prints, copies and faxes.

(13) We provide initial training to your initial Operating Principal and General Manager at no charge. These estimates include only your out-of-pocket costs associated with the training of the Operating Principal and General Manager (including travel, room, and board). These amounts do not include any fees or expenses for training any other personnel. Training is for a 16-day period. These costs will vary depending on your selection of lodging and dining facilities and mode and distance of transportation.

(14) You must purchase business cards, brochures and other written materials for use in the franchise business. You will typically purchase amounts that may last as long as 6 months.

(15) These are estimates of the costs for obtaining local business licenses that typically remain in effect for 1 year. These figures do not include occupancy and construction permits that were included in the leasehold improvement costs. The cost of these permits and licenses will vary substantially depending on the location of the franchised business.

(16) These figures are estimates of the cost of the annual premiums for the insurance you must obtain and maintain for the franchised business.

(17) You must spend a minimum of \$5,000 on opening advertising and promotion of your Café.

(18) These amounts are our estimate of the amount needed to cover your expenses for the start-up phase of your business, including: professional fees in connection with obtaining and establishing the franchise business; 2 months' lease payments; the cost of 3 months' advertising and promotional expenditures; 3 months payroll for a manager, 2 assistant managers and 16 hourly employees; utilities and telephone service for 3 months and other costs. We estimated the start-up phase to be 3 months from the date the Combination Cafe opens for business. These figures are estimates and we cannot assure you that you will not have additional expenses starting the Combination Cafe. Your actual costs will depend on your management skill, experience and business acumen; local economic conditions; the local market for products; the prevailing wage rate; competition; and the sales level reached during the start-up phase. These amounts do not include any estimates for debt service.

Except as specifically stated above, the amounts given may be subject to increases based on changes in market conditions, our cost of providing services and future policy changes. At the present time, we have no plans to increase payments over which we have control.

**YOUR ESTIMATED INITIAL INVESTMENT
(Satellite Cart)**

Type of expenditure (1)	Amount (Low)	Amount (High)	Method of payment	When due	To whom payment is to be made
Satellite cart fee (2)	\$5,000	\$5,000	Lump Sum	On signing Franchise Agreement.	Us
Cart purchase (3)	\$15,000	\$25,000	As Invoiced	As Arranged	Supplier
Lease payments and other rental expenses (4)	\$1,700	\$6,000	Per Lease	As Arranged	Lessor
Initial inventory (5)	\$2,000	\$3,000	As Invoiced	As Arranged	Suppliers
Electronic point of sale system, monitoring software and required hardware (6)	\$2,300	\$4,600	As Invoiced	Lump Sum	Suppliers
Phone and Internet service (7)	\$100	\$300	As Invoiced	Lump Sum	Suppliers
Insurance premiums (for first year) (8)	\$300	\$600	As Invoiced	As Arranged	Insurance company
Additional funds (9)	\$1,500	\$3,500	As Incurred	As Arranged	
Total	\$27,900	\$48,000			

Notes:

- (1) The amounts you pay are typically non-refundable. We do not finance any part of the initial investment.
- (2) You must pay a satellite fee of \$5,000 if you sign a Cart Addendum to Franchise Agreement to obtain a single Cart as an auxiliary to the Café.
- (3) The cost of the Cart is \$15,000 to \$25,000 and must be purchased from our designated supplier.
- (4) The figures are for any additional monthly rent.
- (5) These amounts represent your initial inventory of food supplies, cups and paper goods, and gift cards for use in the first month of operating the Cart.
- (6) You will use 1 terminal per Cart. We have the right to access this information through file transfer protocol or polling through the Internet at our discretion. This total also includes the various software and hardware necessary to complete back office reporting, polling, credit card and gift card transactions.
- (7) You must have a fully integrated POS system with full Internet access for email and polling in order to communicate with and receive communication from us.
- (8) These figures are estimates of the cost of the annual premiums for the insurance you must obtain and maintain for the Cart and are in addition to the insurance for the Café.
- (9) These amounts are our estimate of the amount needed to cover your expenses for the start-up phase of operating the Cart; 1 month's lease payments; 1 hourly employee; utilities and telephone service for 1 month and other costs. We estimated the start-up phase to be 1 month from the date the Cart opens for business. These figures are estimates and we cannot assure you that you will not have additional

expenses operating the Cart. Your actual costs will depend on your management skill, experience and business acumen; local economic conditions; the local market for products; the prevailing wage rate; competition; and the sales level reached during the start-up phase. These amounts do not include any estimates for debt service.

Except as specifically stated above, the amounts given may be subject to increases based on changes in market conditions, our cost of providing services and future policy changes. At the present time, we have no plans to increase payments over which we have control.

YOUR ESTIMATED INITIAL INVESTMENT (Area Representative)

Type of expenditure (1)	Amount (Low)	Amount (High)	Method of payment	When due	To whom payment is to be made
Initial area representative fee (2)	\$25,000	\$340,000	Lump Sum	On signing Area Representative Agreement.	Us
Costs of complying with franchise laws applicable to Territory (3)	\$1,000	\$15,000	Lump Sum	As Incurred	Us or our designee
Office improvements and equipment (4)	\$1,000	\$5,000	Per Lease	Monthly	Lessor
Professional fees	\$1,500	\$3,000	As Invoiced	As Incurred	Suppliers
Travel, lodging and meals for initial training (5)	\$1,500	\$5,000	As Incurred	As Incurred	Suppliers
Insurance premiums (for first year) (6)	\$2,000	\$10,000	As Invoiced	As Arranged	Insurance company
Additional funds (7)	\$1,000	\$5,000	As Incurred	As Arranged	
Total	\$33,000	\$383,000			

Notes:

(1) The amounts you pay are typically non-refundable. We do not finance any part of the initial investment.

(2) The area representative fee for each Territory is the sum of (i) \$.05 times the number of people residing within the Territory, plus (ii) 33-1/3% of the aggregate Royalties we project to be paid under Existing Franchise Agreements during the three-year period beginning on the date of the Area Representative Agreement. The estimated low fee is for a population of 500,000 and estimated Royalties of \$0. The estimated high fee is for a population of 5,000,000 and estimated Royalties of \$90,000. Your initial area representative fee could be lower or higher depending on the population and existing Cafes in your Territory.

(3) You must bear your proportionate share of these costs. In addition, Area Representatives with Territories in Illinois will be deemed to be subfranchisors and, therefore, they must register the offering and sale of franchises in that state, which has a filing fee of \$500.

(4) You must maintain an office serviced by at least one dedicated telephone line with voice mail. This office may be in your home or at a separate location. We estimate the cost of a telephone service with voice mail will range from \$30 to \$50 per month. Your office must have a facsimile machine, which cost approximately \$300. You must also purchase or lease computer equipment that will operate software programs we require, the costs of which will vary but should not exceed \$2,000. The amount of these

expenses varies with the geographic, demographic and physical location of your office and the sophistication of the equipment you select.

(5) We provide initial training to your initial Operating Principal and one additional person at no charge. These estimates include only your out-of-pocket costs associated with the training of the Operating Principal and additional person (including travel, room, and board). These amounts do not include any fees or expenses for training any other personnel. Training is for an 18-day period. These costs will vary depending on your selection of lodging and dining facilities and mode and distance of transportation.

(6) These figures are estimates of the cost of the annual premiums for the insurance you must obtain and maintain for the AR Business.

(7) This estimates the funds needed to cover your initial expenses for the first 3 months of operation and includes payroll costs, miscellaneous supplies, and start-up marketing and advertising costs but not any draw or salary for you. These amounts are estimates and we cannot assure you that you will not have additional expenses in operating your AR Business. Your actual costs will depend on your management skill, experience and business acumen; local economic conditions; local economic conditions; the prevailing wage rate; competition; and your ability to sell, establish, and service franchises. These amounts do not include any estimates for debt service.

ITEM 8 RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES

Franchise Agreement

You must purchase or lease and install all fixtures, furnishings, equipment ((including point of sale systems, credit/debit card processing systems and computer systems), decor items, signs and related items we require, all of which must conform to the standards and specifications in our Franchise Manuals (as defined in Item 11) or in any other written format. You may not install or permit to be installed on the Cafe premises any fixtures, furnishings, equipment, decor items, signs, games, vending machines or other items not approved by us.

To maintain that the highest degree of quality and service, you must operate the Cafe in strict conformity with the methods, standards and specifications that we specify in the Franchise Manuals or in other written material. You must maintain in sufficient supply and use and sell at all times only those food and beverage items, ingredients, products, materials, supplies and paper goods that meet our standards and specifications. All menu items must be prepared according to the recipes and procedures specified in the Franchise Manuals or other written materials. You must not deviate from these standards and specifications by the use or offer of non-conforming items or differing amounts of any items. We can, and expect to, modify our standards and specifications as we deem necessary. We will provide you notice of any changes in the Franchise Manuals.

You must permit us or our agents, at any reasonable time, to remove a reasonable number of samples of food or non-food items from your inventory or from the Cafe free of charge for testing by us or by an independent laboratory, to determine whether the samples meet our then-current standards and specifications. Besides any other remedies we may have, we may require you to pay for the testing if we have not previously approved the supplier of the item or if the sample fails to conform to our specifications.

Except for proprietary products, promotional materials, gift cards and software configurations provided by us or our designated suppliers (or delivery vehicles that you may use in the operation of the Cafe), you must obtain all food and beverage items, ingredients, supplies, materials, fixtures, furnishings, equipment ((including point of sale systems, credit/debit card processing systems and computer systems), and other

products used or offered for sale at the Cafe solely from suppliers who demonstrate, to our continuing reasonable satisfaction, the ability to meet our then-current standards or in accordance with our standards and specifications. Our criteria for supplier approval may be found in the Franchise Manuals. Among other things, the suppliers must have adequate quality controls and the capacity to supply your needs promptly and reliably. If you wish to purchase, lease or use any products or other items from an unapproved supplier, you must submit a written request for approval, or must request the supplier to do so. We have to approve any supplier in writing before you make any purchases from that supplier. We can require that our representatives be permitted to inspect the supplier's facilities, and that samples from the supplier be delivered, either to us or to an independent laboratory for testing. You must pay the cost of the inspection, and the actual cost of the test must be paid by you or the supplier. We reserve the right to re-inspect the facilities and products of any approved supplier and to revoke our approval if the supplier fails to continue to meet any of our then-current standards. Our supplier approval procedure does not obligate us to approve any particular supplier. However, we will notify you within 30 days after we complete the inspection and evaluation process of our approval or disapproval of any proposed supplier.

We may require you to offer delivery or catering services, and any vehicle that you use to deliver Cafe products and services to customers must meet our standards for appearance and ability to satisfy the requirements imposed on you under the Franchise Agreement. You must place the signs and decor items on the vehicle we require and must at all times keep the vehicle clean and in good working order. You must require each person providing those services to comply with all laws, regulations and rules of the road and to use due care and caution operating and maintaining the motor vehicles. Except as noted above, we do not have any standards or exercise control over any motor vehicle that you utilize.

If you elect to operate a Cart as an auxiliary to the Cafe, you must purchase the Cart from our designated supplier.

We have and may continue to develop for use in the System certain products that are prepared from Nestlé products or from our and/or Nestlé's proprietary recipes and that bear the Marks. Because of the importance of quality and uniformity of production and the significance of those products in the System, it is to your and our benefit that we closely control the production and distribution of those products. Accordingly, if those products become a part of the System, whether or not these products are proprietary, you will use only products manufactured by or on behalf of us or Nestle and will purchase those items solely from us or from a source designated by us or, with respect to products manufactured by or on behalf of us or Nestle, from a seller of such products all of your requirements for those products. You must purchase from us for resale to your customers certain merchandise identifying the System that we require, such as pre-packaged food products and Café memorabilia and promotional products, in amounts sufficient to satisfy your customer demand. You must also obtain certain upgrades for your electronic point of sale system.

All advertising and promotional materials, signs, decorations, paper goods (including menus and all forms and stationery used in the Cafe) and other items we designate must bear the Marks in the form, color, location and manner we prescribe. In addition, all your advertising and promotion in any medium must be conducted in a dignified manner and must conform to the standards and requirements in the Franchise Manuals or other written materials. You must submit to us for approval samples of all advertising and promotional plans and materials and public relations programs that you desire to use, including any materials in digital, electronic or computerized form, or in any form of media now existing or that may be developed in the future, that we have not either provided or previously approved. You also must participate in all advertising and promotional campaigns according to the terms and conditions we establish for these campaigns. We will approve or disapprove your proposed advertising plans and materials within 15 business days after receipt of these plans and materials.

You must participate in any gift card program we establish. You must purchase the gift cards from a source designated by us.

You must obtain our consent to the site for the Cafe before you acquire the site. You must also obtain our consent to any contract of sale or lease for the Cafe before you sign the contract or lease. We will not consent to any lease unless you sign a collateral assignment of lease in substantially the form attached as Attachment B to the Franchise Agreement.

You must obtain our consent to the architectural design firm hired to provide any architectural, engineering and design services necessary for the construction of the Café. You must obtain our consent to the project manager hired to oversee all aspects of the construction or remodeling (as applicable) and equipping of the Café.

Before you open the Cafe for business, you must obtain the insurance coverage for the Cafe specified in the Franchise Agreement and the Franchise Manual, including comprehensive general liability insurance, automobile liability coverage, worker's compensation insurance, errors and omissions insurance, employees' liability insurance, and business interruption insurance. Also, related to any construction, renovation or remodeling of the Cafe, you must maintain builder's risks insurance and performance and completion bonds. You must obtain the policies from an insurance company we approve. The policies must include, at a minimum, the insurance coverage and policy limits we specify. We may change the coverage requirements and the amounts, in our discretion, and will advise you of the changes in the Franchise Manuals or in writing. You may, after obtaining our written consent, elect to have reasonable deductibles under certain of the coverages.

We may negotiate purchase arrangements, including price terms, with designated and approved suppliers on behalf of the System. As of the date of this Disclosure Document, there are no purchasing or distribution cooperatives for any of the items described above in which we require you to participate.

Neither we nor any of our officers owns any interest in any of our suppliers.

We may receive discounts on purchases of electronic point of sale system and software from approved suppliers, which discounts are also made available to you if you purchase through these suppliers. We also may receive discounts from approved suppliers of equipment for the Cafe that we will make available to you. There are currently no purchasing or distribution cooperatives.

Except as described below, we do not anticipate receiving rebates from our designated or approved suppliers. Instead, we attempt to negotiate reductions in the invoice price of the products sold to us and our franchisees. We do not undertake any obligation to negotiate price reductions as each supplier has their own position on the granting (and tracking/accounting for) of price reductions.

We have a supply agreement with Dreyer's Grand Ice Cream ("Dreyer's") under which Dreyer's pays us a \$2.25 rebate for each purchased three gallon bulk tub of Dreyer's ice cream, yogurt, sherbet or sorbet delivered to the Cafes. In our fiscal year ended December 29, 2013, we received a rebate from Dreyer's in the amount of \$69,493.50.

We have an agreement with Roma Foodservice ("Roma") to be a distributor of food and other products to our franchisees. Under this agreement we are required to indemnify Roma for any losses resulting from expired or obsolete products it stocks for our franchise system. Roma currently charges \$0.05 per case of product that goes into an "emerging fund" to cover the cost of expired or obsolete products. In our fiscal year ended December 29, 2013, we received a payment from Roma from the emerging fund in the amount of \$25,000.

In our fiscal year ended December 29, 2013, we received and deposited into our marketing fund payments from our designated or approved suppliers totaling \$73,195.50, consisting \$65,000 from Dreyer's as an annual promotion allowance of \$250 per Cafe selling Dreyer's ice cream and \$8,195.50 from Dr. Pepper/7 Up related to Cafe purchase of branded soft drinks.

You must purchase or lease virtually all goods and services necessary to establish and operate the Cafes from us or our designees, from suppliers approved by us, or in accordance with our specifications. We estimate that these purchases and leases will be approximately 30% to 50% of your costs to establish and operate the franchised business. Neither we nor our affiliates are currently approved suppliers of goods or services necessary to establish or operate the Cafes. Our total revenue for the fiscal year ended December 29, 2013, as reflected on our audited financial statements attached to this Disclosure Document, was \$3,862,918, and our revenue from all required purchases of goods and services was \$94,494 or approximately 2.4% of our total revenue. We do not book as revenue in our financial statements amounts received from our designated or approved suppliers that were deposited into our marketing fund, which amounts totaled \$73,195.50 for the fiscal year ended December 29, 2013.

When determining whether to grant new or additional franchises, we consider many factors, including compliance with the requirements described above.

Area Representative Agreement

You must establish and operate your AR Business in compliance with your Area Representative Agreement and the standards and specifications contained in our Area Representative Manual, which we provide to you in the form of one or more manuals, technical bulletins or other written materials (all of which we may modify) (collectively, the “AR Manual”).

You must use only written materials, franchise agreements, franchise disclosure documents and sales and advertising materials, training manuals, and supplies that comply with our standards and specifications and which you obtain through suppliers we approve. We are not an approved supplier of these items, although we will provide you with either a physical or electronic copy of the franchise agreements, franchise disclosure documents and certain other materials that you will be required to have printed or duplicated at approved suppliers. The costs of supplies purchased according to our standards and specifications represent less than 3% of your total purchases in connection with establishing your AR Business and less than 1% of your overall purchases in operating your AR Business. You must stop using and distributing franchise agreements, franchise disclosure documents, advertising and training manuals immediately on notice from us if we determine that these items need to be updated or do not comply with applicable laws regulating their use. We may modify our standards and specifications with notice to you. We do not maintain a list of approved suppliers nor criteria for approving suppliers for AR Businesses. Except for items that you may obtain only from suppliers that we designate, any supplier who can provide materials or supplies meeting our requirements is, in effect, an approved supplier. We typically take 10 days to approve or disapprove a supplier of these materials. We have no purchasing or distribution cooperatives for AR Businesses. We and our affiliates do not receive payments from third parties from whom you buy items, although we and our affiliates reserve the right to receive payment in the future. We do not provide material benefits to you for using any particular designated or approved supplier.

There currently is no marketing or advertising fund established for the AR Business. All marketing and promotion of franchises through your AR Business must conform to our standards and specifications. You must send us for prior approval samples of all advertising and promotional materials that you want to use that we have not prepared or previously approved.

Before you operate the AR Business, you must obtain the insurance coverage specified in the Area Representative Agreement and the AR Manual, including comprehensive general liability insurance, automobile liability coverage, worker’s compensation insurance, and employees’ liability insurance. You must obtain the policies from an insurance company we approve. The policies must include, at a minimum, the insurance coverage and policy limits we specify. We may change the coverage requirements and the amounts, in our discretion, and will advise you of the changes in the AR Manual or in writing. You may, after obtaining our written consent, elect to have reasonable deductibles under certain of the coverages.

ITEM 9 FRANCHISEE'S OBLIGATIONS

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

Obligation	Section in Agreement	Disclosure Document Item
a. Site selection and acquisition/lease	Article II of Franchise Agreement	Items 8 and 11
b. Pre-opening purchases/leases	Articles VI, VII and VIII of Franchise Agreement	Items 5, 6, 7, 8 and 11
c. Site development and other pre-opening requirements	Article II of Franchise Agreement	Items 1, 8 and 11
d. Initial and ongoing training	Article VI of Franchise Agreement	Items 5, 6 and 11
e. Opening	Article VI of Franchise Agreement	Items 7 and 11
f. Fees	Articles IV and VIII of Franchise Agreement and Article II of Development Agreement	Items 5 and 6
g. Compliance with standards and policies/operating manuals	Articles II, III, VI VII, VIII, IX, X, XI and XII of Franchise Agreement	Items 11 and 14
h. Trademarks and proprietary information	Articles IX and X and Attachment C of Franchise Agreement, Article IX and Attachment B to Development Agreement	Items 11, 13 and 14
i. Restrictions on products/services offered	Article VII of Franchise Agreement	Items 8 and 16
j. Warranty and customer service requirements	Article VII of Franchise Agreement	Item 8
k. Territorial development and sales quotas	Article III of Development Agreement	Item 12
l. Ongoing product/service purchases	Article VII of Franchise Agreement	Items 6 and 8
m. Maintenance, appearance and remodeling requirements	Articles II, VII and XIV of Franchise Agreement	Items 8 and 11
n. Insurance	Article XII of Franchise Agreement	Items 7 and 8
o. Advertising	Article XIII of Franchise Agreement	Items 6, 8 and 11
p. Indemnification	Article XV of Franchise Agreement and Article X of Development Agreement	Item 6
q. Owner's participation/management/staffing	Articles VI, XIV, XV and XVIII of Franchise Agreement and Article VI of Development Agreement	Items 1, 11 and 15
r. Records and reports	Articles IV, VII and XI of Franchise Agreement	Item 6
s. Inspections and audits	Articles II, VII and XI of Franchise Agreement	Items 6, 8 and 11
t. Transfer	Article XIV of Franchise Agreement and Article VIII of Development Agreement	Items 6 and 17
u. Renewal	Article III of Franchise Agreement and Article III of Development Agreement	Items 6 and 17
v. Post-termination obligations	Article XVII of Franchise Agreement and Article VII of Development Agreement	Items 6 and 17
w. Non-competition covenants	Article X and Attachment C of Franchise Agreement, Article IX and Attachment B of Development Agreement	Item 17
x. Dispute resolution	Article XVIII of Franchise Agreement and Article XI of Development Agreement	Item 17
y. Other	None	Not Applicable

This table lists your principal obligations under the Area Representative Agreement. It will help you find more detailed information about your obligations in the Area Representative Agreement and in other items of this Disclosure Document.

Obligation	Section in Area Representative Agreement	Disclosure Document Item
a. Site selection and acquisition/lease	None	Not Applicable
b. Pre-opening purchases/leases	Articles II and IV	Items 5, 6, 7, 8 and 11
c. Site development and other pre-opening requirements	Articles II and IV	Items 1, 8 and 11
d. Initial and ongoing training	Article VIII	Items 5, 6 and 11
e. Opening	Articles II and IV	Items 7 and 11
f. Fees	Articles II, IV, V, VI, VIII, XIV, XV, XVIII	Items 5 and 6
g. Compliance with standards and policies/operating manuals	Articles II, III, IV, VIII, IX and XIII	Items 11 and 14
h. Trademarks and proprietary information	Articles X and XI and Attachment B	Items 11, 13 and 14
i. Restrictions on products/services offered	Article II	Items 8 and 16
j. Warranty and customer service requirements	Article II	Item 8
k. Territorial development and sales quotas	Article I, II and Cover Page	Item 12
l. Ongoing product/service purchases	Article II	Items 6 and 8
m. Maintenance, appearance and remodeling requirements	None	Not Applicable
n. Insurance	Article XIII	Items 7 and 8
o. Advertising	Article IX	Items 6, 8 and 11
p. Indemnification	Article XV	Item 6
q. Owner's participation/management/staffing	Article II	Items 1, 11 and 15
r. Records and reports	Articles II and XII	Item 6
s. Inspections and audits	Article XII	Item 6
t. Transfer	Article XIV	Items 6 and 17
u. Renewal	Article XVI	Items 6 and 17
v. Post-termination obligations	Article XVIII	Items 6 and 17
w. Non-competition covenants	Article XI and Attachment B	Item 17
x. Dispute resolution	Article XIX	Item 17
y. Other	None	Not Applicable

ITEM 10 FINANCING

We do not offer, either directly or indirectly, any financing arrangements to you. We do not guarantee your notes, leases or other obligations.

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

Except as listed below, Crest Foods, Inc. is not required to provide you with any assistance.

Pre-Opening Obligations

Franchise Agreement: Before the opening of a Cafe we will provide the following assistance and services:

1. Our written site selection guidelines and the site selection assistance we deem advisable. (Franchise Agreement, Section 5.1(a)).
2. On-site evaluations as we deem necessary or in response to your reasonable request for site approval. (Franchise Agreement, Section 5.1(b)).
3. On loan, 1 set of prototypical architectural and design plans and specifications for a Cafe for adaptation by you, at your expense. (Franchise Agreement, Section 5.1(c)).
4. On loan, 1 set of the Franchise Manuals (as described below) which we may revise. (Franchise Agreement, Section 5.1(d)).
5. A list of our approved suppliers. (Franchise Agreement, Section 5.1(i)).
6. An initial training program for your initial Operating Principal and General Manager at no charge to you. If you wish to have additional personnel trained we charge \$1,500 per person (see Item 6). (Franchise Agreement, Section 5.1(j)).
7. 2 or 3 days of on-site pre-opening assistance at the Cafe. (Franchise Agreement, Sections 5.1(k) and 6.5(d)).
8. Samples or camera-ready artwork of certain advertising and promotional materials and information we may develop for use in the pre-opening promotion of the Cafe. (Franchise Agreement, Section 5.1(f)).

We are not required to provide any other service or assistance to you before the opening of the Cafe.

Area Representative Agreement: Before the opening of the AR Business we will provide the following assistance and services:

1. On loan, 1 set of the AR Manual (as described below) that we may revise. (Area Representative Agreement, Section 7.1(a)).
2. An initial training program for your initial Operating Principal and 1 additional personnel at no charge to you. If you wish to have additional personnel trained we charge \$1,500 per person (see Item 6). (Area Representative Agreement, Section 8.4(a)).

We are not required to provide any other service or assistance to you before the opening of the AR Business.

Post-Opening Obligations

Franchise Agreement: We must provide the following services and assistance after the opening of the Cafe:

1. As we reasonably determine necessary, visits to, and evaluations of, the Cafe and the products and services provided there to ensure that the high standards of quality, appearance and service of the System are maintained. (Franchise Agreement, Section 5.1(e)).
2. Samples or camera-ready artwork of certain advertising and promotional materials we may develop for in-store marketing and Local Advertising for the Cafe. (Franchise Agreement, Section 5.1(f)).
3. Advice and written materials (including updates to the Franchise Manuals) concerning techniques of managing and operating the Cafe, including new developments and improvements in equipment, food products, packaging and preparation. (Franchise Agreement, Section 5.1(g)).
4. Certain merchandise, including prepackaged food products and promotional products and memorabilia, for use in the Cafe and for resale to your customers, in quantities sufficient to meet your customer demand, at a reasonable cost may be made available to franchisees in the System. We also may, at our option, make available to you certain other equipment, inventory and decor items at a reasonable cost. (Franchise Agreement, Section 5.1(h)).
5. On-site post-opening assistance at the Cafe as we find appropriate. (Franchise Agreement, Sections 5.1(k) and 6.5(d)).
6. Training programs and other related activities regarding the operation of the Cafe as we may conduct for you, or Cafe personnel generally, which your Operating Principal, General Manager and other Cafe personnel may be required to attend. (Franchise Agreement, Section 6.5(c)).
7. Certain on-site remedial training for your Cafe personnel when you reasonably request it or as we find appropriate. If you request the remedial training, we may require you to pay the per diem of the employees providing the training and our expenses in providing the training (see Item 6). (Franchise Agreement, Section 6.5(e)).
8. Administration of the advertising fund and cooperatives, if established. (Franchise Agreement, Sections 8.3 and 8.4).
9. Indemnification against and reimbursement for all damages for which you are held liable in any proceeding arising out of your use of any of the Marks (including settlement amounts), provided that you and your Controlling Principals have fully complied with the terms of the Franchise Agreement. (Franchise Agreement, Section 9.4).

We are not required to provide any other service or assistance to you for the continuing operation of the Cafe.

Area Representative Agreement: We must provide the following services and assistance after the opening of the AR Business:

1. We will use our best efforts to approve or disapprove applicants approved by you within 30 days after the later of (a) our receipt of the applicant's complete application and other requested information materials and (b) our personal interview of the applicant, if we request an interview. (Area Representative Agreement, Section 3.3).

2. We will assist and advise you with respect to your responsibilities as an Area Representative. We do not require that you maintain an office; therefore, we do not approve or disapprove of any office location you may select. (Area Representative Agreement, Section 7.3).

3. We will have prepared disclosure and contractual documents applicable to the solicitation of franchisees within the Territory. You will be responsible, however, for the cost of that preparation, and related registrations and filings. In addition, we will provide to you a physical and/or electronic copy of those disclosure and contractual documents and brochures, advertising formats and related materials at no charge. (Area Representative Agreement, Sections 4.5 and 7.4).

4. We will pay to you, as an Area Representative, 1/3 of the initial franchise fee or initial development fee paid (and actually collected by us) by any franchisee within the Territory who signs a franchise agreement or development agreement and pays the initial franchise fee or initial development fee during the term of the Area Representative Agreement (less 1/3 of our legal fees and costs in preparing the applicable legal documents, and less 1/3 of any referral or similar fees we incur) and 1/3 of all royalties (other than Breaching Royalties) received (and actually collected by us) during the term of the Area Representative Agreement by us from franchisees within the Territory.

The above payments to you, as an Area Representative, are subject to the following:

(a) No payment will be made to you with respect to Cafes located in the Territory owned or operated by us or our affiliates;

(b) No payment will be made to you with respect to Permitted Exceptions (except as we may designate);

(c) No payment will be made to you unless and until we receive from the applicable franchisee the full amount that we are entitled to receive;

(d) No payment will be made to you with respect to any period during which you (or your affiliates) are not then directly owning and operating a Café;

(e) No payment will be made to you with respect to any period during which you are in breach of or default under your obligations under the Area Representative Agreement;

(f) No payment will be made to you with respect to any month, with respect to any Café, with respect to which you failed to (i) conduct any of the monthly evaluations required under the Area Representative Agreement or (ii) deliver to us any of the monthly reports required under the Area Representative Agreement;

(g) No payment will be made to you with respect to any month with respect to any particular franchisee who has not been in compliance with all of the terms of its franchise agreement during that month;

(h) No payment will be made to you (and no amounts will accrue), until and unless

(i) You directly own and operate at least one Café;

(ii) You are licensed or registered, or maintain a permit, as necessary in connection with your activities as an Area Representative; and

(iii) Our Franchise Disclosure Document has been updated or supplemented with respect to you, as an Area Representative, as necessary to comply with applicable law.

- (i) No payment will be made to you with respect to any unit that has been transferred without full compliance with our transfer procedures (as set forth in the applicable franchise agreement), our transfer procedures have been fully complied with and we have received all documentation that we determine to be necessary.
- (j) If we are required, or decide to, return all or a part of a franchisee's initial franchise fee or royalties, you will be required to pay your proportionate share of such amounts to us;
- (k) We may offset any funds owed to us by you (or your affiliates) against any funds owed to you by us;
- (l) If our receipt (or the payer's payment to us) of any initial franchise fees, royalties, development fees or other amounts are subject to withholding or other taxes or payments, the amount to which you are entitled will be reduced in a proportionate amount; and
- (m) If a franchisee's franchise agreement or development agreement is terminated and we, in its sole discretion, agree to pay that franchisee any amount (or we waive collection of any amount to which we are entitled), or if a court of competent jurisdiction determines that we must pay that franchisee any amount (or that we must waive collection of any amount to which we are entitled), you must promptly pay to us 33-1/3% of the amount that we so pay or waive.
- (n) We or any of our affiliates, in our sole discretion, agree to pay any person any amount or if a court of competent jurisdiction determines that we or any of our affiliates must pay any person any amount, or if we or any of our affiliates otherwise suffers a loss or damages in connection with a franchisee, you must promptly pay any to us 33-1/3% of the amount of that payment, loss or damages. (Area Representative Agreement, Sections 6.1, 6.2 and 6.3).

5. Training programs and other related activities regarding the operation of the AR Business as we may conduct for you or your personnel generally, which your Operating Principal, Area Supervisor and other personnel may be required to attend. (Area Representative Agreement, Section 8.4(c)).

We are not required to provide any other service or assistance to you for the continuing operation of the AR Business.

Advertising

Franchise Agreement: Immediately before and within 30 days after the opening of the Café, you must spend a minimum of \$5,000 to conduct an initial local advertising and promotional program in the form and manner we require to publicize the opening of the Café. We must approve your initial local advertising and promotional program prior to your opening of the Café. If we request, you must spend annually throughout the term of the Franchise Agreement, 1% of the Gross Sales of the Cafe on advertising for the Cafe in your Area of Primary Responsibility for Local Advertising. We do not currently impose a Local Advertising requirement. This amount is not paid to us, but rather is spent by you. If your landlord requires you to participate in any marketing or promotion fund, the amounts you pay may be applied towards satisfying your Local Advertising obligations. We must approve all advertising before you use it. You must not advertise or use the Marks in any fashion on the Internet, World Wide Web or via other means of advertising through telecommunication without our express written consent. You must provide us with an advertising expenditure report to show that you have complied with the Local Advertising requirement on or before the 1st day of February following the end of each calendar year; provided that day is a business day. If it is not a business day, then the report is due on the next business day. Costs and expenditures you incur with any of the following are not to be included in your expenditures on Local Advertising unless we approve in advance in writing:

1. Incentive programs for your employees or agents, including the cost of honoring any coupons distributed in connection with the programs;
2. Research expenditures;
3. Salaries and expenses of your employees, including salaries or expenses for attendance at advertising meetings or activities;
4. Charitable, political or other contributions or donations;
5. In-store materials consisting of fixtures or equipment; and
6. Seminar and educational costs and expenses of your employees.

We have established a marketing fund (the “Fund”) on behalf of the System for advertising and marketing of Cafes. You must make weekly contributions to the Fund to be paid in the same manner as the royalty payments. Initially that contribution will be 1% of your Café’s Gross Sales. We may increase the amount you must contribute to the Fund, up to a maximum of 2% of your Café’s Gross Sales. We may require you to allocate to the Fund all or part of your required Local Advertising expenditures and Cooperative contributions (described below). We or our affiliates will contribute to the Fund generally on the same basis as you do for Cafes that we or they operate.

We or someone we designate will administer the Fund. We will direct all advertising and marketing programs and have sole discretion to approve the creative concepts, materials and media used in the programs and their placement and allocation. The Fund is intended to maximize general public recognition and acceptance of the Marks and improve the collective success of all Cafes operating under the System. In administering the Fund, we and our designees are not required to make expenditures for you that are equivalent or proportionate to your contribution or to ensure that any particular franchisee benefits directly or pro rata from the placement of advertising. Except for a portion of the Fund spent on Website development and maintenance (a portion of which may include soliciting the sale of franchises using the Website), the Fund is not used to solicit the sale of franchises.

The Fund may be used to satisfy the costs of developing, preparing, administering, conducting and disseminating advertising, marketing, promotional and public relations materials, programs, campaigns, sales and marketing seminars and training programs and activities of every kind and nature, through media now existing or that may be developed in the future, including the cost of developing, maintaining and updating or Website, preparing and conducting television, radio, magazine, newspaper and electronic advertising and marketing campaigns; direct mail and outdoor billboard advertising; public relations activities; conducting marketing research; employing advertising agencies; and costs of our personnel and other departmental costs for advertising that we administer or prepare internally. All sums you pay to the Fund will be maintained in a separate account and we may use them to defray our reasonable administrative costs and overhead that we may incur in the administration or direction of the Fund and advertising and marketing programs for you and the System. The Fund and its earnings will not benefit us in any other way. The Fund is operated solely as a conduit for collecting and expending the advertising fees as outlined above. Any sums paid to the Fund that are not spent in the year they are collected will be spent in the following year or returned to the contributors in proportion to the amounts paid by them, without interest.

We will prepare an annual statement of the operations of the Fund that will be made available to you if you request it. We are not required to have the Fund statements audited. Although the Fund is intended to be perpetual, we may terminate the Fund at any time. The Fund will not be terminated, however, until all monies in the Fund have been spent for advertising or promotional purposes or returned to contributors on the basis described above. During our 2013 fiscal year, the Fund had contributions of \$464,575, which includes contributions attributable to Cafes located outside of the United States, and conference receipts

of \$83,066. Of the amounts expended, \$167,341 or 41.6% was spent on production, \$0 or 0% was spent on media placement, \$73,408 or 18.2% was reimbursed to us for administrative expenses, and \$151,768 or 40.2% was spent on other expenses (public relations, social media and franchisee convention). At the end of our fiscal year 2013, the Fund had a balance of \$61,657 which is carried over for expenditures for our fiscal year 2014.

We currently advertise the Cafes and the products offered by the Cafes primarily using point of purchase advertising materials and print media. As the number of Cafes in the System expands, we envision using other forms of media, including: television, radio, magazine, newspaper and electronic advertising campaigns; and direct mail advertising. We use outside vendors to develop the majority of our advertising. We presently conduct advertising on a local basis. In the future, we contemplate advertising on an international, national, regional and local basis through the use of the Fund, Local Advertising and Cooperatives (described below).

We may designate any geographic area in which 2 or more Bakery Cafes or Combination Cafes are located as a region to establish an advertising Cooperative. The members of the Cooperative for any area will consist of all Bakery Cafes or Combination Cafes, as applicable, whether operated by us, our affiliates or franchised. We will determine in advance how each Cooperative will be organized and governed and when it must start operation. We have the right to form, dissolve, merge or change the structure of the Cooperatives. Each Cooperative will be organized for the exclusive purposes of administering advertising programs and developing, subject to our approval, promotional materials for use by the members in Local Advertising. If a Cooperative has been established for a geographic area where your Cafe is located when the Franchise Agreement is signed, or if any Cooperative is established during the term of the Franchise Agreement, you must sign all documents we request and become a member of the Cooperative according to the terms of the documents. A copy of the Cooperative documents applicable to the geographic area in which your Cafe will be located will be provided to you if you request it.

You must contribute to the Cooperative the amounts required by the documents governing the Cooperative. However, you will not be required to contribute more than 1% of your Gross Sales during each month to the Cooperative unless, subject to our approval, the members of the Cooperative agree to the payment of a larger fee. You may apply the payments toward satisfaction of your Local Advertising requirement. Your contributions to a Cooperative may also be allocated by us to the Fund, as described above. All contributions to the Cooperative will be maintained and administered according to the documents governing the Cooperative. The Cooperative will be operated solely as a conduit for the collection and expenditure of the Cooperative fees for the purposes outlined above. No advertising or promotional plans or materials may be used by the Cooperative or furnished to its members without first obtaining our approval. Currently, no Cooperatives exist. Each Cooperative must prepare an annual financial statement reporting its expenditures for the previous year to its members.

Your total required contribution to the Fund and the Cooperative and expenditure for Local Advertising will not exceed 2% of your Gross Sales.

Neither the Fund nor any Cooperative will use any funds for advertising that is principally a solicitation for the sale of franchises for Cafes.

You must also place and pay the cost of an online or other trademark or other business listings in the Cafe's local market area. Any amount you pay for an online or other trademark or other business listings may not be applied by you toward satisfaction of your Local Advertising requirement.

You must list the Café in Google and other Internet search engines that we designate.

Except as described above, we are not obligated to spend any amount on advertising in the area where your Cafe is located.

There is not an advertising council composed of franchisees that advises us on advertising policies. However, we have established a franchise advisory council consisting of franchisees that may, among other things, advise us as to our advertising policies. The franchisees on the franchise advisory council are elected on a regional basis by vote of the franchisees in a particular region. The franchise advisory council acts solely in an advisory capacity and does not have operational or decision-making power. We have the right to form, change and dissolve the franchise advisory council at any time.

Area Representative Agreement: We advertise for prospective franchisees through print media, the Internet and in the Cafes. We may develop other advertising programs, including radio and television, in the future. Those programs may be local, regional or national in scope. We are not required to spend any amount on advertising for soliciting prospective franchisees in any area or territory.

Although currently we charge no advertising fee or assessment, we may assess you a proportionate share of the cost of national advertising campaigns to solicit franchisees. It is your responsibility to develop your Territory and you are encouraged to advertise or otherwise market for prospective franchisees. You may use your own advertising for soliciting prospective franchisees, provided that we approve the advertising material.

You must also place and pay the cost of an online or other trademark or other business listings in the Territory.

Training

Franchise Agreement: No later than 30 days before the date the Cafe begins operation, your Operating Principal and General Manager must attend and complete, to our satisfaction, our initial training program for Bakery Cafes. We will conduct this training at our corporate headquarters and/or a Cafe operated by us or a franchisee in Dallas, Texas, or at another location we designate. Immediately before the date a Combination Café begins operations, your Operating Principal and General Manager must attend and complete, to our satisfaction, our additional initial training program for Combination Cafes. We will conduct this additional initial training at your Combination Café. Initial training programs will be offered at various times during the year depending on the number of new franchisees entering the System, replacement operating principals and general managers and other personnel needing training, the number of new Cafes being opened and the timing of the scheduled openings of these Cafes. It is anticipated that the initial training program will be offered approximately 10 times a year. The initial training program will generally last 11 days for a Bakery Café and an additional 5 days for a Combination Cafe. We will provide instructors and training materials for the initial training of your initial Operating Principal and General Manager at no charge to you. You may also have additional personnel trained by us for the Cafe, although we may charge \$1,500 per person for that training. We will determine whether the Operating Principal and any General Manager have satisfactorily completed initial training. If the Operating Principal or General Manager does not satisfactorily complete the initial training program or if we determine that these persons cannot satisfactorily complete the training program, you must designate a replacement to satisfactorily complete the training. Any Operating Principal or General Manager subsequently designated by you must also receive and complete the initial training. We reserve the right to charge a reasonable fee for the initial training we provide to a replacement or successor Operating Principal or General Manager. If you fail to have a replacement manager attend training and be certified as meeting our requirements, we may charge you a support fee of \$100 per week until a replacement General Manager is trained or certified. We currently charge \$1,500 per person for initial training. You must pay for all expenses you and your Operating Principal, General Manager and other personnel incur for any training program, including costs of travel, lodging, meals and wages (see Item 6).

The Operating Principal, General Manager and other personnel must attend the additional training programs and seminars we offer if required to do so. For all of these programs and seminars, we will provide the instructors and training materials. If the training is mandatory, we will not charge you a fee for attending the training. We reserve the right to charge a reasonable fee for the additional training

programs and seminars that we provide on an optional basis. Your Operating Principal must attend our annual meeting and any other meetings we determine to be mandatory. We reserve the right to charge a reasonable fee for the annual meeting and each other mandatory meeting. You must also pay for all expenses you or your Operating Principal, General Manager and other personnel incur in participating in any additional training or meetings, including costs of travel, lodging, meals, and wages (see Item 6).

For the opening of the Cafe, we will provide you with 1 of our trained representatives. The trained representative will provide on-site pre-opening and opening training, supervision, and assistance to you for up to 6 days for a Bakery Café and up to 14 days for a Combination Cafe. This training and assistance will be provided to you at no additional expense. For any additional assistance requested by you and any similar assistance that we provide to a replacement Cafe, if the premises are destroyed or the Cafe is required to be closed for any other reason, we reserve the right to require you to pay us the per diem fee then being charged to franchisees generally for trained representative assistance, including payment of any expenses the trained representative incurs, such as costs of travel, lodging, meals and wages (see Item 6).

The subjects covered, hours of classroom and on the job training and instructors providing the initial training program for the Bakery Café are described below:

TRAINING PROGRAM (Franchise)

Subject	Hours of Classroom Training	Hours of On-The Job Training	Location
Orientation	1	0	Dallas, Texas
Health Rules	1	0	Dallas, Texas
Products Overview	1	2	Dallas, Texas
Equipment Overview	1	3	Dallas, Texas
Stations	1	8	Dallas, Texas
Café Operations	1	11	Dallas, Texas
Customer Service	1	4	Dallas, Texas
POS Training	1	4	Dallas, Texas
Money Handling	2	0	Dallas, Texas
Safety and Quality Assurance	2	4	Dallas, Texas
Inventory Management	1	4	Dallas, Texas
Human Resources	4	0	Dallas, Texas
Background Verifications	4	0	Dallas, Texas
Employer Guidelines	4	0	Dallas, Texas
Staff Management and Training	4	0	Dallas, Texas
Reporting and Labor Scheduling	4	0	Dallas, Texas
Supervised Café Management	0	8	Dallas, Texas
Marketing	6	2	Dallas, Texas

In addition to the initial training program for the Bakery Café, the subjects covered, hours of classroom and on the job training and instructors providing the additional initial training program for the Combination Café are described below:

Subject	Hours of Classroom Training	Hours of On-The-Job Training	Location
Supervised Café Management	0	8	Dallas, Texas
Sandwich Preparation	1	4	Dallas, Texas
Proper Food Handling	1	4	Dallas, Texas
Shift Prep Procedures	1	8	Dallas, Texas
Soup Preparation	1	6	Dallas, Texas
Lobby Management	1	4	Dallas, Texas
Line Management	1	8	Dallas, Texas

The entire training program may be changed due to updates in materials, methods, manuals and personnel without notice to you. We do not currently maintain a formal training staff to conduct the opening training described below. Fidel Martinez (see Item 2) and Carolyn Cothran will oversee training. Mr. Martinez has over 28 years of experience in the quick service restaurant industry and has conducted training and overseen the operation of Cafes in our System for over 14 years. Mrs. Cothran has over 16 years of experience in the quick service restaurant and retail industry. We anticipate also using personnel from our training cafe in conducting Cafe operations training. The instructional materials used in the initial training consist of our Operations Manual, Training Manual, marketing and promotion materials, programs related to the operation of the point of purchase system, and other written directives related to the operation of the Cafe (collectively, the “Franchise Manuals” and, together with the AR Manual, the “Manuals”). The subjects and time periods allocated to the subjects actually taught to you and your personnel may vary based on the experience of those persons being trained.

If you reasonably request or as we deem appropriate, we will, when our personnel is available, provide you with additional trained representatives who will provide on-site remedial training to your Cafe personnel. For additional training that you request, you may be required to pay the per diem fee then being charged to franchisees under the System for the services of our trained representatives, plus their costs of travel, lodging, meals, and wages. The per diem fee will not be charged if the assistance is provided based on our determination that the training is necessary; however, we reserve the right to charge for our reasonable expenses incurred in providing the assistance.

There is no separate training under a Development Agreement.

The Table of Contents for our Franchise Manual is attached as Exhibit H to this Disclosure Document and contains approximately 1,441 total pages.

Area Representative Agreement: No later than 60 days after the date of the Area Representative Agreement, your Operating Principal and Area Supervisor (if applicable) must attend and complete, to our satisfaction, our initial Area Representative training program. Before attending our initial Area Representative training program, the Operating Principal or other personnel must have satisfactorily completed the initial training program applicable to new Franchisees. We will conduct this training at our corporate headquarters and/or a Cafe operated by us in Dallas, Texas, or at another location we designate. Initial training programs will be offered at various times during the year depending on the number of new area representatives and franchisees entering the System, replacement operating principals and other personnel needing training, the number of new Cafes being opened and the timing of the scheduled openings of these Cafes. It is anticipated that the initial training program will be offered 3 or 4 times a year. The portion of the initial training program at our headquarters will generally last 2 days. We will provide instructors and training materials for the initial training of your initial Operating Principal and 1 additional personnel at no charge to you. You may also have additional personnel trained by us, although we may charge \$1,500 per person for that training. We will determine whether the Operating Principal or Area Supervisor has satisfactorily completed initial training. If the Operating Principal or Area Supervisor does not satisfactorily complete the initial training program or if we determine that the

Operating Principal or Area Supervisor cannot satisfactorily complete the training program, you must designate a replacement to satisfactorily complete the training. Any Operating Principal or Area Supervisor subsequently designated by you must also receive and complete the initial training. We reserve the right to charge a reasonable fee for the initial training we provide to a replacement or successor Operating Principal or Area Supervisor. We currently charge \$1,500 per person for initial training. You must pay for all expenses you and your Operating Principal and other personnel incur for any training program, including costs of travel, lodging, meals and wages (see Item 6).

The Operating Principal, Area Supervisor and other personnel must attend the additional training programs and seminars we offer if required to do so. For all of these programs and seminars, we will provide the instructors and training materials. We reserve the right to charge a reasonable fee for the additional training programs and seminars that we provide. Your Operating Principal must attend our annual meeting and any other meetings we determine to be mandatory. We reserve the right to charge a reasonable fee for the annual meeting and each other mandatory meeting. Your Operating Principal must attend the International Franchise Association's annual franchise convention. We reserve the right to charge a reasonable fee if your Operating Principal fails to attend the International Franchise Association's annual franchise convention. You must also pay for all expenses you or your Operating Principal, Area Supervisor and other personnel incur in participating in any additional training, meetings or conventions, including costs of travel, lodging, meals, and wages (see Item 6).

The subjects covered, hours of classroom and on the job training and instructors providing the initial area representative training program are described below:

TRAINING PROGRAM (Area Representative)

Subject	Hours of Classroom Training	Hours of On-The-Job Training	Location
Site Selection	2	1 day	Dallas, Texas
Lease Review	2	0	Dallas, Texas
Store Design	2	0	Dallas, Texas
Store Construction (code compliance)	2	3	Dallas, Texas
Store Openings	2	3 days	Dallas, Texas
Store Evaluations	2	1 day	Dallas, Texas
Selecting Franchisees	2	2	Dallas, Texas
FDD Training	2	0	Dallas, Texas

The entire training program may be changed due to updates in materials, methods, manuals and personnel without notice to you. Shawn Bellah, Vice President of Operations and Ted Milburn, Vice President of Franchise Development (see Item 2), will oversee this training. We anticipate also using our Cafe personnel in conducting training. The instructional materials used in the initial training consist of our AR Manual, marketing and promotion materials, and other written directives related to the operation of the Cafe. The subjects and time periods allocated to the subjects actually taught to you and your personnel may vary based on the experience of those persons being trained.

In addition, as part of the training program, you must participate in a designated number of Café openings and evaluation sessions at multiple locations we designate. This part of the training program is anticipated to take between three and four weeks (eight-to-twelve hours per day, including travel time between units), scheduled at various times and in various locations.

The Table of Contents for our AR Manual is attached as Exhibit H to this Disclosure Document and contains approximately 1,441 total pages.

Site Selection and Territory

Franchise Agreement: You must assume all costs, liabilities, expenses and responsibility for locating, obtaining and developing a site for the Cafe and for constructing and equipping the Cafe at the accepted site. You and we will agree on either the site or a geographical area in which you must obtain a site before you sign the Franchise Agreement. You will select the site for the Cafe subject to our consent. The Cafe may not be relocated without first obtaining our written consent. Before you lease or purchase the site for the Cafe, you must locate a site that satisfies our site selection guidelines. You must submit to us in the form we specify a description of the site, including evidence that the site satisfies our site selection guidelines, together with other information and materials that we may reasonably require, including a letter of intent or other evidence that confirms your favorable prospects for obtaining the site. You must submit information and materials for the proposed site to us for consent no later than 180 days after you have signed the Franchise Agreement. We will have 30 days after we receive this information and materials from you to consent to the proposed site as the location for the Cafe. You must purchase or lease, at your expense, the site for the Cafe within 45 days after we consent to the contract of sale or terms of the lease, but in no event later than one year from the date of the Franchise Agreement. You must obtain our consent of any sale or lease contract before you sign it (see Item 8).

We will provide to you with our current written site selection guidelines and any other site selection counseling and assistance we think is advisable. Our guidelines for site selection may require that you conduct, at your expense, an evaluation of the demographics of the market area for the location (including the population and income level of residents in the market area), aerial photography, size and other physical attributes of the location, shopping mall, tenant mix, proximity to residential neighborhoods and proximity to schools, shopping centers, entertainment facilities and other businesses that attract consumers and generate traffic.

We may provide on-site evaluations of the proposed site. We will not provide an on-site evaluation for any proposed site before receiving from you the materials you must submit to us as described above. After that, if we think an on-site evaluation of your proposed site is necessary or if you reasonably request, we will provide an on-site evaluation. We reserve the right to charge a reasonable fee for each evaluation as well as a fee for our reasonable expenses including the cost of travel, lodging, meals and wages (see Item 6).

We estimate that the time from the signing of the Franchise Agreement to the commencement of operations of the Cafe will be approximately 4 to 6 months (or 6 to 18 months if the site has not been selected at the time of signing the Franchise Agreement). This time may be shorter or longer depending on the time necessary to obtain an accepted site, to obtain financing, to obtain the permits and licenses for the construction and operation of the Cafe, to complete construction or remodeling as it may be affected by weather conditions, shortages, delivery schedules and other similar factors, to complete the interior and exterior of the Cafe, including decorating, purchasing and installing fixtures, equipment and signs, and to complete preparation for operating the Cafe, including purchasing inventory and supplies. You must open the Cafe and begin business within 180 days after you obtain possession of the accepted location, unless you obtain a written extension of this time period from us. If you do not obtain a site that we accept, and construct the store within the time periods required in Section 2 of the Franchise Agreement, we may terminate the Franchise Agreement.

Area Representative Agreement: You select the Territory, with our approval, before you sign the Area Representative Agreement.

We estimate that the time from the signing of the Area Representative Agreement to the commencement of operations of the AR Business will be approximately 3 to 6 months.

Computer and Electronic Cash Register Systems

Franchise Agreement: As described in Items 6, 7 and 8, you must purchase and use certain electronic point of sale systems, credit/debit card processing systems, computer hardware and software that meet our specifications and that are capable of electronically interfacing with our computer system. The system is used by us to collect and monitor point of sale information, and may be expanded to collect and monitor inventory control and shrinkage, payroll and accounting information, and credit card processing. Our approved supplier has developed certain data base configuration software specifically for tracking information relevant to the Cafes' business and will charge a fee for this software. We have approved no other compatible program. You must allow our approved supplier to upgrade the proprietary database configuration of the electronic point of sale system in your Cafe as we determine necessary. Our approved supplier may provide you periodic updates to maintain the software and may charge a fee for preparing the updates and maintaining the software. There are no limitations on the frequency and cost of the updates.

The system is designed to enable us to have immediate access to the information monitored by the system, and there is no contractual limitation on our access or use of the information we obtain. Specifically, we may require that you install and maintain systems that permit us and our representatives to access and retrieve electronically any information stored in your point of sale systems, credit/debit card processing systems, or computer systems, including information concerning your Cafe's Gross Sales, at the times and in the manner that we may specify from time to time. You must, at our option, sign any documents we deem necessary to permit us or our representative to retrieve this information.

The Treatware, fully integrated point of sale system from Innovative Computer Systems is the only approved point of sale system. The cost of purchasing this system is approximately \$2,300 per station. Neither we, nor our affiliates or any third party is required to provide ongoing maintenance, repairs, upgrades or updates. We may revise our specifications for the hardware and software as we determine necessary to meet the needs of the System. There is no contractual limitation on our ability to require the hardware and/or software be changed, improved, updated or upgraded. The annual cost of any optional or required maintenance, updating, upgrading or support contracts is approximately \$500 to \$1,000 per year.

You must install any other hardware or software for the operation of the Cafe that we may require in the future, including any enhancements, additions, substitutions, modifications, and upgrades. There is no contractual limitation on the frequency or cost of any enhancements, additions, substitutions, modifications or upgrades of the required hardware and software. We may also require you to license from us, or others we designate, any computer software we develop or acquire for use by System Cafes.

You must, at our option, sign the forms and documents that we deem necessary to appoint us your true and lawful attorney-in-fact with full power and authority for the sole purpose of assigning to us upon the termination or expiration of the Franchise Agreement: (i) all rights to the telephone numbers of the Cafe and any related and other business listings; and (ii) Internet listings, domain names, Internet Accounts, advertising on the Internet or World Wide Web, websites, listings with search engines, e-mail addresses or any other similar listing or usages related to the Cafe. You have no authority to and may not establish any website or listing on the Internet or World Wide Web without our express written consent.

Area Representative Agreement: You must obtain and maintain continuous access to our internet website in a manner that will enable you to download required information (without regard to size) and to otherwise interact with us, Franchisees and other persons, in such manner as we may specify. You must maintain an e-mail address for purposes of communicating with us, Franchisees and other persons. You must inform us and Franchisees of your e-mail address promptly upon the signing of the Area Representative Agreement and if your e-mail address is changed. You should check and respond to your e-mail on a daily basis (except for weekends); provided, however, that the timeliness of your e-mail review and responses must be consistent with reasonable business practices and must not cause us, other Area Representatives or Franchisees to be unable to communicate with you in a timely manner.

To access the Internet and your e-mail account, you must purchase or use a computer (or other device that enables you to access the internet and your e-mail). We do not require you to purchase any particular type of computer or such other device, or require you to use any particular type of hardware or software. (As an Area Representative, you must also own and operate at least one Café within the Territory under a Franchise Agreement; under the Franchise Agreement you will be required to purchase a computer). We will not have independent access to your e-mail account. (Area Representative Agreement, Section 2.29)

Area Representatives

We reserve the right to retain the services of an area representative in the geographic area in which your Café will be located. In such event, the area representative, on our behalf, will perform certain sales, site assistance, training, and/or supervisory services we direct.

ITEM 12 TERRITORY

Franchise Agreement

The Franchise Agreement grants you the right to operate a Cafe at a single location that you select. The cover page of the Franchise Agreement lists the specific street address or physical space of the accepted location and, if the location is not identified at the time the Franchise Agreement is signed, a site selection area in which you must locate the Café, which site selection area will not be exclusive to you for any purpose. You must operate the Cafe only at this accepted location and may not relocate the Cafe without first obtaining our written consent. Our consent to the relocation of the Cafe will be conditioned upon the new location satisfying our then-current site selection guidelines for new Cafes. You may not establish or operate another Cafe unless you enter into a separate Franchise Agreement.

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 that we control. Under the Franchise Agreement, we will designate a geographic area known as the Assigned Area at the time the Café location is accepted. The Assigned Area will be described on the cover page of the Franchise Agreement and will generally consist of the contiguous property controlled by the landlord in which the Cafe is located, such as the shopping mall, airport terminal, university campus, hospital, strip shopping center, office/business park or transportation center. In certain circumstances the Assigned Area will be limited to the specific physical space occupied by the Cafe. We will determine the Assigned Area based on various market and economic factors such as an evaluation of market demographics, the market penetration of the System and similar businesses, the availability of appropriate sites and the growth trends in the market. During the term of the Franchise Agreement, if you are in compliance with the Franchise Agreement, we and our affiliates will not establish a Cafe or authorize any other person or entity other than a National Chain (as defined below) to establish a Cafe within the Assigned Area. We may authorize National Chains to establish Cafes within the Assigned Area, and we, our affiliates, and any other authorized person or entity may, at any time, advertise and promote the Cafe, and fill customer orders by providing catering and delivery services in the Assigned Area. A “National Chain” means any business that has an agreement with us to establish and operate Cafes in more than one of its facilities on a regional or national basis. We and our affiliates may also offer and sell and authorize others to offer and sell: (i) collateral products under the Marks, at or from any location, such as pre-packaged food products and Café memorabilia, (ii) food and beverage services under the Marks at or through any other distribution system or food service facility (other than a Café) and (iii) any products or food and beverage services under any other names and marks.

Under the Franchise Agreement, we will also designate a nonexclusive geographic area known as the Area of Primary Responsibility where you have to conduct Local Advertising activities and use all commercially reasonable efforts to advertise and promote the Cafe. The Area of Primary Responsibility is not exclusive except to the extent that it includes the Assigned Area.

The territorial rights granted to you under the Franchise Agreement are not dependent on the achievement of a certain sales volume, market penetration or other contingency. Also, the Assigned Area may not be altered before the Franchise Agreement expires or terminates.

There are no restrictions on us or any other franchisee from soliciting or accepting orders from consumers located inside the Assigned Area. Although we have not done so, we reserve the right to use other channels of distribution, such as the Internet, catalog sales, telemarketing, or other direct marketing sales, to make sales within the Assigned Area using the Marks. Although we have not done so, we also reserve the right to use other channels of distribution, such as the Internet, catalog sales, telemarketing, or other direct marketing sales, to make sales within the Assigned Area of products or services under trademarks different from the ones you will use under the Franchise Agreement. We are not required to pay you any compensation for soliciting or accepting orders from inside the Assigned Area.

You may solicit and accept orders outside of the Assigned Area, including the right to use other channels of distribution that we may authorize, such as the Internet, catalog sales, telemarketing, or other direct marketing, to make sales outside of the Assigned Area.

If we grant you a license to operate a Cart as an auxiliary to the Café, you must operate the Cart within the Assigned Area (or outside the Assigned Area if we consent). You may request our consent to operate the Cart outside of the Assigned Area and must provide us with such information and documentation relating to the request as we may require. We may grant, withhold or place conditions on our consent, or withdraw or modify the conditions on our consent, at any time.

Neither we nor any of our affiliates operates, franchises, or has plans to operate or franchise a business under a different trademark, which business sells or will sell goods or services similar to those you will offer.

We do not grant any options, rights of first refusal or similar rights to obtain additional franchises or Café locations. If you wish to obtain an additional franchise, you must either have entered into a Development Agreement that grants you the right to establish more than 1 Cafe or enter into a separate Franchise Agreement for the additional franchise.

Development Agreement

Under the Development Agreement, you are assigned a nonexclusive geographic area or buildings known as the Territory where you must develop the number of Cafes for which you purchased development rights according to a specified development schedule attached to the Development Agreement and agreed to before it is signed (the "Development Schedule"). The size of the Territory may be a single or multi-county area, single state area or some other area, or a list of specified malls or other buildings and will be described on the cover page of the Development Agreement. We will determine the Territory before you sign the Development Agreement based on the number of Cafes to be developed and various market and economic factors such as those described above regarding the Assigned Area.

The rights granted in the Development Agreement pertain only to the development of Cafes located in the Territory. You may face competition for development of Cafes from us, from other developers, and from other franchisees. We may establish or authorize any other person or entity to establish a Cafe within the Territory during the term of the Development Agreement, and we, any of our franchisees and any other authorized person or entity may, at any time, advertise and promote the System, and fill customer orders by providing delivery and catering services in the Territory. We and our affiliates may also offer and sell and authorize others to offer and sell: (i) collateral products under the Marks, at or from any location, such as pre-packaged food products and memorabilia, (ii) food and beverage services under the Marks at or through any other distribution system or food service facility (other than a Café) located within the Territory or at or through any Cafe not located within the Territory, and (iii) any products or food and beverage services under any other names and marks.

You must exercise the development rights only by entering into a separate Franchise Agreement with us for each Cafe. We may, in our discretion, permit you to exercise the development rights through affiliated entities that are either your wholly owned subsidiaries or commonly controlled entities with ownership identical to yours. The Franchise Agreement to be signed for the first Cafe you develop under the Development Agreement must be signed and delivered to us concurrently with the signing and delivery of the Development Agreement and will be in the form of the Franchise Agreement attached to this Disclosure Document. All additional Cafes developed under this Development Agreement must be established and operated under our form of Franchise Agreement then being used by us for Cafes under the System. The then-current form of Franchise Agreement may differ from the form attached to the Disclosure Document.

You will not receive an exclusive territory. You may face competition from other developers and franchisees, from outlets that we own, or from other channels of distribution or competitive brands that we control. Except as stated below, the Territory may not be altered before the Development Agreement expires or terminates.

You must open each Cafe and commence business in accordance with the Development Schedule, unless you obtain an extension of the Development Period (as defined in the Development Agreement), at the expiration of which, you were to have had a Cafe open and in operation. You may, subject to our approval, purchase from us extensions of the Development Period as may be necessary to complete construction and commence operation of the Cafe. Each extension will be for an additional 90 day period commencing on the expiration of the applicable Development Period, including any previous extensions ("Extension Date"). No more than 2 extensions of any Development Period will be permitted. If we grant an extension of a Development Period, the Opening Date (as defined in the Franchise Agreement) will be extended to the Extension Date. No extension of any Development Period will affect the duration of any other Development Period or any of your other development obligations. If an extension is requested in the final Development Period, the term of the Development Agreement will be extended to the Extension Date and you will have no further rights under the Development Agreement.

You must notify us in writing at least 60 days before the projected Opening Date (as defined in the Development Agreement) for a Cafe that you will be unable to complete construction and begin operating the Cafe by the expiration date of the Development Period in which the Cafe was to have been opened. You must include in the notice a description of the reasons for the failure to develop in a timely manner and the expected date of completion of construction and opening. At the same time you provide us with the written notice, you must pay an extension fee of \$5,000. No extension fee will be charged for any Cafe for which we have accepted a site in accordance with the Franchise Agreement and you have commenced construction, as defined in the Franchise Agreement.

If you fail to open a Cafe in compliance with the Development Schedule as required in the Development Agreement, or in any other manner commit a material event of default under the Development Agreement, we may, in addition to our other remedies, terminate or modify your territorial rights, reduce the area of territorial rights or reduce the number of Cafes that you may establish under the Development Agreement.

Area Representative Agreement

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 that we control. Under the Area Representative Agreement, we will designate a geographic area known as the Territory. As an Area Representative, you will have the right to develop, manage, service and supervise franchisees within the Territory. We will not, directly or indirectly, appoint another person as an Area Representative to develop, manage, service and supervise franchisees within the Territory for the term of the Area Representative Agreement, except for persons who will develop, manage, service and/or supervise Cafés that qualify as Permitted Exceptions. However, we and our affiliates may solicit prospective franchisees

and grant franchises to persons who will own and/or operate Cafés within and outside of the Territory, on terms and conditions that we deem appropriate. In addition, we and our affiliates may market, directly or indirectly, products or services through other methods. In addition, we and our affiliates may own and/or operate Cafes within or outside the Territory. We may establish other franchises or company-owned outlets using trademarks other than the Marks.

The territorial rights granted to you under the Area Representative Agreement are not dependent on the achievement of a certain sales volume, market penetration or other contingency except as stated below. Also, except as stated below, the Territory may not be altered before the Area Representative Agreement expires or terminates.

In order for the Area Representative Agreement and your right to develop, manage, service and supervise franchisees within the Territory to remain in effect, you must satisfy the following conditions:

1. You must solicit new franchisees and manage, service and supervise franchisees in the Territory. You must open and maintain in operation, directly or through franchisees, a minimum number (as will be stated in your Area Representative Agreement) of Cafés within the Territory during each year of your Area Representative Agreement. We will make grants of franchises in our sole discretion. However, it is your responsibility to submit applications of applicants to be granted franchises who you have in good faith approved in accordance with our criteria, so that this condition can be satisfied. Regardless of our refusal to grant franchises, you will not be considered to be in breach of this condition provided that you have submitted applications of at least the required number of applicants who you have in good faith approved in accordance with our criteria. If any Café is closed, a replacement must be opened for purposes of this calculation.

2. As of each anniversary of the date of the Area Representative Agreement, the percentage of average annual gross sales for all Cafes (excluding Permitted Exceptions) in your Territory to average annual gross sales for all Cafes in the United States must be greater than the specified percentage (as will be stated in your Area Representative Agreement), calculated in accordance with the Area Representative Agreement.

If, for any reason, you fail to meet these operational conditions, and that failure has not been cured within 30 days after we provide you with written notice of that failure, we may, in our sole discretion, (a) terminate the Area Representative Agreement, (b) terminate the Territorial exclusivity described above and we will be allowed to grant franchises within the Territory and operate Cafés within the Territory or (c) terminate your rights under the Area Representative Agreement with regard to further development, but require you to continue to service then-existing franchisees within the Territory. If we select option (c), we will continue to pay you royalties (other than Breaching Royalties), in the percentage and manner described above, received from then-existing franchisees.

General

Under a Second Amended and Restated Product Distribution Development Agreement among us, Nestle Food Services division of Nestle USA, Inc. and Nestlé Food Services division of Nestlé Canada, Inc. (collectively, “Nestle”) dated as of March 1, 2006 (the “Nestle Development Agreement”), Nestle granted us the exclusive right to feature the Marks “Nestle” and “Toll House” prominently on permanent store-front signage on Cafes that are developed in the United States and Canada. The Nestle Development Agreement expires on December 31, 2022.

At any time Nestle may establish cafes similar to your Café anywhere in the world (other than in the United States and Canada) under the marks “Nestle” or “Toll House,” or anywhere in the world under any other marks, and may authorize others to do so. Upon termination or expiration of the Nestle Development Agreement, Nestle may establish cafes similar to your Café anywhere in the world, including in your Territory or Assigned Area, under the marks “Nestle” or “Toll House” or under any

other marks, and may authorize others to do so. Nestle may at any time sell food and beverage services under its Marks at or through any other distribution system or food service facility.

Neither we nor our affiliates currently operate, franchise, or conduct business through alternative channels of distribution offering products or services similar to those offered by the Cafe under different marks. There are, however, no restrictions in the Agreements that would restrict our ability to do so. Nestle and other third parties currently sell Nestle products through a variety of channels, such as Internet, grocery and convenience stores and other food service facilities, that will be in your Territory and may be in your Assigned Area.

ITEM 13 TRADEMARKS

The Franchise Agreement grants you the right to use certain trademarks, trade names, service marks, symbols, emblems, logos and indicia of origin designated by us. These Marks may be used only in the manner we authorize and only for the operation of your Cafe at the location specified in the Franchise Agreement. You will not acquire any rights to the Marks under the Development Agreement or Area Representative Agreement.

You may not use the Marks as a part of your corporate or other legal name, and you must comply with our instructions in filing and maintaining trade name or fictitious name registrations. You must sign any documents we require to protect the Marks or to maintain their continued validity and enforceability. In addition, you may not directly or indirectly contest the validity of our, Nestlé's or SPN's ownership of, or our, Nestlé's or SPN's rights in and to, the Marks.

An affiliate of Nestlé, Societe des Produits Nestle S.A. ("SPN"), has registered and renewed the following principal Marks with the U.S. Patent and Trademark Office on the Principal Register and has filed all required affidavits:

<u>Description</u>	<u>Federal Registration Number</u>	<u>Registration Date</u>
Nestle (Stylized)	1,105,743	11-7-1978
Toll House (& Design)	2,791,150	10-9-2003

We have registered and renewed the following principal Mark with the U.S. Patent and Trademark Office on the Principal Register and have filed all required affidavits:

<u>Description</u>	<u>Federal Registration Number</u>	<u>Registration Date</u>
Cafe by Chip	2,550,860	3-19-2002

We registered the following principal Mark with the U.S. Patent and Trademark Office on the Principal Register and assigned all of our rights in this Mark to BHTT Entertainment, Inc. ("BHTT") on August 13, 2009. This Mark has not yet been renewed, and all required affidavits have been filed:

<u>Description</u>	<u>Federal Registration Number</u>	<u>Registration Date</u>
Brick House Subs	3,349,634	12-4-2007

There are no currently effective determinations of the U.S. Patent and Trademark Office, the trademark trial and appeal board, the trademark administrator of any state or any court, no pending infringement, opposition or cancellation proceedings and no pending litigation involving any of the Marks that may significantly affect the ownership or use of any Mark listed above.

SPN owns the “Nestle” and “Toll House” Marks and has licensed Nestle to use these Marks in the United States of America. Under the Nestle Development Agreement, Nestle has granted us the exclusive right to feature the Marks “Nestle” and “Toll House” prominently on permanent store-front signage on Cafes that are developed within the United States and Canada. The Nestle Development Agreement expires on December 31, 2022. The Nestle Development Agreement may be terminated by Nestle upon the occurrence of any of the following: (1) if we transfer or attempt to transfer any rights or obligations in violation of the Nestle Development Agreement, (2) if the Product Reference Agreement (as defined below) is terminated, or (3) if we default in any other manner in the performance of any of the terms, conditions or provisions in the Nestle Development Agreement (other than a failure to comply with the development schedules contained in the Nestle Development Agreement) and this default is not remedied within 30 days after written notice. The Nestle Development Agreement will terminate immediately if we file a petition for bankruptcy or an order for relief under the Bankruptcy Code or other insolvency law is entered against us or if we are adjudicated as bankrupt, or if a petition is filed against us, or if we become insolvent or make an assignment for the benefit of our creditors or an arrangement under any bankruptcy or insolvency law, or if we discontinue our business, or suspend active operations or any substantial part thereof for a period in excess of 5 consecutive days, or if a receiver is appointed for us or our business.

Under a Second Amended and Restated Master Product Reference Agreement dated as of March 1, 2006 (the “Nestle Reference Agreement”), Nestle has granted us, with respect to each Café developed under the Nestle Development Agreement, an exclusive right to feature the Marks “Nestle” and “Toll House” prominently on permanent store-front signage in accordance with guidelines established by Nestle and us (the “Nestle Guidelines”). The Nestle Reference Agreement expires on the later of (a) March 1, 2016 and (b) 10 years from the expiration or termination of the Nestle Development Agreement (currently December 31, 2022). Thus, if the Nestle Development Agreement expires on December 31, 2022, the Nestle Reference Agreement will expire on December 31, 2032, at which time the Cafés will no longer be able to feature the Marks “Nestle” and “Toll House” prominently on permanent store-front signage. The Nestle Reference Agreement may be terminated by Nestle upon the occurrence of any of the following: (1) if we transfer or attempt to transfer any rights or obligations in violation of the Nestle Reference Agreement or (2) if we default in any other manner in the performance of any of the terms, conditions or provisions in the Nestle Reference Agreement and this default is not remedied within 30 days after written notice. The Nestle Reference Agreement will terminate immediately if we file a petition for bankruptcy or an order for relief under the Bankruptcy Code or other insolvency law is entered against us or if we are adjudicated as bankrupt, or if a petition is filed against us, or if we become insolvent or make an assignment for the benefit of our creditors or an arrangement under any bankruptcy or insolvency law, or if we discontinue our business, or suspend active operations or any substantial part thereof for a period in excess of 5 consecutive days, or if a receiver is appointed for us or our business.

We assigned the ownership of the “Brick House Subs” Mark to BHTT on August 13, 2009. Under a License Agreement dated August 13, 2009 between BHTT and us (the “BHS License Agreement”), we may use the “Brick House Subs” Mark worldwide, indefinitely and without payment in connection with restaurant services having a focus on the sale of sandwiches. The BHS License Agreement may be terminated by BHTT if we fail to comply with any of the provisions of the BHS License Agreement or cease to provide restaurant services having a focus on the sale of sandwiches, or if we become insolvent, make any assignment for the benefit of creditors, or are subject to any bankruptcy or receivership proceedings, and do not cure such default within 45 days after notice from BHTT.

Except for the licenses described above, there are no agreements currently in effect that limit our rights to use or license the use of the Marks.

We know of no superior prior rights or infringing uses of any Mark that could materially affect your use of the Marks in this or any other state.

You must immediately notify us of any apparent infringement of the Marks or challenge to your use of any of the Marks or claim by any person of any rights in any of the Marks. You and your Controlling

Principals are not permitted to communicate with any person other than us, or any designated affiliate, their counsel and your counsel involving any infringement, challenge or claim. We can take action and have the right to exclusively control any litigation or Patent and Trademark Office or other administrative or agency proceeding caused by any infringement, challenge or claim or relating in any other manner to any of the Marks. You must sign any and all documents, and do what may, in our counsel's opinion, be necessary or advisable to protect our interests in any litigation or Patent and Trademark Office or other administrative or agency proceeding or to protect in some other manner and maintain our interests and the interests of any other person or entity (including Nestle and SPN) having an interest in the Marks.

We will indemnify you against and reimburse you for any damages for which you are held liable for your use of the Marks infringing on the rights of any other party, provided that the conduct of you and your Controlling Principals in the proceeding and use of the Marks is in full compliance with the terms of the Franchise Agreement.

Except as provided above, we are not obligated by the Franchise Agreement to protect any rights granted to you to use the Marks or to protect you against claims of infringement or unfair competition with respect to them. Although we are not contractually obligated to protect the Marks or your right to use them, as a matter of corporate policy, we intend to defend the Marks vigorously.

We may require you, at your expense, to discontinue or modify your use of any of the Marks or to use one or more additional or substitute trade names, service marks, trademarks, symbols, logos, emblems and indicia of origin if we determine that an addition or substitution will benefit the System, or if we lose the right to use the "Nestle" or "Toll House" Marks, or any Nestle related marks, due to the expiration or termination of the Nestle Development Agreement, the Nestle Reference Agreement, or otherwise.

The license to use the Marks granted in the Franchise Agreement is nonexclusive to you. We and our affiliates have and retain certain rights in the Marks including the following:

1. To grant other licenses for the use of the Marks in addition to those licenses already granted to existing franchisees;
2. To develop and establish other systems using the Marks or other names or marks, and to grant licenses or franchises in those systems without providing any rights to you; and
3. To engage, directly or indirectly, at wholesale, retail or otherwise, in (a) the production, distribution, license and sale of products and services and (b) the use of the Marks and any and all trademarks, trade names, service marks, logos, insignia, slogans, emblems, symbols, designs and other identifying characteristics we may develop for that purpose.

ITEM 14

PATENTS, COPYRIGHTS AND PROPRIETARY INFORMATION

Patents and Copyrights

We have no patents, pending patent applications or registered copyrights that are material to the franchised business.

Confidential Manuals

You must operate the Cafe in accordance with the standards and procedures specified in the Franchise Manuals. We will loan one copy of the Franchise Manuals to you for the term of the Franchise Agreement. You must operate the AR Business in accordance with the standards and procedures specified in the AR Manuals. We will loan one copy of the AR Manuals to you for the term of the Area Representative Agreement.

You must treat the Manuals and any other manuals we create or approve for use in your operation of the Café and/or AR Business, as applicable, and the information contained in them, as confidential. You must also use all reasonable efforts to maintain this information as secret and confidential and you must not duplicate, record or reproduce in any manner these materials, in whole or in part, or make them available to any unauthorized person. The Manuals remain our sole property and must be kept in a secure place on the Cafe premises.

We may revise the contents of the Manuals and you must comply with each new or changed standard. You must also insure that the Manuals are kept current at all times. If there is a dispute as to the contents of the Manuals, the terms of the master copy maintained by us at our home office will be controlling. You must return to us all pages that are replaced in the Manuals.

Confidential Information

We claim proprietary rights in certain of our recipes which are included in the Franchise Manuals and which are our trade secrets. You and each of your Controlling Principals are prohibited, during and after the term of the Franchise Agreement, from communicating, or using for the benefit of any other person or entity, and, after the term of the Franchise Agreement, from using for your or their own benefit, any confidential information, knowledge or know-how concerning the methods of operation of the Cafe or AR Business that may be communicated to you or any of your Controlling Principals or that you may learn about, including these trade secrets. You and each of your Controlling Principals can divulge this confidential information only to your employees who must have access to it to operate the Café or AR Business, as applicable. Neither you nor your Controlling Principals are permitted at any time, without first obtaining our written consent, to copy, record or reproduce in any manner the materials or information nor make them available to any unauthorized person. Any and all information, knowledge, know-how and techniques related to the System that we communicate to you, including the Manuals, plans and specifications, marketing information and strategies and site evaluation, selection guidelines and techniques, are considered confidential.

If we ask, you must have your General Manager, Area Representative and any of your management personnel who have received or will have access to confidential information, sign similar covenants. The covenants will be substantially as set forth in Attachment C to the Franchise Agreement, Attachment B to the Development Agreement, and Attachment B to the Area Representative Agreement. Your Principals also must sign these covenants.

If you or your Controlling Principals develop any new concept, process or improvement in the operation or promotion of the Cafe, you must promptly notify us and give us all necessary information, free of charge. You and your Controlling Principals must acknowledge that any of these concepts, processes or improvements will become our property and we may give the information to other franchisees.

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

When you sign the Agreements, you must designate and retain at all times an individual to serve as the “Operating Principal” under the Agreements. If you are an individual, you must be the Operating Principal. If you are an entity, the Operating Principal must be one of your Controlling Principals and must hold an ownership interest in you or any entity that directly or indirectly controls you. Except as may be provided in the Agreements, the Operating Principal’s interest in you must remain free of any pledge, lien, encumbrance, voting agreement, proxy, or purchase right or option.

The Operating Principal may, at his option, and subject to our approval, designate an individual to perform the duties and obligations of the Operating Principal described in the Agreements and in this Disclosure Document. The Operating Principal must take all necessary action to ensure that the designee

conducts and fulfills all of the Operating Principal's obligations and will remain fully responsible for his performance. The Operating Principal (or his designee, if applicable) must devote substantial full time and best efforts to the supervision and performance of the Cafe or AR Business, as applicable. The Operating Principal must sign the Agreements as one of your Controlling Principals, and will individually guarantee all of your obligations, and will be jointly and severally bound by all of your obligations and the obligations of the Operating Principal and your Controlling Principals under the Agreements.

The Operating Principal (and any designee) must meet our standards for these positions, as provided in the Manuals or other written instructions. The Operating Principal (or his designee) must satisfy the training requirements stated in the Franchise Agreement and, if applicable, the Area Representative Agreement.

If, during the term of the Agreements, the Operating Principal or any designee cannot serve as Operating Principal or no longer qualifies, you must promptly notify us and designate a replacement within 30 days after the Operating Principal or designee stops serving or no longer meets the requirements. Any replacement must meet the same qualifications listed above. You must provide for interim management of the Café or AR Business, as applicable, until you designate a replacement. This interim management must be conducted in accordance with the Agreements.

We have identified certain persons under the Agreements that we refer to in this Disclosure Document as your Principals. Your Principals include your spouse, if you are a married individual, your Principals also include those of your business entity's officers and directors (including the officers and directors of your general partner, if applicable) whom we designate as your Principals and all holders of an ownership interest in you and in any entity that directly or indirectly controls you, and any other person or entity controlling, controlled by, or under common control with you.

If we designate certain of your Principals as Controlling Principals, they must sign the Franchise Agreement, Development Agreement and/or Area Representative Agreement, as applicable, and agree to be individually bound by certain obligations under the Agreements, including confidentiality and non-competition covenants and to personally guarantee your performance under the Agreements. We typically designate your principal equity owners and executive officers, as well as any other affiliated entities that operate Cafes as Controlling Principals.

Under the Franchise Agreement, you must retain at all times a General Manager and the other personnel that are needed to operate and manage the Cafe. The General Manager must satisfy our educational and business criteria as provided to you in the Manuals or other written instructions, and must be acceptable to us. In addition, the General Manager must be responsible for the supervision and management of the Cafe, and must devote full time and best efforts to this activity. The General Manager also must satisfy the applicable training requirements in the Franchise Agreement. If the General Manager cannot serve in the position or does not meet the requirements, he must be replaced within the same time period and under the same conditions stated above for the Operating Principal.

Under the Area Representative Agreement, once there are at least seven Cafes in the Territory, you must retain at all times an Area Supervisor. This supervisor must satisfy our educational and business criteria as provided to you in the Manuals or other written instructions, and must be acceptable to us. In addition, the Area Supervisor must be responsible for the supervision of the Cafes in the Territory, and must devote full time and best efforts to this activity. The Area Supervisor also must satisfy the applicable training requirements in the Area Representative Agreement. If the Area Supervisor cannot serve in the position or does not meet the requirements, he must be replaced within the same time period and under the same conditions stated above for the Operating Principal.

If you employ any individual as General Manager, Area Supervisor or in a managerial position who is at the time employed in a managerial position by us or any of our affiliates, or by another of our franchisees,

developers or area representatives you must pay the former employer for the reasonable costs and expenses the employer incurred for the training of the employee.

You must also obtain covenants not to compete, including covenants applicable on the termination of the person's relationship with you, from your General Manager, Area Supervisor (if applicable) and any of your other management personnel who have received or will have access to our training before employment, and any holder of a beneficial interest in you (except for any limited partners) who is not designated as a Controlling Principal and does not sign the Franchise Agreement, the Development Agreement or the Area Representative, as applicable, as a Controlling Principal. You must require all of your management personnel to sign covenants that they will maintain the confidentiality of information they receive or have access to based on their relationship with you. These covenants will be in substantially the same form attached to the Franchise Agreement as Attachment C, the Development Agreement as Attachment B, and the Area Representative Agreement as Attachment B. We reserve the right, in our discretion, to decrease the period of time or geographic scope of the noncompetition covenants contained in the attachments or eliminate the noncompetition covenants altogether for any party that is required to sign an agreement as described in this paragraph.

ITEM 16

RESTRICTIONS ON WHAT THE FRANCHISEE MAY SELL

Franchise Agreement

You must comply with all of our standards and specifications relating to the purchase of all food, food products and beverage items, ingredients, supplies, materials, fixtures, furnishings, equipment (including point of sale systems, credit/debit card processing systems and computer systems), utensils and other kitchen items and products used or sold at the Cafe.

You must sell or offer for sale all menu items, food products, and other products and services we require, in the manner and style we require, including dine-in and carry-out, as expressly authorized by us in writing. You must sell and offer for sale only the menu items, and other products and services that we have expressly approved in writing. You must not deviate from our standards and specifications without first obtaining our written consent. You must discontinue selling and offering for sale any menu items, products or services that we may disapprove in writing at any time. We have the right to change the types of menu items, products and services offered by you at the Cafe at any time, and there are no limits on our right to make those changes.

You must maintain in sufficient supply and use and sell only the food and beverage items, ingredients, products, materials, supplies, and paper goods that conform to our standards and specifications. You must prepare all menu items with our recipes and procedures for preparation contained in the Franchise Manuals or other written instructions, including the measurements of ingredients. You must not deviate from our standards and specifications by the use or offer of nonconforming items or differing amounts of any items, without first obtaining our written consent.

We may offer guidance concerning the selling price for the goods, products and services offered from your Cafe. You are in no way bound to adhere to any such recommended or suggested price. You have the right to sell your products and provide services at any price that you determine. If you elect to sell any or all of your products or merchandise at any price recommended by us, we make no guarantees or warranties that offering these products or merchandise at the recommended price will enhance your sales or profits.

We, our affiliates and Nestle have developed certain products for use in the System that are prepared from Nestle products or from proprietary recipes and certain products that bear the Marks. Because of the importance of quality and uniformity of production and the significance of the proprietary recipe and trademarked products in the System, it is to our and your benefit that we closely control the production

and distribution of these products. You must use our and/or Nestlé's recipes and certain products manufactured by or on behalf of us or Nestle. You must purchase all of your requirements for these products only from us or from sources designated by us or, with respect to products manufactured by or on behalf of us or Nestle, from a seller of these products.

We may make available and may require you to purchase from us for resale to your customers certain pre-packaged food products and promotional merchandise, such as T-shirts and re-fill cups in amounts sufficient to meet your customer demand.

You must participate in any gift card program we establish. You may not create or issue your own gift cards.

We impose no other restrictions in the Franchise Agreement as to the goods or services that you may offer or sell or as to the customers to whom you may offer or sell.

Area Representative Agreement

You must solicit prospective franchisees and help us provide certain services to franchisees in your Territory in compliance with the Area Representative Agreement and AR Manual.

You may solicit prospective franchisees only within the Territory. You must comply with our qualifications and standards in advertising for, screening, and interviewing prospective franchisees, which include submitting applications, financial statements, and other materials we request regarding each prospective franchisee.

You may utilize disclosure documents only if we have approved them for use in the applicable jurisdiction.

As an Area Representative, you may not engage in any business activity, other than as an Area Representative soliciting franchisees and as a franchisee with respect to your own Cafes.

We impose no other restrictions in the Area Representative Agreement as to the goods or services that you may offer or sell or as to the customers to whom you may offer or sell.

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	Section in franchise or other agreement	Summary
a. Length of the term of the franchise	Section 3.1	Term continues for 10 years from the date the Café opens unless terminated earlier.
b. Renewal or extension of the term	Section 3.2	Franchise Agreement may be renewed at your option for two additional 5 year terms.
c. Requirements for franchisee to renew or extend	Section 3.2	To renew you must give at least 6 months' notice, repair and update equipment and Cafe premises, not be in breach of any agreement with us or our affiliates, have the right to remain in possession of Cafe premises, pay renewal fee, sign our then-current franchise agreement (which may contain materially different terms and conditions than your franchise agreement) and general release, and comply with current qualification and training requirements (see State Addendums to Disclosure Document and State Amendments to Franchise Agreement).

Provision	Section in franchise or other agreement	Summary
d. Termination by franchisee	Not Applicable	Not Applicable
e. Termination by franchisor without cause	Not Applicable	Not Applicable
f. Termination by franchisor with cause	Sections 16.1, 16.2 and 16.3	Each of your obligations under the Franchise Agreement is a material and essential obligation, the breach of which may result in termination.
g. "Cause" defined – curable defaults	Sections 16.2 and 16.3	We may terminate you for cause if you fail to cure certain defaults, including: If you or any of your affiliates fail to pay any monies owed to us, or our affiliates or vendors, and do not cure within 5 days after notice (or longer period required), fail to have signed the Confidentiality and Noncompetition Covenants contained in the Franchise Agreement within 5 days after a request, fail to procure and maintain required insurance within 7 days after notice, use the Marks in an unauthorized manner and fail to cure within 24 hours after notice, fail to cure any other default that is susceptible of cure within 30 days after notice.
h. "Cause" defined – non-curable defaults	Sections 16.1 and 16.2	We may terminate you for cause if you fail to cure certain defaults, including: If you become insolvent, make a general assignment for benefit of creditors, file a petition or have a petition initiated against you under federal bankruptcy laws, have outstanding judgments against you for over 30 days, sell unauthorized products or services, fail to acquire an accepted location within time required, fail to remodel when required, fail to open Cafe when required, abandon or lose right to the Cafe premises, are convicted of a felony or other crime that may have an adverse effect on the System or Marks, transfer any interest without our consent or maintain false books or records.
i. Franchisee's obligations on termination/non-renewal	Section 17	Obligations include: you must cease operating the Cafe and using the Marks and System and completely deidentify the business, pay all amounts due to us or our affiliates, return all Franchise Manuals and other proprietary materials, comply with confidentiality requirements, and at our option, sell or assign to us your rights in the Cafe premises and the equipment and fixtures used in the business.
j. Assignment of contract by franchisor	Section 14.1	We have the right to transfer or assign the Franchise Agreement to any person or entity without restriction.
k. "Transfer" by franchisee – defined	Section 14.2(a)	Includes sale, assignment, conveyance, pledge, mortgage or other encumbrance of any interest in the Franchise Agreement, the Cafe or you (if you are not a natural person).
l. Franchisor approval of transfer by franchisee	Section 14.2(b)	You must obtain our consent before transferring any interest. We will not unreasonably withhold our consent.
m. Conditions for franchisor approval of transfer	Section 14.2(b)	Conditions include: you must pay all amounts due us or our affiliates, not otherwise be in default, sign a general release, and pay a transfer fee. Transferee must meet our criteria, attend training and sign current Franchise Agreement (see State Addendums to Disclosure Document and State Amendments to Franchise Agreement).
n. Franchisor's right of first refusal to acquire franchisee's business	Section 14.4	Within 30 days after notice, we have the option to purchase the transferred interest on the same terms and conditions.
o. Franchisor's option to purchase franchisee's business	Sections 17.12 and 14.4	Other than assets on termination, nonrenewal or right of first refusal, we have no right or obligation to purchase your business.
p. Death or disability of franchisee	Section 14.5	If you or a Controlling Principal are a natural person, on death or permanent disability, we must approve your successor, or franchise must be transferred to someone approved by us within 6 months after death or notice of permanent disability.
q. Non-competition covenants during the term of the franchise	Section 10.3(a)	You are prohibited from operating or having an interest in a similar business.

Provision	Section in franchise or other agreement	Summary
r. Non-competition covenants after the franchise is terminated or expires	Section 10.3(b)	You and your Controlling Principals are prohibited for a period of 2 years from operating or having an interest in a similar business which is located, or is intended to be located within a 10-mile radius of any Cafe in existence or under construction as of the earlier of (i) the expiration or termination of, or the transfer of all of your interest in, the Franchise Agreement or (ii) the time a Controlling Principal ceases to satisfy the definition of a Controlling Principal, as applicable.
s. Modification of the agreement	Sections 10.1(e), 10.3(e) and 18.3	Franchise Agreement may not be modified unless mutually agreed to in writing. You must comply with Franchise Manuals as amended.
t. Integration/merger clause	Section 18.2	Only the terms of the Franchise Agreement and other related written agreements are binding (subject to applicable state law). Any representation or promise made outside of the Franchise Agreement or this Disclosure Document may not be enforceable..
u. Dispute resolution by arbitration or mediation	Sections 18.8 and 18.9	Except for actions brought by us for monies owed, injunctive or extraordinary relief, or actions involving real estate, all disputes must be mediated at our headquarters or arbitrated in Dallas, Texas.
v. Choice of forum	Section 18.10	The venue for all proceedings related to or arising out of the Franchise Agreement is Dallas County, Texas, unless otherwise brought by us (see State Addendums to Disclosure Document and State Amendments to Franchise Agreement).
w. Choice of law	Section 18.11	The Franchise Agreement is to be interpreted, governed and construed under Texas law (except for Texas choice of law rules) (see State Addendums to Disclosure Document and State Amendments to Franchise Agreement).

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

Provision	Section in development or other agreement	Summary
a. Length of the term of the franchise	Section 5	Term continues until you have completed your development obligations in accordance with the Development Schedule.
b. Renewal or extension of the term	Section 3.2	We may extend the term of the Development Agreement to allow you to develop additional Cafes.
c. Requirements for franchisee to renew or extend	Sections 3.2(b) and (c)	You must develop the additional Cafes.
d. Termination by franchisee	Not Applicable	Not Applicable
e. Termination by franchisor without cause	Not Applicable	Not Applicable
f. Termination by franchisor with cause	Sections 7.1-7.3	Following certain defaults, we may terminate the Development Agreement or modify your territorial rights or alter your Development Schedule, rather than terminate the Development Agreement.
g. "Cause" defined – curable defaults	Sections 7.2 and 7.3	We may terminate you for cause if you fail to cure certain defaults, including: If you or your affiliates fail to pay any monies owed to us, or our affiliates or vendors, and do not cure within 5 days after notice (or longer period required), fail to have signed the Confidentiality and Noncompetition Covenants contained in the Development Agreement within 30 days after a request, use the Marks in an unauthorized manner and fail to cure within 24 hours after notice or fail to cure any other default that is susceptible of cure within 30 days after notice. If you have both a Development Agreement and a Franchise Agreement, an uncured default under one is also a default under the other.

Provision	Section in development or other agreement	Summary
h. “Cause” defined – non-curable defaults	Sections 7.1 and 7.2	We may terminate you for cause based on certain noncurable defaults, including: If you become insolvent, make a general assignment for benefit of creditors, file a petition or have a petition initiated against you under federal bankruptcy laws or similar state laws, have outstanding judgments against you for over 30 days, fail to comply with the Development Schedule, are convicted of a felony or other crime that may have an adverse effect on the System or Marks, or transfer any interest without our consent.
i. Franchisee’s obligations on termination/non-renewal	Section 7.5	Obligations include: you must cease developing Cafes or, on a partial termination of territorial or development rights under 7.4, must continue to develop only in accordance with any modified Development Schedule, and must comply with all applicable confidentiality and noncompetition covenants.
j. Assignment of contract by franchisor	Section 8.1	We have the right to transfer or assign the Development Agreement to any person or entity without restriction.
k. “Transfer” by franchisee – defined	Section 8.2(a)	Includes sale, assignment, conveyance, gift, pledge, mortgage or other disposal or encumbrance of any direct or indirect interest in the Development Agreement or you (if you are not a natural person).
l. Franchisor approval of transfer by franchisee	Section 8.2(b)	You must obtain our consent before transferring any interest. We will not unreasonably withhold our consent.
m. Conditions for franchisor approval of transfer	Section 8.2(b)	Conditions include: you must pay all amounts due us and our affiliates, not otherwise be in default, execute a general release, remain liable for pre-transfer obligations and pay a transfer fee. Transferee must meet our criteria, assume post-transfer obligations, execute our then-standard Agreement and attend training (see State Addendums to Disclosure Document and State Amendments to Development Agreement).
n. Franchisor’s right of first refusal to acquire franchisee’s business	Section 8.4	Within 30 days after notice, we have the option to purchase the transferred interest on the same terms and conditions offered by a third party.
o. Franchisor’s option to purchase franchisee’s business	Not Applicable.	Not Applicable.
p. Death or disability of franchisee	Section 8.5	If you or a Controlling Principal are a natural person, on death or permanent disability, we must approve your successor, or interest must be transferred to someone approved by us within 12 months after death or 6 months after notice of permanent disability.
q. Non-competition covenants during the term of the franchise	Section 9.2(a)	Except for Cafes you operate under Franchise Agreements with us, you and your Controlling Principals are prohibited from operating or having an interest in a similar business in the U.S. or anywhere else we have used, registered or sought to register the Marks or where we operate or license others.
r. Non-competition covenants after the franchise is terminated or expires	Section 9.2(b)	Except for Cafes you operate under Franchise Agreements with us, you and your Controlling Principals are prohibited for a period of 2 years from operating or having an interest in a similar business which is located, or is intended to be located within a 10-mile radius of any Cafe in existence or under construction as of the earlier of (i) the expiration, termination, or the transfer of all of your interest in the Development Agreement or (ii) the time a Controlling Principal ceases to satisfy the definition of a Controlling Principal, as applicable.
s. Modification of the agreement	Sections 9.2 and 11.3	Development Agreement may not be modified unless mutually agreed to in writing, except we may unilaterally decrease the scope of certain noncompetition covenants.
t. Integration/merger clause	Section 11.2	Only the terms of the Development Agreement and other related written agreements are binding (subject to applicable state law). Any representation or promise made outside of the Development Agreement or this Disclosure Document may not be enforceable.
u. Dispute resolution by arbitration or mediation	Sections 11.7 and 11.8	Except for actions brought by us for monies owed, injunctive or extraordinary relief, or actions involving real estate, all disputes must be mediated at our headquarters in Dallas, Texas.

Provision	Section in development or other agreement	Summary
v. Choice of forum	Section 11.9	The venue for all proceedings related to or arising out of the Development Agreement is Dallas, Texas, unless otherwise brought by us (see State Addendums to Disclosure Document and State Amendments to Development Agreement).
w. Choice of law	Section 11.10	The Development Agreement is to be interpreted and construed under Texas law (except for Texas choice of law rules) (see State Addendums to Disclosure Document and State Amendments to Development Agreement).

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

Provision	Section in area representative or other agreement	Summary
a. Length of the term of the franchise	Section 16.1	Term continues for 10 years from the date of the Area Representative Agreement unless terminated earlier.
b. Renewal or extension of the term	Section 16.2	Area Representative Agreement may be renewed at your option for two additional 5 year terms.
c. Requirements for franchisee to renew or extend	Section 16.2	To renew you must give at least 12 months' notice, not be in breach of any agreement with us or our affiliates, pay renewal fee, sign our then-current area representative agreement (which may contain materially different terms and conditions from your area representative agreement) and general release, and comply with current qualification and training requirements (see State Addendums to Disclosure Document and State Amendments to Area Representative Agreement).
d. Termination by franchisee	Not Applicable	Not Applicable
e. Termination by franchisor without cause	Not Applicable	Not Applicable
f. Termination by franchisor with cause	Sections 17.1, 17.2 and 17.3	Each of your obligations under the Area Representative Agreement is a material and essential obligation, the breach of which may result in termination.
g. "Cause" defined – curable defaults	Sections 17.2 and 17.3	We may terminate you for cause if you fail to cure certain defaults, including: If you or any of your affiliates fail to pay any monies owed to us, or our affiliates or vendors, and do not cure within 5 days after notice (or longer period required), fail to have signed the Confidentiality and Noncompetition Covenants contained in the Area Representative Agreement within 5 days after a request, fail to procure and maintain required insurance within 7 days after notice, fail to meet the development quota or maintain a specified minimum average annual gross sales for Cafes in the Territory and do not cure within 30 days after notice, use the Marks in an unauthorized manner and fail to cure within 24 hours after notice, fail to cure any other default that is susceptible of cure within 30 days after notice.
h. "Cause" defined – non-curable defaults	Sections 17.1 and 17.2	We may terminate you for cause if you fail to cure certain defaults, including: If you become insolvent, make a general assignment for benefit of creditors, file a petition or have a petition initiated against you under federal bankruptcy laws, have outstanding judgments against you for over 30 days, sell unauthorized products or services, are convicted of a felony or other crime that may have an adverse effect on the System or Marks, transfer any interest without our consent or maintain false books or records.
i. Franchisee's obligations on termination/non-renewal	Section 18	Obligations include: you must cease operating the AR Business and using the System, pay all amounts due to us or our affiliates, return the AR Manual and other proprietary materials, comply with confidentiality requirements.
j. Assignment of contract by franchisor	Section 14.1	We have the right to transfer or assign the Area Representative Agreement to any person or entity without restriction.

Provision	Section in area representative or other agreement	Summary
k. “Transfer” by franchisee – defined	Section 14.2(a)	Includes sale, assignment, conveyance, pledge, mortgage or other encumbrance of any interest in the Area Representative Agreement or you (if you are not a natural person).
l. Franchisor approval of transfer by franchisee	Section 14.2(b)	You must obtain our consent before transferring any interest. We will not unreasonably withhold our consent.
m. Conditions for franchisor approval of transfer	Section 14.2(b)	Conditions include: you must pay all amounts due us or our affiliates, not otherwise be in default, sign a general release, and pay a transfer fee. Transferee must meet our criteria, attend training and sign current Area Representative Agreement (see State Addendums to Disclosure Document and State Amendments to Area Representative Agreement).
n. Franchisor’s right of first refusal to acquire franchisee’s business	Section 14.4	Within 30 days after notice, we have the option to purchase the transferred interest on the same terms and conditions.
o. Franchisor’s option to purchase franchisee’s business	Sections 14.10	We have the right to repurchase the rights granted to you at any time after the earlier of (i) the 3 rd anniversary of the date of the Area Representative Agreement and (ii) the date on which 50% of the total number of Cafes in your development quota have opened for business.
p. Death or disability of franchisee	Section 14.5	If you or a Controlling Principal are a natural person, on death or permanent disability, we must approve your successor, or franchise must be transferred to someone approved by us within 6 months after death or notice of permanent disability.
q. Non-competition covenants during the term of the franchise	Section 11.2(a)	You are prohibited from operating or having an interest in a similar business.
r. Non-competition covenants after the franchise is terminated or expires	Section 11.2(b)	You and your Controlling Principals are prohibited for a period of 2 years from operating or having an interest in a similar business which is located, or is intended to be located within the Territory or within a 10-mile radius of any Cafe in existence or under construction.
s. Modification of the agreement	Sections 7.1 and 19.3	Area Representative Agreement may not be modified unless mutually agreed to in writing. You must comply with AR Manual as amended.
t. Integration/merger clause	Section 19.2	Only the terms of the Area Representative Agreement and other related written agreements are binding (subject to applicable state law). Any representation or promise made outside of the Area Representative Agreement or this Disclosure Document may not be enforceable.
u. Dispute resolution by arbitration or mediation	Sections 19.7 and 19.8	Except for actions brought by us for monies owed, injunctive or extraordinary relief, or actions involving real estate, all disputes must be mediated at our headquarters or arbitrated in Dallas, Texas.
v. Choice of forum	Section 19.9	The venue for all proceedings related to or arising out of the Area Representative Agreement is Dallas County, Texas, unless otherwise brought by us (see State Addendums to Disclosure Document and State Amendments to Area Representative Agreement).
w. Choice of law	Section 19.9	The Area Representative Agreement is to be interpreted, governed and construed under Texas law (except for Texas choice of law rules) (see State Addendums to Disclosure Document and State Amendments to Area Representative Agreement).

ITEM 18 PUBLIC FIGURES

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

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 this 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.

The following table lists by quartile⁽¹⁾ and by mall and non-mall locations the high and low end of the range of the annual Gross Sales⁽²⁾ during fiscal year 2013 of all full menu Bakery Cafes in the United States operating for at least 12 months as of the end of fiscal year 2013. As of the end of fiscal year 2013, there were 57 full menu Bakery Cafes operating for at least 12 months, of which 47 were located in malls and 10 were not located in malls. We have also included 19 limited menu Bakery Cafes in the United States operating for at least 12 months as of the end of fiscal year 2013 and that are co-branded with another franchise. The amounts in the table are based on information reported to us by franchisees in their weekly royalty reports. We have not audited, reviewed or verified this information. If a franchisee failed to submit a weekly royalty report, the prior week's figures were used to estimate the current week's sales totals.

Quartile ⁽¹⁾	Mall (47 Cafes)	Non-Mall (10 Cafes)	Co-Brand ⁽²⁾ (19 Cafes)
1 st	\$1,026,605 to \$430,922	\$552,820 to \$484,642	\$386,985 to \$364,792
2 nd	\$402,894 to \$270,454	\$276,436 to \$271,357	\$364,559 to \$325,553
3 rd	\$266,516 to \$182,082	\$253,756 to \$183,633	\$297,685 to \$186,044
4 th	\$182,082 to \$81,314	\$153,437 to 95,609	\$184,426 to \$59,190

(1) "Quartile" means dividing the Cafes into four groups, each containing a quarter of the Cafes, based on Gross Sales. The "1st Quartile" means the top 25% performing Cafes and includes 12 mall Cafes, 2 non-mall Cafes and 5 co-brand Cafes, the "2nd Quartile" means the next highest 25% performing Cafes and includes 11 mall Cafes, 3 non-mall Cafes and 4 co-brand Cafes, the "3rd Quartile" means the next highest 25% performing Cafes and includes 12 mall Cafes, 2 non-mall Cafes and 5 co-brand Cafes, and the "4th Quartile" means the lowest 25% performing Cafes and includes 12 mall Cafes, 3 non-mall Cafes and 5 co-brand Cafes. For each quartile and each type of Café, one Café achieved the high end of the range and one Café achieved the low end of the range.

(2) Gross Sales only on portion of unit related to Café, excludes gross sales of unit relating to the co-brand.

Gross Sales means the total selling price of all services and products and all income of every other kind and nature related to the Cafes (including, income related to catering and delivery activities, and any sales or orders of food products or food preparation services provided from or related to the Cafe), whether for cash or credit and regardless of collection in the case of credit. Gross Sales excludes the sales and other taxes collected by franchisees in the operation of Cafes.

The Gross Sales attainable by each Café depends on many factors, including geographic differences, competition within the immediate market area, the quality and service provided to customers of the Café, the condition of the Café premises, as well as a franchisee's management skill, experience, business acumen and marketing and sales efforts.

Your actual financial results are likely to differ from the figures presented. The range of annual Gross Sales presented above represents Gross Sales before deductions for royalty and marketing fees payable to us and all other operating expenses. You should conduct an independent investigation of the costs and

expenses franchisees will incur in operating their Cafes. Franchisees and former franchisees may be one source of this information.

The range of annual Gross Sales presented above is historical data of specific franchisees. Actual results vary from Café to Café, and we cannot meaningfully estimate the results of any particular Café or franchisee.

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

Other than the preceding financial performance representation, Crest Foods, Inc. does not make any financial performance representations. We also do not authorize our employees or representatives to make any such representations either orally or in writing. If you are purchasing an existing outlet, however, we may provide you with the actual records of that outlet. If you receive any other financial performance information or projections of your future income, you should report it to the franchisor's management by contacting Ziad S. Dalal, 101 West Renner Road, Suite 240, Richardson, Texas 75082, Tel: 214-495-9533, the Federal Trade Commission, and the appropriate state regulatory agencies.

ITEM 20 OUTLETS AND FRANCHISEE INFORMATION

TABLE NO. 1 SYSTEMWIDE OUTLET SUMMARY FOR YEARS 2011 TO 2013				
Outlet Type	Year	Outlets at the Start of the Year	Outlets at the End of the Year	Net Change
Franchised	2011	93	94	+1
	2012	94	94	+0
	2013	94	86	-8
Company-Owned	2011	1	2	+1
	2012	2	3	+1
	2013	3	5	+2
Total Outlets	2011	94	96	+2
	2012	96	97	+1
	2013	97	91	-6

TABLE NO. 2 TRANSFERS OF OUTLETS FROM FRANCHISEES TO NEW OWNERS (OTHER THAN THE FRANCHISOR) FOR YEARS 2011 to 2013		
State	Year	Number of Transfers
Alabama	2011	0
	2012	0
	2013	1
California	2011	3
	2012	0
	2013	2
Florida	2011	1
	2012	0
	2013	0
Illinois	2011	0
	2012	1
	2013	0

TABLE NO. 2 TRANSFERS OF OUTLETS FROM FRANCHISEES TO NEW OWNERS (OTHER THAN THE FRANCHISOR) FOR YEARS 2011 to 2013		
Kansas	2011	0
	2012	0
	2013	1
Maryland	2011	0
	2012	0
	2013	1
Michigan	2011	0
	2012	0
	2013	1
Pennsylvania	2011	2
	2012	0
	2013	1
Texas	2011	1
	2012	2
	2013	0
Virginia	2011	0
	2012	0
	2013	1
Total	2011	7
	2012	3
	2013	8

TABLE NO. 3 STATUS OF FRANCHISE OUTLETS FOR YEARS 2011 to 2013								
State	Year	Outlets at Start of Year	Outlets Opened	Terminations	Non-Renewals	Reacquired by Franchisor	Ceased Operations – Other Reasons	Outlets at End of the Year
Alabama	2011	1	0	0	0	0	0	1
	2012	1	0	0	0	0	0	1
	2013	1	0	0	0	0	0	1
Arizona	2011	0	1	0	0	0	0	1
	2012	1	0	0	0	0	1	0
	2013	0	0	0	0	0	0	0
California	2011	17	1	0	0	0	0	18
	2012	18	2	0	1	0	2	17
	2013	17	0	0	0	0	3	
Colorado	2011	0	0	0	0	0	0	0
	2012	0	1	0	0	0	0	1
	2013	1	0	0	0	0	0	1
Florida	2011	8	0	0	0	0	1	7
	2012	7	0	0	0	0	0	7
	2013	7	1	0	0	0	1	7
Georgia	2011	3	0	0	0	0	1	2
	2012	2	1	0	0	0	0	3
	2013	3	0	0	0	0	0	3

TABLE NO. 3
STATUS OF FRANCHISE OUTLETS FOR YEARS 2011 to 2013

State	Year	Outlets at Start of Year	Outlets Opened	Terminations	Non-Renewals	Reacquired by Franchisor	Ceased Operations – Other Reasons	Outlets at End of the Year
Illinois	2011	1	0	0	0	0	0	1
	2012	1	0	0	0	0	0	1
	2013	1	1	0	0	0	0	2
Indiana	2011	2	0	0	0	0	0	2
	2012	2	0	0	0	0	0	1
	2013	1	0	0	0	1	0	0
Kansas	2011	1	0	0	0	0	0	1
	2012	1	0	0	0	0	0	1
	2013	1	0	0	0	0	0	1
Louisiana	2011	0	0	0	0	0	0	0
	2012	0	0	0	0	0	0	0
	2013	0	0	0	0	0	0	0
Maryland	2011	1	0	0	0	0	0	1
	2012	1	0	0	0	0	0	1
	2013	1	0	0	0	0	0	1
Michigan	2011	8	0	0	0	0	0	8
	2012	8	2	0	1	0	0	9
	2013	9	1	0	0	1	0	9
Minnesota	2011	2	0	0	0	0	0	2
	2012	2	0	0	0	0	0	2
	2013	2	0	0	0	0	0	2
Missouri	2011	2	0	0	0	0	0	2
	2012	2	0	0	0	0	1	1
	2013	1	1	0	0	0	0	2
Nevada	2011	2	0	0	0	0	0	2
	2012	2	1	0	1	0	0	2
	2013	2	0	0	0	0	0	2
New Jersey	2011	3	0	0	0	0	0	3
	2012	3	0	0	0	0	0	3
	2013	3	1	0	0	0	0	4
New Mexico	2011	2	0	0	0	0	0	2
	2012	2	0	0	0	0	0	2
	2013	2	0	0	0	0	1	1
New York	2011	0	1	0	0	0	0	1
	2012	1	2	0	0	0	0	3
	2013	3	0	0	0	0	1	3
North Carolina	2011	2	1	0	0	0	1	2
	2012	2	2	0	0	0	0	4
	2013	4	0	0	0	0	0	4
Ohio	2011	0	0	0	0	0	0	0
	2012	0	1	0	0	0	0	1
	2013	1	0	0	0	0	0	1
Oklahoma	2011	2	0	0	0	0	0	2
	2012	2	0	0	0	0	1	1
	2013	1	0	0	0	0	0	1

TABLE NO. 3
STATUS OF FRANCHISE OUTLETS FOR YEARS 2011 to 2013

State	Year	Outlets at Start of Year	Outlets Opened	Terminations	Non-Renewals	Reacquired by Franchisor	Ceased Operations – Other Reasons	Outlets at End of the Year
Oregon	2011	1	0	0	0	0	1	0
	2012	0	0	0	0	0	0	0
	2013	0	0	0	0	0	0	0
Pennsylvania	2011	8	2	0	0	0	0	10
	2012	10	0	0	0	0	2	8
	2013	8	0	0	0	0	2	8
Puerto Rico	2011	0	0	0	0	0	0	0
	2012	0	0	0	0	0	0	0
	2013	0	0	0	0	0	0	0
South Carolina	2011	1	0	0	0	0	0	1
	2012	1	0	0	0	0	0	1
	2013	1	0	0	0	0	0	1
Texas	2011	23	3	0	0	1	2	23
	2012	23	1	0	0	1	1	22
	2013	22	0	0	0	0	3	22
Virginia	2011	2	0	0	0	0	0	2
	2012	2	0	0	0	0	0	2
	2013	2	0	0	0	0	0	2
Total	2011	93	8	0	0	1	6	94
	2012	94	13	0	3	1	9	94
	2013	94	6	0	0	2	12	86

TABLE NO. 4
STATUS OF COMPANY-OWNED OUTLETS FOR YEARS 2011 to 2013

State	Year	Outlets at Start of Year	Outlets Opened	Outlets Reacquired From Franchisee	Outlets Closed	Outlets Sold to Franchisee	Outlets at End of the Year
Indiana	2011	0	0	0	0	0	0
	2012	0	0	0	0	0	0
	2013	0	0	1	0	0	1
Michigan	2011	0	0	0	0	0	0
	2012	0	0	0	0	0	0
	2013	0	0	1	0	0	1
Texas	2011	1	0	1	0	0	2*
	2012	2	0	1	0	0	3*
	2013	3	0	0	0	0	3*
Total	2011	1	0	1	0	0	2
	2012	2	0	1	0	0	3
	2013	3	0	2	0	0	5

*One of our company-owned cafes is operated by a former franchisee under a management agreement.

TABLE NO. 5 PROJECTED OPENINGS AS OF DECEMBER 31, 2013			
State	Franchise Agreements Signed But Outlet Not Opened	Projected New Franchised Outlets In The Next Fiscal Year	Projected New Company-Owned Outlets In The Next Fiscal Year
Arizona	1	0	0
Arkansas	1	0	0
California	2	3	0
Colorado	1	0	0
Florida	4	1	0
Georgia	0	1	0
Illinois	1	1	0
Louisiana	1	0	0
Maryland	1	1	0
Michigan	5	1	0
New Jersey	0	1	0
New Mexico	1	1	0
New York	1	2	0
North Carolina	1	1	0
Ohio	0	1	0
Pennsylvania	3	2	0
South Carolina	0	1	0
Tennessee	0	1	0
Texas	7	2	0
Virginia	1	1	0
Washington	1	1	0
Total	32	22	0

As of the end of our most recent fiscal year, we have 2 outstanding Development Agreements for the development of 7 Cafes, some of which are already opened and/or under construction, and some of which are behind schedule and may never be opened.

The names, addresses and telephone numbers of all franchisees and the location of their Cafes as of the end of our most recently completed fiscal year, are attached as Exhibit K-1.

The names, addresses and telephone numbers of all franchisees who have had a Café terminated, cancelled, not renewed or otherwise voluntarily or involuntarily ceased to do business under a Franchise Agreement during the most recently completed fiscal year or who have not communicated with us within 10 weeks of the application date, are attached as Exhibit K-2. If you buy this franchise, your contact information may be disclosed to other buyers when you leave the franchise system.

Franchisees have signed confidentiality clauses during our last three fiscal years. In some circumstances, current and former franchisees sign provisions restricting their ability to speak openly about their experience with our System. You may wish to speak with current and former franchisees, but be aware that not all such franchisees will be able to communicate with you.

We have created a franchise advisory board known as the Crest Foods, Inc. Franchise Advisory Board. This board consists of a representative group of franchisees who meet periodically with our management to review plans and discuss other matters of common interests. This Board serves in an advisory capacity and does not have authority to establish or modify our policies. This board does not have an office, address, telephone number, email address or web address.

TABLE NO. 1 SYSTEMWIDE AREA REPRESENTATIVE SUMMARY FOR YEARS 2011 TO 2013				
Outlet Type	Year	Outlets at the Start of the Year	Outlets at the End of the Year	Net Change
Franchised	2011	2	2	0
	2012	2	3	+1
	2013	3	2	-1
Company-Owned	2011	0	0	0
	2012	0	0	0
	2013	0	0	0
Total Outlets	2011	2	2	0
	2012	2	3	+1
	2013	3	2	-1

TABLE NO. 2 TRANSFERS OF AREA REPRESENTATIVE FRANCHISES FROM AREA REPRESENTATIVES TO NEW OWNERS (OTHER THAN THE FRANCHISOR) FOR YEARS 2011 to 2013		
State	Year	Number of Transfers
Total	2011	0
	2012	0
	2013	0

TABLE NO. 3 STATUS OF AREA REPRESENTATIVE FRANCHISES FOR YEARS 2011 to 2013								
State	Year	Franchises at Start of Year	Franchises Opened	Terminations	Non-Renewals	Reacquired by Franchisor	Ceased Operations – Other Reasons	Franchises at End of the Year
California	2011	0	0	0	0	0	0	0
	2012	0	1	0	0	0	0	1
	2013	1	0	1	0	0	0	0
New Mexico	2011	1	0	0	0	0	0	1
	2012	1	0	1	0	0	0	0
	2013	0	0	1	0	0	0	0
Ohio	2011	0	0	0	0	0	0	0
	2012	0	1	0	0	0	0	1
	2013	1	0	0	0	0	0	1
Texas	2011	1	0	0	0	0	0	1
	2012	1	0	0	0	0	0	1
	2013	1	0	0	0	0	0	1
Total	2011	2	0	0	0	0	0	2
	2012	2	2	1	0	0	0	3
	2013	3	0	1	0	0	0	2

The names, addresses and telephone numbers of all Area Representatives as of the end of our most recently completed fiscal year, are attached as Exhibit L-1.

The names, addresses and telephone number of all Area Representatives who have had an Area Representative Agreement terminated, cancelled, not renewed or otherwise voluntarily or involuntarily ceased to do business under an Area Representative Agreement during the most recently completed fiscal year or who have not communicated with us within 10 weeks of the application date, are attached as Exhibit L-2.

TABLE NO. 4							
STATUS OF COMPANY-OWNED AREA REPRESENTATIVE FRANCHISES FOR YEARS 2011 to 2013							
State	Year	Area Representative Franchises at Start of Year	Area Representative Franchises Opened	Area Representative Franchises Reacquired From Franchisee	Area Representative Franchises Closed	Area Representative Franchises Sold to Franchisee	Area Representative Franchises at End of the Year
Total	2011	0	0	0	0	0	0
	2012	0	0	0	0	0	0
	2013	0	0	0	0	0	0

We do not operate as an Area Representative.

TABLE NO. 5			
PROJECTED OPENINGS AS OF DECEMBER 31, 2013			
State	Area Representative Agreements Signed But Business Not yet opened	Projected New Franchised Area Representatives In The Next Fiscal Year	Projected New Company-Area Representatives in the Next Fiscal Year
Illinois	0	1	0
Total	0	1	0

ITEM 21 FINANCIAL STATEMENTS

Attached as Exhibit A are audited financial statements for fiscal years ended January 1, 2012, December 30, 2012 and December 29, 2013, and unaudited financial statements for the three-month period ended March 31, 2014.

ITEM 22 CONTRACTS

Attached as Exhibits to this Disclosure Document are the following contracts and their attachments:

- | | | |
|----|---|------------------|
| 1. | Franchise Agreement | <u>Exhibit B</u> |
| 2. | Development Agreement | <u>Exhibit C</u> |
| 3. | Area Representative Agreement | <u>Exhibit D</u> |
| 4. | Electronic Funds Transfer Authorization | <u>Exhibit E</u> |
| 5. | Power of Attorney (Telecommunications) | <u>Exhibit F</u> |
| 6. | Power of Attorney (Tax) | <u>Exhibit G</u> |
| 7. | Form of Franchise Application | <u>Exhibit N</u> |
| 8. | Form of FDD-Franchise Agreement Review | <u>Exhibit O</u> |
| 9. | Form of General Release | <u>Exhibit P</u> |

ITEM 23 RECEIPTS

When you receive this Disclosure Document, please have all applicants sign and return Copy 2 of the appropriate Receipt page attached at the back of this Disclosure Document to Crest Foods, Inc., 101 West Renner Road, Suite 240, Richardson, Texas 75082, acknowledging your receipt of the Disclosure Document. Please keep Copy 1 for your records.

**STATE ADDENDUMS TO CREST FOODS, INC.
FRANCHISE DISCLOSURE DOCUMENT**

CALIFORNIA

**STATUTORY AND REGULATORY PROVISIONS AND
REQUIREMENTS OF THE STATE OF CALIFORNIA APPLICABLE TO THE
FRANCHISE DISCLOSURE DOCUMENT**

- THE CALIFORNIA FRANCHISE INVESTMENT LAW REQUIRES THAT A COPY OF ALL PROPOSED AGREEMENTS RELATING TO THE SALE OF THE FRANCHISE BE DELIVERED TOGETHER WITH THE DISCLOSURE DOCUMENT.
- Neither the Franchisor, any person or franchise broker 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.
- Enforceability of termination upon bankruptcy is a matter governed by federal bankruptcy law, and enforceability or nonenforceability is subject to that law and rulings or to a court of competent jurisdiction.
- California Franchise Investment Law and California Franchise Relationship Act provide rights to the Franchisee concerning termination, nonrenewal and other aspects of the Agreement and the Franchise relationship.
- The Agreement requires binding arbitration. The arbitration will occur at Dallas, Texas with the costs being borne as the arbitrator determines. Prospective franchisees are encouraged to consult private legal counsel to determine the applicability of California and federal laws (such as Business and professions Code Section 2004.5, Code of Civil Procedure Section 1281, and the Federal Arbitration Act) to any provisions of a franchise agreement restriction venue to a forum outside the State of California.

ILLINOIS

**STATUTORY AND REGULATORY PROVISIONS AND
REQUIREMENTS OF THE STATE OF ILLINOIS APPLICABLE TO THE
FRANCHISE DISCLOSURE DOCUMENT**

- THE CONDITIONS UNDER WHICH YOUR FRANCHISE CAN BE TERMINATED AND YOUR RIGHTS UPON NONRENEWAL MAY BE AFFECTED BY ILLINOIS LAW, 815 ILCS 705/19 AND 705/20.
- If any of the provisions of this Disclosure Document (including Risk Factors 1. and 2., Cover Page, and Items 17(v) and (w)) are inconsistent with Section 4. of the Illinois Franchise Disclosure Act, which states that any provision in a franchise agreement that designates jurisdiction or venue in a forum outside of Illinois, except for arbitration, is void, or Illinois Regulation Section 200.608, which states that a franchise agreement shall not require a franchisee to litigate any cause of action, with the exception of arbitration proceedings, arising under the franchise agreement or the Illinois Franchise Disclosure Act outside of Illinois, nor shall a franchise agreement provide for a choice of law provision for any state other than Illinois, then said Illinois law shall apply to the extent such law is constitutional and valid as applied.

INDIANA

STATUTORY AND REGULATORY PROVISIONS AND REQUIREMENTS OF THE STATE OF INDIANA APPLICABLE TO THE FRANCHISE DISCLOSURE DOCUMENT

- The Indiana Deceptive Franchise Practices Law provides certain rights to the Franchisee concerning termination, nonrenewal and other aspects of the Agreement and the Franchise relationship.

MARYLAND

STATUTORY AND REGULATORY PROVISIONS AND REQUIREMENTS OF THE STATE OF MARYLAND APPLICABLE TO THE FRANCHISE DISCLOSURE DOCUMENT

Item 17, “Renewal, Termination, Transfer and Dispute Resolution” is amended as follows:

- (a) By adding the following in the “Summary” column opposite category c., “Requirements for you to renew or extend”:

“The general release required as a condition of renewal shall not apply to any liability under the Maryland Franchise Registration and Disclosure Law.”

- (b) By adding the following in the “Summary” column opposite category m., “Conditions for our approval of transfer”:

“The general release required as a condition of sale, assignment and/or transfer shall not apply to any liability under the Maryland Franchise Registration and Disclosure Law.”

- (c) By adding the following in the “Summary” column opposite category v., “Choice of forum”:

“You may sue in Maryland for claims arising under the Maryland Franchise Registration and Disclosure Law.”

- (d) By adding the following after the table in Item 17:

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

MICHIGAN

STATUTORY AND REGULATORY PROVISIONS AND REQUIREMENTS OF THE STATE OF MICHIGAN APPLICABLE TO THE FRANCHISE DISCLOSURE DOCUMENT

THIS DISCLOSURE DOCUMENT SUMMARIZES PROVISIONS OF THE FRANCHISE AGREEMENT AND OTHER INFORMATION IN PLAIN LANGUAGE. READ THIS DISCLOSURE DOCUMENT AND ALL AGREEMENTS CAREFULLY.

IF WE OFFER YOU A FRANCHISE, WE MUST PROVIDE THIS DISCLOSURE DOCUMENT TO YOU BY THE EARLIEST OF:

- (1) THE FIRST PERSONAL MEETING TO DISCUSS OUR FRANCHISE; OR
- (2) TEN BUSINESS DAYS BEFORE SIGNING OF A BINDING AGREEMENT; OR
- (3) TEN BUSINESS DAYS BEFORE ANY PAYMENT TO US.

YOU MUST ALSO RECEIVE A FRANCHISE AGREEMENT CONTAINING ALL MATERIAL TERMS AT LEAST FIVE BUSINESS DAYS BEFORE YOU SIGN ANY FRANCHISE AGREEMENT.

IF WE DO 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 OFFICE OF THE ATTORNEY GENERAL, CONSUMER PROTECTION DIVISION, 670 LAW BLDG., LANSING, MICHIGAN 48913.

THE STATE OF MICHIGAN PROHIBITS CERTAIN UNFAIR PROVISIONS THAT ARE SOMETIMES IN FRANCHISE DOCUMENTS. IF ANY OF THE FOLLOWING PROVISIONS ARE IN THESE FRANCHISE DOCUMENTS, THE PROVISIONS ARE VOID AND CANNOT BE ENFORCED AGAINST YOU:

- (A) A PROHIBITION ON THE RIGHT OF A FRANCHISEE TO JOIN AN ASSOCIATION OF FRANCHISEES.
- (B) A REQUIREMENT THAT A FRANCHISEE ASSENT TO A RELEASE, ASSIGNMENT, NOVATION, WAIVER, OR ESTOPPEL WHICH DEPRIVES A FRANCHISEE OF RIGHTS AND PROTECTIONS PROVIDED IN THIS ACT. THIS SHALL NOT PRECLUDE A FRANCHISEE, AFTER ENTERING INTO A FRANCHISE AGREEMENT, FROM SETTLING ANY AND ALL CLAIMS.
- (C) A PROVISION THAT PERMITS A FRANCHISOR TO TERMINATE A FRANCHISE PRIOR TO THE EXPIRATION OF ITS TERM EXCEPT FOR GOOD CAUSE. GOOD CAUSE SHALL INCLUDE THE FAILURE OF THE FRANCHISEE TO COMPLY WITH ANY LAWFUL PROVISION OF THE FRANCHISE AGREEMENT AND TO CURE SUCH FAILURE AFTER BEING GIVEN WRITTEN NOTICE THEREOF AND A REASONABLE OPPORTUNITY, WHICH IN NO EVENT NEED BE MORE THAN 30 DAYS, TO CURE SUCH FAILURE.
- (D) A PROVISION THAT PERMITS A FRANCHISOR TO REFUSE TO RENEW A FRANCHISE WITHOUT FAIRLY COMPENSATING THE FRANCHISEE BY REPURCHASE OR OTHER MEANS FOR THE FAIR MARKET VALUE, AT THE TIME OF EXPIRATION, OF THE FRANCHISEE'S INVENTORY, SUPPLIES, EQUIPMENT, FIXTURES, AND FURNISHINGS. PERSONALIZED MATERIALS WHICH HAVE NO VALUE TO THE FRANCHISOR AND INVENTORY, SUPPLIES, EQUIPMENT, FIXTURES, AND FURNISHINGS NOT REASONABLY REQUIRED IN THE CONDUCT OF THE FRANCHISE BUSINESS ARE NOT SUBJECT TO COMPENSATION. THIS SUBSECTION APPLIES ONLY IF: (i) THE TERM OF THE FRANCHISE IS LESS THAN 5 YEARS; AND (ii) THE FRANCHISEE IS PROHIBITED BY THE FRANCHISE OR OTHER AGREEMENT FROM CONTINUING TO CONDUCT SUBSTANTIALLY THE SAME BUSINESS UNDER ANOTHER TRADEMARK,

SERVICE MARK, TRADE NAME, LOGOTYPE, ADVERTISING, OR OTHER COMMERCIAL SYMBOL IN THE SAME AREA SUBSEQUENT TO THE EXPIRATION OF THE FRANCHISE OR THE FRANCHISEE DOES NOT RECEIVE AT LEAST 6 MONTHS ADVANCE NOTICE OF FRANCHISOR'S INTENT NOT TO RENEW THE FRANCHISE.

- (E) A PROVISION THAT PERMITS THE FRANCHISOR TO REFUSE TO RENEW A FRANCHISE ON TERMS GENERALLY AVAILABLE TO OTHER FRANCHISEES OF THE SAME CLASS OR TYPE UNDER SIMILAR CIRCUMSTANCES. THIS SECTION DOES NOT REQUIRE A RENEWAL PROVISION.
- (F) A PROVISION REQUIRING THAT ARBITRATION OR LITIGATION BE CONDUCTED OUTSIDE THIS STATE. THIS SHALL NOT PRECLUDE THE FRANCHISEE FROM ENTERING INTO AN AGREEMENT, AT THE TIME OF ARBITRATION, TO CONDUCT ARBITRATION AT A LOCATION OUTSIDE THIS STATE.
- (G) A PROVISION WHICH PERMITS A FRANCHISOR TO REFUSE TO PERMIT A TRANSFER OF OWNERSHIP OF A FRANCHISE, EXCEPT FOR GOOD CAUSE. THIS SUBDIVISION DOES NOT PREVENT A FRANCHISOR FROM EXERCISING A RIGHT OF FIRST REFUSAL TO PURCHASE THE FRANCHISE. GOOD CAUSE SHALL INCLUDE, BUT IS NOT LIMITED TO:
 - (i) THE FAILURE OF THE PROPOSED TRANSFEREE TO MEET THE FRANCHISOR'S THEN CURRENT REASONABLE QUALIFICATIONS OR STANDARDS.
 - (ii) THE FACT THAT THE PROPOSED TRANSFEREE IS A COMPETITOR OF THE FRANCHISOR OR SUBFRANCHISOR.
 - (iii) THE UNWILLINGNESS OF THE PROPOSED TRANSFEREE TO AGREE IN WRITING TO COMPLY WITH ALL LAWFUL OBLIGATIONS.
 - (iv) THE FAILURE OF THE FRANCHISEE OR PROPOSED TRANSFEREE TO PAY ANY SUMS OWING TO THE FRANCHISOR OR TO CURE ANY DEFAULT IN THE FRANCHISE AGREEMENT EXISTING AT THE TIME OF THE PROPOSED TRANSFER.
- (H) A PROVISION THAT REQUIRES THE FRANCHISEE TO RESELL TO THE FRANCHISOR ITEMS THAT ARE NOT UNIQUELY IDENTIFIED WITH THE FRANCHISOR. THIS SUBDIVISION DOES NOT PROHIBIT A PROVISION THAT GRANTS TO A FRANCHISOR A RIGHT OF FIRST REFUSAL TO PURCHASE THE ASSETS OF A FRANCHISE ON THE SAME TERMS AND CONDITIONS AS A BONA FIDE THIRD PARTY WILLING AND ABLE TO PURCHASE THOSE ASSETS, NOR DOES THIS SUBDIVISION PROHIBIT A PROVISION THAT GRANTS THE FRANCHISOR THE RIGHT TO ACQUIRE THE ASSETS OF A FRANCHISE FOR THE MARKET OR APPRAISED VALUE OF SUCH ASSETS IF THE FRANCHISEE HAS BREACHED THE LAWFUL PROVISIONS OF THE FRANCHISE AGREEMENT AND HAS FAILED TO CURE THE BREACH IN THE MANNER PROVIDED IN SUBDIVISION (C).
- (I) A PROVISION WHICH PERMITS THE FRANCHISOR TO DIRECTLY OR INDIRECTLY CONVEY, ASSIGN, OR OTHERWISE TRANSFER ITS OBLIGATIONS TO FULFILL CONTRACTUAL OBLIGATIONS TO THE FRANCHISEE UNLESS PROVISION HAS BEEN MADE FOR PROVIDING THE REQUIRED CONTRACTUAL SERVICES.

THE FACT THAT THERE IS A NOTICE OF THIS OFFERING ON FILE WITH THE ATTORNEY GENERAL DOES NOT CONSTITUTE APPROVAL, RECOMMENDATION, OR ENDORSEMENT BY THE ATTORNEY GENERAL.

* * * *

IF THE FRANCHISOR'S MOST RECENT FINANCIAL STATEMENTS ARE UNAUDITED AND SHOW A NET WORTH OF LESS THAN \$100,000.00, THE FRANCHISOR MUST, AT THE REQUEST OF THE FRANCHISEE, ARRANGE FOR THE ESCROW OF INITIAL INVESTMENT AND OTHER FUNDS PAID BY THE FRANCHISEE UNTIL THE OBLIGATIONS TO PROVIDE REAL ESTATE, IMPROVEMENTS, EQUIPMENT, INVENTORY, TRAINING, OR OTHER ITEMS INCLUDED IN THE FRANCHISE OFFERING ARE FULFILLED. AT THE OPTION OF THE FRANCHISOR, A SURETY BOND MAY BE PROVIDED IN PLACE OF ESCROW.

MINNESOTA

STATUTORY AND REGULATORY PROVISIONS AND REQUIREMENTS OF THE STATE OF MINNESOTA APPLICABLE TO THE FRANCHISE DISCLOSURE DOCUMENT

- The following language will apply to Minnesota franchisees and will amend Item 17 of the Disclosure Document and the Cover Page:

Minn. Stat. § 80C.21 and Minn. Rule 2860.4400J prohibit us from requiring litigation to be conducted outside Minnesota. In addition, nothing in the Disclosure Document or agreement can abrogate or reduce any of your rights as provided for in Minnesota Statutes, Chapter 80C, or your rights to any procedure, forum, or remedies provided for by the laws of the jurisdiction.

- Items 17. b., c., d., e., f., g. and h. of the Disclosure Document are modified to reflect that Minnesota law provides franchisees with certain termination and nonrenewal rights. Minn. Stat. § 80C.14, Subds. 3,4 and 5 require, except in certain specified cases, that a franchisee be given 90 days' notice of termination (with 60 days to cure) and 180 days' notice for nonrenewal of the Agreement.
- Item 17.m. is amended to reflect that the general release language is deleted in the Agreements issued to Minnesota franchisees.

NEW YORK

STATUTORY AND REGULATORY PROVISIONS AND REQUIREMENTS OF THE STATE OF NEW YORK APPLICABLE TO THE FRANCHISE DISCLOSURE DOCUMENT

Item 3, "Litigation" is hereby amended by deleting the first paragraph in that Item and replacing it by the following language:

- “(1) Neither we, any predecessor, any person identified in Item 2 above, nor any affiliate offering franchises under our principal trademark has pending any administrative, criminal or material civil action (or a significant number of civil actions irrespective of materiality) alleging a violation of any franchise, antitrust or securities law, fraud, embezzlement, fraudulent conversion, misappropriation of property, unfair or deceptive practices, or comparable allegations.

- (2) Neither we, any predecessor, any person identified in Item 2 above, nor any affiliate offering franchises under our principal trademark has been convicted of a felony or pleaded nolo contendere to a felony charge or, within the ten-year period immediately preceding the date of this Disclosure Document, has been convicted of a misdemeanor or pleaded nolo contendere to a misdemeanor charge or been held liable in a civil action by final judgment or been the subject of a material complaint or other legal proceeding if such misdemeanor conviction or charge or civil action, complaint or other legal proceeding involved a violation of any franchise, anti fraud or securities law, fraud, embezzlement, fraudulent conversion, misappropriation of property, unfair or deceptive practices, misappropriation of property or comparable allegations.
- (3) Neither we, any predecessor any person identified in Item 2 above, nor any affiliate offering franchises under our principal trademark is subject to any currently effective injunctive or restrictive order or decree relating to franchises or under any Federal, State or Canadian franchise, securities, antitrust, trade regulation or trade practice law as a result of a concluded or pending action or proceeding brought by a public agency, is subject to any currently effective order of any national securities association or national securities exchange, as defined in the Securities and Exchange Act of 1934, suspending or expelling such person from membership in such association or exchange; or is subject to a currently effective injunctive or restrictive order relating to any other business activity as a result of an action brought by a public agency or department, including, without limitation, actions affecting a license as a real estate broker or sales agent.”

Item 4, “Bankruptcy” is hereby deleted in its entirety and the following language substituted in lieu thereof:

“Neither we, nor any affiliate or predecessor or current officer have during the 10 year period immediately before the date of this Disclosure Document (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; or (c) was a principal officer of a company or a general partner in a partnership that either filed as a debtor (or had filed against it) a petition to start an action under the U.S. Bankruptcy Code or that obtained a discharge of its debts under the U.S. Bankruptcy Code during or within 1 year after the officer held this position with the company or partnership.”

Item 17, “Renewal, Termination, Transfer and Dispute Resolution” is amended as follows:

- (a) By adding the following in the “Summary” column opposite category d., “Termination by you”:

“To the extent required by the New York General Business Law, you may terminate the Agreement on any grounds available by law.”
- (b) By adding the following in the “Summary” column opposite category w., “Choice of law”:

“The foregoing choice of law should not be considered a waiver of any right conferred upon you by the General Business Law of the State of New York, Article 33.”

NORTH DAKOTA

STATUTORY AND REGULATORY PROVISIONS AND REQUIREMENTS OF THE STATE OF NORTH DAKOTA APPLICABLE TO THE FRANCHISE DISCLOSURE DOCUMENT

- Applicable law provisions of the Agreement are amended as to North Dakota franchises.
- The provisions of Section 18.14 of the Franchise Agreement, Section 11.13 of the Development Agreement and Section 19.13 of the Area Representative Agreement are amended with respect to North Dakota franchisees.

RHODE ISLAND

STATUTORY AND REGULATORY PROVISIONS AND REQUIREMENTS OF THE STATE OF RHODE ISLAND APPLICABLE TO THE FRANCHISE DISCLOSURE DOCUMENT

The following language will apply to Disclosure Documents issued in Rhode Island and be attached by addendum to Agreements issued in the state of Rhode Island:

- If any of the provisions of this Disclosure Document (Risk Factor 1., Cover Page, and Item 17w) are inconsistent with §19-28.1-14 of the Rhode Island Franchise Investment Act, which states that a provision in an Agreement restricting jurisdiction or venue to a forum outside Rhode Island or requiring the application of the laws of another state is void with respect to a claim otherwise enforceable under this Act, then said Rhode Island law will apply.

VIRGINIA

STATUTORY AND REGULATORY PROVISIONS AND REQUIREMENTS OF THE STATE OF VIRGINIA APPLICABLE TO THE FRANCHISE DISCLOSURE DOCUMENT

Virginia Retail Franchising Act, §13.1-557 through 574 (the “Act”) provides rights to the franchisee concerning termination or nonrenewal of a franchise. If the Act applies and the Agreement is inconsistent with the Act, the Act will control.

In recognition of the restrictions contained in Section 13.1-564 of the Act, the Franchise Disclosure Document for Crest Foods, Inc. for use in the Commonwealth of Virginia is hereby amended as follows:

The following statements are added to Item 17.h. in the table relating to the Franchise Agreement:

Pursuant to Section 13.1-564 of the Virginia Retail Franchising Act, it is unlawful for a franchisor to cancel a franchise without reasonable cause. If any ground for default or termination stated in the Franchise Agreement does not constitute “reasonable cause,” as that term may be defined in the Virginia Retail Franchising Act or the laws of Virginia, that provision may not be enforceable.

The following statements are added to Item 17.h. in the table relating to the Area Representative Agreement:

Pursuant to Section 13.1-564 of the Virginia Retail Franchising Act, it is unlawful for a franchisor to cancel a franchise without reasonable cause. If any ground for default or termination stated in

the Area Representative 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

STATUTORY AND REGULATORY PROVISIONS AND REQUIREMENTS OF THE STATE OF WASHINGTON APPLICABLE TO THE FRANCHISE DISCLOSURE DOCUMENT

The following language will be attached by addendum to the Agreements issued in the state of Washington:

- Provisions of the Agreement contract may be inconsistent with the provisions of the Washington Franchise Investment Protection Act, RCW Chapter 19.100 (“the Act”).
- 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 arbitration, or as determined by the arbitrator.
- Transfer fees are collectible to the extent that they reflect the Franchisor’s reasonable estimated or actual costs in effecting a transfer.
- The provisions of Washington statute RCW 19.100.180 and/or certain court decisions may supersede the provisions in the Agreement relating to Franchisee’s relationship with Franchisor, including provisions relating to renewal and termination of the franchise.
- A release or waiver of rights executed by Franchisee shall not include rights under the Act except when executed pursuant to a negotiated settlement after the agreement is in effect and where the parties are represented by independent counsel. Provisions such as those which unreasonably restrict or limit the statute of limitations period for claims under the Act and rights or remedies under the Act such as a right to a jury trial may not be enforceable.

WISCONSIN

STATUTORY AND REGULATORY PROVISIONS AND REQUIREMENTS OF THE STATE OF WISCONSIN APPLICABLE TO THE FRANCHISE DISCLOSURE DOCUMENT

The following will apply to Disclosure Documents issued in the state of Wisconsin:

- The Wisconsin Fair Dealership Act, Wisconsin Statutes, Chapter 135, may apply to and govern the provisions of franchise Disclosure Documents issued in Wisconsin.
- The Act’s requirements, including the requirements that, in certain circumstances, a franchisee receives ninety (90) days’ notice of termination, cancellation, nonrenewal or substantial change in competitive circumstances, and sixty (60) days to remedy claimed deficiencies, may supersede the requirements of the Agreement, to the extent that they may be inconsistent with the Act’s requirements.

EXHIBIT A
FINANCIAL STATEMENTS

Crest Foods, Inc.

Financial Statements

Years Ended December 29, 2013

and December 30, 2012

(With Independent Auditor's Report Thereon)

Crest Foods, Inc.

Financial Statements

**Years Ended December 29, 2013 and December 30, 2012
(With Independent Auditor's Report Thereon)**

Crest Foods, Inc.

Contents

Independent Auditor's Report	3
Financial Statements	
Balance Sheets	6
Statements of Income	7
Statements of Changes in Stockholder's Equity	8
Statements of Cash Flows	9-10
Notes to Financial Statements	11-16



Tel: 214-969-7007
Fax: 214-953-0722
www.bdo.com

700 North Pearl, Suite 2000
Dallas, TX 75201

Independent Auditor's Report

To the Board of Directors and Stockholders
Crest Foods, Inc.
Richardson, TX

We have audited the accompanying financial statements of Crest Foods, Inc., which comprise the balance sheets as of December 29, 2013 and December 30, 2012, and the related statements of income, changes in stockholder's equity, and cash flows for the fiscal years 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits 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 auditor's 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.

BDO USA, LLP, a Delaware limited liability partnership, is the U.S. member of BDO International Limited, a UK company limited by guarantee, and forms part of the international BDO network of independent member firms.

BDO is the brand name for the BDO network and for each of the BDO Member Firms.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Crest Foods, Inc. as of December 29, 2013 and December 30, 2013 and the results of its operations and its cash flows for the fiscal years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matter

The January 1, 2012 financial statements of Crest Foods, Inc. were audited by other auditors, whose report dated March 23, 2012 expressed an unmodified opinion on those statements.

BDO USA LLP

Dallas, Texas
April 15, 2014

Financial Statements

Crest Foods, Inc.

Balance Sheets

	December 29, 2013	December 30, 2012
Assets		
Current Assets		
Cash and cash equivalents	\$ 231,966	\$ 448,767
Restricted cash		
Marketing fund	87,008	21,417
Gift certificates fund	54,003	32,381
Accounts receivable		
Trade	192,987	274,832
Other	121,445	260,610
Prepaid expenses	32,604	5,131
Inventory	40,582	21,786
Total current assets	760,595	1,064,924
Property and equipment, net	197,709	184,042
Notes receivable from Crest Foods International	224,463	280,922
Total Assets	\$ 1,182,767	\$ 1,529,888
Liabilities and Stockholder's Equity		
Current Liabilities		
Accounts payable - trade	\$ 269,284	\$ 144,879
Marketing fund liability	82,464	17,788
Gift certificates liability	57,698	38,999
Accrued expenses	75,085	85,251
Taxes payable	29,062	5,563
Deferred revenue	38,500	477,511
Total current liabilities	552,093	769,991
Commitments and contingencies		
Stockholder's Equity		
Common stock \$1 par value, 1,000,000 shares authorized and 2,237 issued and outstanding	2,237	2,237
Additional paid-in capital	723,021	723,021
Treasury stock	(149,500)	(149,500)
Retained earnings	54,916	184,139
Total stockholder's equity	630,674	759,897
Total Liabilities and Stockholder's Equity	\$ 1,182,767	\$ 1,529,888

See accompanying notes to financial statements.

Crest Foods, Inc.

Statements of Income

<i>Years ended,</i>	December 29, 2013	December 30, 2012	January 1, 2012
Revenues			
Franchise fees, development fees and other sales	\$ 1,008,134	\$ 619,157	\$ 335,833
Sales from owned-café operations	1,256,298	732,060	488,768
Royalties	1,455,716	1,491,217	1,488,499
Management fees - Crest Foods International	-	2,200	13,000
Management fees - stores	38,725	53,690	45,614
Other revenue	104,045	199,919	62,998
Total Revenues	3,862,918	3,098,243	2,434,712
Expenses			
Cost of owned-café operations	439,847	265,263	187,859
Rent - owned-café operations	211,284	121,840	83,530
Salary and wages - owned-café operations	292,904	144,602	107,702
Salary and wages - franchising operations	962,316	940,973	764,100
Commissions	153,323	82,008	35,760
Payroll taxes	141,074	119,576	91,652
Marketing and advertising	133,908	95,215	85,440
Research and development	52,176	53,674	43,430
Construction allowance	-	-	28,000
Legal and professional	287,404	230,304	129,381
General and administrative	222,619	118,631	87,829
Travel and entertainment	168,360	140,802	139,547
Automobile	27,027	22,281	23,478
Rent	45,138	49,157	47,416
Insurance	71,094	61,508	51,467
Depreciation and amortization	57,893	47,014	39,542
Other	148,746	134,583	76,499
Total Expenses	3,415,113	2,627,431	2,022,632
Income from Operations	447,805	470,812	412,080
Other Income			
Interest Income	16,937	5,510	451
Other Income	56,925	5,679	-
Income before Income Taxes	521,667	482,001	412,531
State income tax	26,924	9,423	13,816
Net Income	\$ 494,743	\$ 472,578	\$ 398,715

See accompanying notes to financial statements.

Crest Foods, Inc.
Statements of Shareholder's Equity

	Common Stock		Paid-in		Retained	Treasury	Total
	Shares	Amount	Capital		Earnings (Deficit)	Stock	
Balance at January 2, 2011	2,237	\$ 2,237	\$ 723,021	\$	(148,193)	\$ (149,500)	\$ 427,565
Net income	-	-	-		398,715	-	398,715
Distributions of capital	-	-	-		(265,000)	-	(265,000)
Balance at January 1, 2012	2,237	2,237	723,021		(14,478)	(149,500)	561,280
Net income	-	-	-		472,578	-	472,578
Notes receivable from stockholder	-	-	-		(224,390)	-	(224,390)
Distributions of capital	-	-	-		(49,571)	-	(49,571)
Balance at December 30, 2012	2,237	2,237	723,021		184,139	(149,500)	759,897
Net income	-	-	-		494,743	-	494,743
Distributions of capital	-	-	-		(623,966)	-	(623,966)
Balance at December 29, 2013	2,237	\$ 2,237	\$ 723,021	\$	54,916	\$ (149,500)	\$ 630,674

See accompanying notes to financial statements.

Crest Foods, Inc.
Statements of Cash Flows

<i>For the years ended,</i>	December 29, 2013	December 30, 2012	January 1, 2012
Cash Flows from Operating Activities			
Net income	\$ 494,743	\$ 472,578	\$ 398,715
Adjustments to reconcile net income to changes in net cash provided by (used in) operating activities:			
Depreciation and amortization	57,893	47,014	39,542
Small wares disposals	-	5,774	-
Changes in operating assets and liabilities:			
(Increase) decrease in:			
Restricted cash	(87,213)	20,343	(19,171)
Accounts receivable - trade and other	92,315	(304,420)	(9,766)
Inventory	(18,796)	(10,990)	(10,796)
Marketing fund liability	64,676	78,419	-
Prepaid expenses	(27,473)	6,907	(12,038)
Other noncurrent assets	-	-	6,344
Increase (decrease) in:			
Accounts payable - trade	124,405	8,501	70,844
Accrued expenses	(10,166)	16,283	24,999
Gift certificates liabilities	18,699	812	(77,092)
Taxes payable	23,499	1,971	2,149
Deferred revenue	(439,011)	450,511	27,000
Net cash (used in) provided by operating activities	(293,571)	793,703	440,730
Cash Flows from Investing Activities			
Purchase of franchise stores	-	(25,000)	(204,818)
Purchase of property and equipment	(71,560)	-	-
Capital improvement program advances to franchisees	(34,291)	(206,500)	-
Capital improvement program repayments from franchisees	162,986	-	-
Notes receivable from stockholder	-	(224,390)	457,939
Notes receivable from Crest Foods International	56,459	(189,311)	(57,012)
Notes receivable	-	-	6,112
Net cash provided by (used in) investing activities	113,594	(645,201)	202,221

Crest Foods, Inc.
Statements of Cash Flows

<i>Years ended,</i>	December 29, 2013	December 30, 2012	January 1, 2012
Cash Flows from Financing Activities			
Repayments of notes payable - former stockholder	-	-	(50,002)
Proceeds from notes payable - Crest Foods International	-	-	250,000
Repayments of notes payable - Crest Foods International	-	(250,000)	-
Payments on line of credit	-	-	(20,000)
Distributions to stockholder	(623,966)	(49,571)	(265,000)
Net cash used in financing activities	(623,966)	(299,571)	(85,002)
Net decrease (increase) in cash and cash equivalents	(216,801)	(151,069)	557,949
Cash and cash equivalents at beginning of year	448,767	599,836	41,887
Cash and cash equivalents at end of year	\$ 231,966	\$ 448,767	\$ 599,836
Supplemental Disclosures of Cash Flow Information:			
Cash paid during the year:			
Income taxes paid	\$ 450	\$ -	\$ 8,374
Cash paid for interest	\$ -	\$ 811	\$ 196

See accompanying notes to financial statements.

Crest Foods, Inc.

Notes to Financial Statements

1. Organization and Nature of Operations

Crest Foods, Inc. (the Company) was incorporated in Texas in March 1998. In January 2000, the Company was granted the exclusive right to develop and franchise quick-service cafés featuring the Nestlé brand name and related brand name products inside retail shopping malls within the United States. Each café will feature the “Nestle Toll House” and “Café by Chip” trademarks. A standard café will offer a menu specializing in cookies, desserts, confection products, other baked goods, coffees, and other beverage items.

During 2005, the Company developed the “Brick House Subs” concept that features sandwiches and soups in addition to the menu items offered by a standard café. The Company also offers an area representative franchise whereby a franchisee is designated a territory and is responsible for development and solicitation of additional standard and combination franchises within its designated territory.

2. Significant Accounting Policies

Basis of Accounting

These financial statements are presented on the accrual basis of accounting in accordance with generally accepted accounting principles whereby revenues are recognized in the period earned and expensed when incurred. The Company utilizes a 52-53 week fiscal year basis. The Company’s accounting period ends on the Sunday nearest December 31.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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.

Revenue Recognition

Revenue is generated from initial franchise sales, royalties based on franchisee revenues, management fees, and related services. The initial franchise fee is recognized as revenue upon execution of the franchise agreement which is non-refundable and requires no further services by the franchisor. Initial franchise fees received, where the Company has continuing obligations to provide services prior to the store opening, are recorded as deferred revenue and recognized in revenue once all such services have been completed. Royalties from franchisee revenues, based on a percentage of gross sales, are received one week in arrears but recognized as revenue in the month earned. Other service fees for marketing and related support are recognized in the period in which the services are provided.

The Company recognizes sales from owned-café when payment is tendered at the point of sale. Revenue is reported net of sales, use or other transaction taxes that are collected from customers and remitted to taxing authorities.

Crest Foods, Inc.

Notes to Financial Statements

Gift Cards

The Company writes off gift cards that have been outstanding greater than 36 months when the likelihood of redemption is considered remote. No gift card breakage has been transferred for the year ended December 30, 2012. On December 29, 2013, \$3,018_ has been transferred from the gift card liability to the marketing fund.

Other Revenue

The Company accounts for purchase rebates from vendors as other revenue.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Company considers all short-term, highly liquid investments with an original maturity of three months or less at the date of acquisition to be cash equivalents. Cash is deposited in demand accounts in federally insured domestic institutions to minimize credit risk. As of December 29, 2013 the Company's cash balance was in excess of federally insured limits.

Restricted Cash

Funds collected by the Company for the Marketing Fund and for Gift Card sales are maintained in separate restricted cash accounts to cover the expenditures required to be made under those respective programs and are not available to be used for the normal recurring operations of the Company.

Accounts Receivable

Trade accounts receivable is stated at the amount the Company expects to collect. Based on management assessment, no allowance for doubtful accounts is deemed necessary as of December 30, 2012 or January 1, 2012. No bad debt expense was recognized in fiscal year ended December 29, 2013 or December 30, 2012.

Property and Equipment

Property and equipment are recorded at cost. Depreciation is computed using the straight-line method over the estimated useful life of the respective asset ranging between three and seven years. Major additions and betterments are capitalized and depreciated over the remaining useful lives of the related assets. Maintenance, repairs, and minor improvements are charged to expense as incurred. Depreciation expense for the years ended December 29, 2013, December 30, 2012 and January 1, 2012 was \$57,893, \$47,014, and \$39,542, respectively.

Intangible Assets

Intangible assets include the direct costs in obtaining trademarks. Costs for trademarks are capitalized and amortized over the estimated useful life of the trademark, generally ten years, using the straight line method.

Crest Foods, Inc.

Notes to Financial Statements

Inventory

Inventory is composed of cookies, desserts, confection products, other baked goods, coffees, and other beverage items for sale in owned-café and are stated at lower of cost or market. The Company takes periodic inventory counts and expenses items directly which outlast their shelf life due to the short-term nature of its products.

Advertising Expense

The costs of advertising are expensed as incurred. For the years ended December 29, 2013, December 30, 2012, and January 1, 2012, advertising expense of \$7,988, \$9,555 and \$16,523, respectively, is included in marketing and advertising expense.

Reclassifications

Certain reclassifications have been made to prior years financial statements to conform to current year presentation.

Income Taxes

The Company has elected to be taxed under provisions of Subchapter S of the Internal Revenue code for federal tax purposes. Income or losses of the Company will be reported by the stockholders on their individual income tax returns in proportion to their stock ownership. Therefore, no provision or liability for federal income taxes has been included in the financial statements.

The Company is subject to state and local income taxes that range from 1% to 10% of income earned in each jurisdiction where franchises are sold. The Company's revenue that is considered Texas gross receipts is subject to a franchise tax of 1% of gross margin as defined under Texas law. For the years ended December 29, 2013, December 30, 2012 and January 1, 2012, the Company has recorded \$26,924, \$9,423, and \$13,816 of Texas margin tax expense, respectively.

3. Product Reference and Distribution Agreements

Two agreements with the food services division of Nestlé USA, Inc. enable the Company to distribute Nestlé products and to develop and sell café franchises using the Nestlé brand name and related trademarks.

The master product reference agreement, which grants the Company exclusive rights to feature the Nestlé trademark on permanent store-front signage within the United States, requires that Nestlé products be the primary products in the operation of the cafés, and states that Nestlé will assist the Company and its franchisees in obtaining Nestlé promotional items and products. The agreement also addresses food quality and operating standards that are to be upheld by the Company and its franchisees. The master product reference agreement expires ten years from the expiration or termination of the product distribution development agreement (currently December 31, 2032), and is terminable by Nestlé or the Company in the event of nonperformance of terms as specified in the agreement. The product distribution development agreement requires that each café must be developed according to the prototype plans that have been approved by Nestlé. The product distribution development agreement expires on December 31, 2022 and is

Crest Foods, Inc.

Notes to Financial Statements

terminable by Nestlé or the Company due to non-performance of the terms as specified in the agreement.

4. Franchise Agreements

Franchise agreements have an initial term of ten years with options for the franchisee to renew for two additional five year periods under certain conditions, including the payment of a renewal fee equal to 25% of the Company's then current initial franchise fee. Franchise agreements are transferable with the Company's consent. The Company charges a non-refundable initial franchise fee of \$30,000 for the right to establish a single café under a franchise agreement. In certain circumstances, the Company may extend a financing or location contingency for a period of time from the effective date of the franchise agreement.

Rights for additional café franchises can be purchased for an additional non-refundable fee with the execution of a development agreement. The development agreement provides development rights within a specified geographic territory or specific location for a specified number of additional cafés. A development fee of \$5,000 is currently charged for each additional café to be developed under an agreement and is non-refundable. The initial franchise fee will be reduced for three or more additional franchises to be developed pursuant to the development agreement. If three or four cafés are to be developed, the franchise fee for the first café is \$30,000 then \$25,000 for the second, third, and fourth cafés. If five or more cafés are to be developed, the franchise fee for the first café is \$30,000, \$25,000 for the second and third cafés, and \$22,500 for each additional café. The development fee is applied pro rata to the franchise fees due. An area representative franchise agreement can be purchased in certain limited circumstances providing the franchisee with rights to develop and solicit additional franchises within a specified geographic territory. The initial area representative franchise fee is based upon a formula including several factors, one of which is population within the territory. The initial area representative franchisee fee is non-refundable. Area representatives are entitled to one-third of the initial franchise fees and one-third of royalty fees (See Note 5) paid by the franchises within their territory.

Summarized franchise information as of December 29, 2013, December 30, 2012, and January 1, 2012 is as follows:

	December 29, 2013	December 30, 2012	January 1, 2012
Total franchised cafes in operation	88	97	96
Area representative agreements	4	3	1
Cafés in operation under area representative agreements	17	33	15
Development agreements	1	2	2
Cafés designated under development agreements	4	7	7
Franchise agreements for cafés in operation terminated during the year	17	13	5
Cafés owned by the Company	5	3	2

In 2012, the Company launched a Capital Improvement Program where the Company advances franchisees funds to renovate their cafés. As of December 29, 2013 and December 30, 2012, the outstanding receivable from franchisees was \$77,805 and \$206,500, respectively, which was reflected as Other Receivables on the Balance Sheet. These advances earn interest at 6% per

Crest Foods, Inc.

Notes to Financial Statements

annum and are generally payable within 1 year. An interest of 18% will be assessed if principal and interest are not paid when due.

During 2013, the Company took over three franchise locations, Westland, Circle Center, and Allen Event Center. The Company allowed the franchisees of Westland and Circle Center to terminate the franchise agreements through a Mutual Termination Agreement. Finally, the Allen Event Center franchisee abandoned the location. Consequently, the Company took over and continued to operate on this location. No payments have been made to these franchisees.

5. Royalty Fees and Marketing Fund

Once operations commence, franchisees are obligated to pay royalties weekly based on gross sales revenues, as defined in the franchise agreement. In addition, franchisees must contribute to a marketing fund established by the Company on behalf of all the franchises for the purposes of advertising, marketing, and promotional activities as directed by the Company. Currently, the royalty fee is 6% of gross sales and the marketing fund contribution is 1% of gross sales. These fees are billed weekly based on reported gross sales.

Unexpended balances of cash collected for the marketing fund have been classified in the accompanying balance sheet as restricted for purposes described above. The Company's marketing program includes an annual franchisee conference.

6. Property and Equipment, Net

	December 29, 2013	December 30, 2012
Furniture and equipment	\$ 395,045	\$ 353,830
Vehicles	30,346	-
Computer equipment	12,055	12,055
Leasehold improvements	17,858	17,858
	455,304	383,743
Less accumulated depreciation	257,595	199,701
	\$ 197,709	\$ 184,042

On February 25, 2011, the Company acquired one franchised store, the Dallas Galleria Café, from the franchisee for the total cost of \$204,846, which was estimated by management to be equivalent to the fair value of the equipment and leasehold improvements of the café at the date of acquisition.

On October 4, 2012, the Company acquired another franchise store, Firewheel Cafe, for \$25,000 which was estimated by management to be the fair value of furniture and equipment of the café at the date of acquisition.

There were no property and equipment acquired when the Company took over on Westland, Circle Center, and Allen Event Center.

Crest Foods, Inc.

Notes to Financial Statements

Furniture and equipment, computer equipment, and leasehold improvements are generally depreciated by the straight-line method over their expected useful lives of three to seven years.

7. Lease Commitments

Future minimum lease payments under the non-cancelable operating leases are \$212,657 for 2014, \$208,623 for 2015 and 2016, \$101,214 for 2017 and 2018, and \$489,200 for the years thereafter. There are no additional lease commitments.

8. Related Party Transactions

During the year ended January 1, 2012, the Company entered into a \$250,000 non-interest bearing demand note with Crest Foods International, a related party, and also advanced \$91,611 to the same related party. In 2012, the Company paid off the \$250,000 loan from Crest Foods International. As of December 29, 2013, the Company has no liability with Crest Foods International.

As of December 29, 2013 and December 30, 2012, the Company has outstanding Note Receivable from Crest Foods International of \$224,463 and \$280,922, respectively.

During the year ended January 2, 2011, the Company advanced \$457,939 to a stockholder of the Company, of which \$207,939 was repaid in fiscal year 2011. The remaining \$250,000 balance was included in the statement of stockholder's equity as a distribution of capital as of January 1, 2012.

The Company has a management agreement with Crest Foods International to provide various management services in exchange for a fee. This amount is recorded as management fees - Crest Foods International.

9. Line of Credit

The Company has an unsecured line of credit with a bank under which up to \$222,000 may be borrowed at the bank's prime rate plus 1.25 percentage points (4.5% at December 29, 2013 and December 30, 2012). For the year ended December 29, 2013 and December 30, 2012, the outstanding balance was \$0.

10. 401(k) Savings Plan

The Company utilizes a third-party personnel service provider for its employees, their related payroll and employee benefit plans. The Company reimburses the personnel service for salaries, commissions, and employee benefit costs plus a service fee. Employees are eligible to participate in a 401(k) defined contribution plan sponsored by the personnel service provider. Employees may contribute from 1% to 80% of their annual compensation to the Plan, limited to a maximum annual amount as set periodically by the Internal Revenue Service. The Company's contribution to the 401(k) plan for years ended December 29, 2013, December 30, 2012 and January 1, 2012 was \$1,487, \$1,400 and \$2,963, respectively.

11. Subsequent Events

Management of the Company has evaluated subsequent events through April 15, 2014, the date the financial statements were available to be issued.

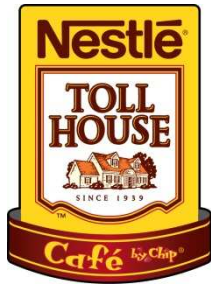
**THESE FINANCIAL STATEMENTS ARE PREPARED WITHOUT AN AUDIT.
PROSPECTIVE FRANCHISEES OR SELLERS OF FRANCHISES SHOULD BE ADVISED
THAT NO CERTIFIED PUBLIC ACCOUNTANT HAS AUDITED THESE FIGURES OR
EXPRESSED HIS/HER OPINION WITH REGARD TO THE CONTENT OR FORM.**

Crest Foods, Inc			
Balance Sheet			
For Period Ending 3/31/14			
Assets			
Cash and Cash Equivalents		\$	577,613
Restricted Cash			
Marketing Fund			53,739
Gift Certificates Fund			77,891
Accounts Receivable			
Trade			103,562
Other			(113,401)
Prepaid expenses			58,385
Inventory			10,870
Notes Receivable			-
Total Current Assets			768,659
Property and Equipment, net			240,426
Note Receivable from related parties			239,113
Total Long Term Assets			479,539
Total Assets		\$	1,248,198
Current Liabilities			
Accounts Payable - Trade		\$	352,923
Marketing Fund Liability			106,654
Gift Certificates Liability			57,449
Accrued Expenses			25,060
Taxes Payable			28,243
Note Payable			-
Total Current Liabilities			570,329
Long Term Liabilities			
Loan from Related Party			-
Total Long Term Liabilities			-
Total Liabilities			570,329
Total Stockholders Equity			
Common Stock - \$1 Par Value			2,237
Additional Paid In Capital			723,021
Treasury Stock			(149,500)
Retained Earnings			102,111
Total Stockholders Equity			677,869
Total Liabilities and Stockholder's Equity		\$	1,248,198

Crest Foods, Inc.		
Income Statement		
12/30/13 - 3/31/13		
Revenues		
Franchise Fees, Development Fees, and other Sales	\$	130,000
Sales from owned-café operations		414,241
Royalties		331,104
Management Fees - Stores		2,517
Processing Fees		2,261
Other Revenue		
		880,123
Expenses		
Cost of owned-café operations		134,333
Rent - owned-café operations		58,373
Salary and Wages - owned-café operations		104,997
Salary and Wages - franchising operations		233,537
Commissions		-
Payroll Taxes		37,562
Marketing and Advertising		40,632
Research and Development		11,533
Legal and Professional		43,848
General and administrative		32,875
Travel, Meals and Entertainment		47,963
Automotive		5,385
Rent		8,920
Insurance		20,056
Depreciation and Amortization		-
Other		52,845
Total Expenses		832,859
Income from Operations		47,264
Other Income (Expense)		
Other Income		30,310
Interest Income		825
		31,135
Net Income	\$	78,399

EXHIBIT B

FRANCHISE AGREEMENT



**CREST FOODS, INC.
FRANCHISE AGREEMENT**

Franchisee: _____

Controlling Principal(s): _____

Date: _____, 2014

Notice Address: _____

Fax: _____

Email: _____

Initial Franchise Fee: \$ _____

Location: _____

Assigned Area: _____

**Area of Primary
Responsibility:** _____

Site Selection Area: _____

Opening Date: _____

Statement of Ownership Interests:

<u>Name</u>	<u>Percentage of Ownership/Nature of Interest</u>
-------------	---

_____	_____
_____	_____
_____	_____

**Franchisee's Principal(s)
(other than Controlling
Principals):**

Disclosure Law Compliance:

(i) **Date of Delivery of Franchise Disclosure Document:** _____, 2014

(ii) **Date of Delivery of completed copy of this Agreement:** _____, 2014

Franchise Type:	<input checked="" type="checkbox"/> Bakery Café	<input type="checkbox"/> Combination Café
	<input checked="" type="checkbox"/> New Franchise	<input type="checkbox"/> Renewal Franchise
	<input type="checkbox"/> Transfer Franchise	

TABLE OF CONTENTS

Article I. GRANT	2
1.1. Grant.....	2
1.2. Location.....	2
1.3. Assigned Area	2
1.4. Area of Primary Responsibility	2
1.5. Nestle Development Agreement.....	3
1.6. Variations	3
Article II. SITE SELECTION, PLANS AND CONSTRUCTION.....	3
2.1. Franchisee's Responsibility.....	3
2.2. Site Selection.....	3
2.3. Zoning and Permits.....	4
2.4. Plans and Specifications	4
2.5. Construction	5
2.6. Opening	5
Article III. TERM AND RENEWAL	6
3.1. Initial Term.....	6
3.2. Renewal	6
Article IV. FEES	7
4.1. Franchise Fee.....	7
4.2. Royalty	7
4.3. Gross Sales	8
Article V. FRANCHISOR'S OBLIGATIONS	9
5.1. Franchisor Services	9
5.2. Responsibilities of Area Representative.....	10
Article VI. FRANCHISEE'S AGREEMENTS, REPRESENTATIONS, WARRANTIES AND COVENANTS	10
6.1. Optimum Sales	10
6.2. Entity Representations.....	10
6.3. Operating Principal.....	12
6.4. General Manager	13
6.5. Training	14
6.6. Reimbursement of Former Employer	15
6.7. Compliance with Laws	16
6.8. Notification of Proceedings.....	16
6.9. Power-of-Attorney.....	16
Article VII. FRANCHISE OPERATIONS	16
7.1. Standards Compliance	16
7.2. Maintenance of Cafe.....	16
7.3. Upgrade of Cafe	17
7.4. Sourcing.....	17
7.5. Operational Requirements	17
7.6. Computer Systems.....	18
7.7. Internet and Website.....	19
7.8. Recipes	20
7.9. Advertising Materials	20
7.10. Complaints.....	20
7.11. Vehicles.....	20
7.12. Master Product Reference Agreement.....	20

Article VIII. ADVERTISING AND RELATED FEES.....	21
8.1. Advertising Programs	21
8.2. Initial Advertising Program.....	21
8.3. Local Advertising.....	21
8.4. Marketing Fund	21
8.5. Advertising Cooperative.....	23
8.6. Total Advertising Contribution	23
8.7. Online and Other Trademark or Business Listings and Internet Search Engines.....	23
8.8. Approval of Advertising.....	24
8.9. Prices	24
8.10. Volume Rebates.....	24
Article IX. MARKS	24
9.1. Grant.....	24
9.2. Acknowledgements	24
9.3. Agreements.....	25
9.4. Infringement	26
9.5. Nonexclusive License.....	26
Article X. CONFIDENTIALITY AND NONCOMPETITION COVENANTS	26
10.1. Manuals	26
10.2. Confidential Information	27
10.3. Noncompetition Covenants	28
10.4. Injunctive Relief	30
Article XI. BOOKS AND RECORDS.....	30
11.1. Books and Records	30
11.2. Reports.....	30
11.3. Review and Inspection	31
11.4. Mistakes.....	31
11.5. Release of Information	31
11.6. Power-of-Attorney.....	31
Article XII. INSURANCE	31
12.1. Insurance Policy	31
12.2. Coverage.....	32
12.3. Deductibles	32
12.4. Builder's Risk.....	32
12.5. No Limitation	32
12.6. Additional Insured	32
12.7. Certificates of Insurance.....	33
12.8. Failure to Maintain	33
Article XIII. DEBTS AND TAXES	33
13.1. Payment.....	33
13.2. No Deduction	33
13.3. Dispute.....	33
13.4. Security Interest in Gross Sales	33
Article XIV. TRANSFER OF INTEREST	34
14.1. Transfer by Franchisor	34
14.2. Transfer by Franchisee	34
14.3. Transfer to Affiliate.....	36
14.4. Right of First Refusal	36
14.5. Death and Permanent Disability	37
14.6. No Release or Waiver.....	38
14.7. Public Offering	38

14.8.	Review of Offering Materials.....	38
14.9.	Transfers by Franchisee’s Principals.....	38
Article XV. RELATIONSHIP OF THE PARTIES AND INDEMNIFICATION.....		38
15.1.	Relationship.....	38
15.2.	Notice to Public	39
15.3.	No Authority.....	39
15.4.	Employment Policies.....	39
15.5.	INDEMNIFICATION	39
Article XVI. DEFAULT AND TERMINATION.....		40
16.1.	Default and Automatic Termination.....	40
16.2.	Default with No or Limited Right to Cure	40
16.3.	Default and Right to Cure.....	42
16.4.	Additional Remedies	42
Article XVII. POST-TERMINATION		43
17.1.	Cease Operation.....	43
17.2.	Cease Use of Marks	43
17.3.	Cancel Assumed Names	43
17.4.	No Imitation	43
17.5.	Payment of Monetary Obligations.....	43
17.6.	Payment of Damages	43
17.7.	Return of Manuals	43
17.8.	Confidentiality and Noncompetition	44
17.9.	Advertising Materials	44
17.10.	Signs and Menu Boards.....	44
17.11.	Assignment of Leases.....	44
17.12.	Right to Purchase.....	44
17.13.	Closing of Purchase	45
17.14.	Assignment of Options	45
17.15.	Assignment of Telephone Numbers	45
17.16.	Alterations to the Café Premises	45
Article XVIII. MISCELLANEOUS		46
18.1.	Notices.....	46
18.2.	Entire Agreement.....	46
18.3.	Amendments.....	46
18.4.	No Waiver	46
18.5.	Approvals or Consents	47
18.6.	No Warranties.....	47
18.7.	Force Majeure.....	47
18.8.	MEDIATION	47
18.9.	ARBITRATION	48
18.10.	VENUE	49
18.11.	GOVERNING LAW	50
18.12.	MUTUAL BENEFIT.....	50
18.13.	DISPUTE RESOLUTION PROGRAM	50
18.14.	WAIVER OF CERTAIN DAMAGES	51
18.15.	Counterparts	51
18.16.	Headings	51
18.17.	Survival	51
18.18.	Severability.....	51
18.19.	Construction	52
18.20.	Remedies	52

18.21.	Franchisee’s Principals and Controlling Principals	52
18.22.	Legal Entities.....	52
18.23.	No Third-Party Beneficiaries	52
18.24.	Delegation by Franchisor	52
18.25.	Terrorist and Money Laundering Activities	53
Article XIX.	ACKNOWLEDGMENTS	53
19.1.	Independent Investigation	53
19.2.	Representations and Warranties	53
19.3.	Review and Understanding.....	54
19.4.	No Fiduciary Relationship.....	54
19.5.	No Side Deals.....	54
19.6.	Receipt of Documents	54
ATTACHMENT A - CONTROLLING PRINCIPALS GUARANTY AND COVENANT		
ATTACHMENT B - COLLATERAL ASSIGNMENT OF LEASE		
ATTACHMENT C - CONFIDENTIALITY AGREEMENT AND ANCILLARY COVENANTS NOT TO COMPETE		
ATTACHMENT D - REDACTED COPY OF SECOND AMENDED AND RESTATED MASTER PRODUCT REFERENCE AGREEMENT		

CREST FOODS, INC.
FRANCHISE AGREEMENT

THIS FRANCHISE AGREEMENT (this "Agreement") is dated as of the date set forth on the cover page of this Agreement (the "Effective Date") by and between Crest Foods, Inc., a Texas corporation ("Franchisor"), and the person(s) or entity set forth as the Franchisee on the cover page of this Agreement ("Franchisee").

WITNESSETH:

Franchisor, as the result of the expenditure of time, skill, effort and money, has developed and owns a unique and distinctive system ("System") relating to the establishment and operation of quick-service bakery cafes ("Bakery Cafes") that feature cookies, desserts, ice cream, confection products, other baked goods, coffees, other beverage items and promotional items and quick-service sandwich and bakery cafes ("Combination Cafes" and, together with Bakery Cafes, "Cafes") that, in addition to certain of the menu items offered by Bakery Cafés, feature sandwiches, soups, and other food items;

Under a Second Amended and Restated Master Product Reference Agreement, a redacted copy of which is attached hereto as Attachment D (the "Master Product Reference Agreement"), Nestle Food Services division of Nestle USA, Inc. and Nestle Food Services division of Nestle Canada, Inc. (collectively, "Nestle") has granted Franchisor the right to feature the trademark "Nestle Toll House" prominently on permanent store-front signage with respect to each Cafe;

The distinguishing characteristics of the System include, without limitation, distinctive exterior and interior design, decor, color scheme, and furnishings; proprietary products and ingredients; proprietary recipes and special menu items, uniform standards, specifications, and procedures for operations; quality and uniformity of products and services offered; procedures for inventory, management and financial control; training and assistance; and advertising and promotional programs; all of which may be changed, improved, and further developed by Franchisor from time to time;

Franchisor identifies the System by means of certain trade names, service marks, trademarks, logos, emblems and indicia of origin, including, but not limited to, the marks "Nestle Toll House," "Cafe by Chip," "Brick House Subs" (with respect to the Combination Cafe only), and such other trade names, service marks, and trademarks as are now designated (and may hereafter be designated by Franchisor in writing) for use in connection with the System (hereinafter referred to as "Marks");

Franchisor continues to develop, use and control the use of such Marks in order to identify for the public the source of services and products marketed thereunder and under the System, and to represent the System's high standards of quality, appearance and service;

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

Franchisee desires to use the System in connection with the operation of a Cafe at the location specified on the cover page of this Agreement, as well as to receive the training and other assistance provided by Franchisor in connection therewith.

NOW, THEREFORE, the parties, in consideration of the mutual undertakings and commitments set forth herein, the receipt and sufficiency of which are hereby acknowledged, agree as follows:

ARTICLE I. GRANT

1.1. Grant. Franchisor hereby grants to Franchisee, upon the terms and conditions in this Agreement, the right and license, and Franchisee hereby accepts the right and obligation, to operate a Cafe in the type set forth on the cover page of this Agreement under the Marks and the System in accordance with this Agreement (the “franchised business”). Franchisee and the Controlling Principals (as defined in Section 18.21) have represented to Franchisor that they have entered this Agreement with the intention to comply fully with the obligations to construct a Cafe hereunder and not for the purpose of reselling the rights to develop the Cafe hereunder. Franchisee and the Controlling Principals understand and acknowledge that Franchisor has granted such rights in reliance on the business skill, financial capacity, personal character of, and expectations of performance hereunder by Franchisee and the Controlling Principals and that this Agreement and the rights and obligations hereunder may not be transferred until after the Cafe is open for business to the public in accordance with Section 2.6.

1.2. Location. The specific street address of the Cafe location consented to by Franchisor shall be set forth on the cover page of this Agreement (the “Location”). If the Location has not been identified at the time this Agreement is executed, Franchisee must identify a site approved by Franchisor within the “Site Selection Area” set forth on the cover page to this Agreement. The Site Selection Area shall not be exclusive to Franchisee for any purpose. Franchisee shall not relocate the Cafe without the prior written consent of Franchisor. This Agreement does not grant to Franchisee the right or license to operate the Cafe or to offer or sell any products or services described under this Agreement at or from any other location. If Franchisee is unable to continue the operation of the Cafe at the Location because of the occurrence of a force majeure event (as described in Section 16.2(e)), then Franchisee may request the consent of Franchisor to relocate the Cafe to another location in the Assigned Area. If Franchisor consents to Franchisee’s request to relocate the Cafe, then Franchisee shall comply with the site selection and construction procedures set forth in Article II.

1.3. Assigned Area. After determination of the Location for the Cafe, Franchisee will be assigned a primary area of operation (“Assigned Area”) that will also be set forth on the cover page of this Agreement. Except as provided in this Agreement, and subject to Franchisee’s and the Controlling Principals’ full compliance with this Agreement, any other agreement among Franchisee or any of its affiliates (defined as any entity that is controlled by, controlling or under common control with such other entity) and Franchisor or any of its affiliates, neither Franchisor nor any affiliate shall establish or authorize any other person or entity, other than Franchisee, to establish a Cafe in the Assigned Area during the term of this Agreement. Franchisee acknowledges and understands that the rights granted hereunder pertain only to the establishment of a Cafe. Notwithstanding the above, Franchisor may authorize National Chains (as defined below) to establish Cafes within the Assigned Area, and Franchisor, any franchisee and any other authorized person or entity shall have the right, at any time, to advertise and promote the System, and fill customer orders by providing catering and delivery services in the Assigned Area. A “National Chain” means any business that has an agreement with Franchisor to establish and operate Cafes in more than one of its facilities on a regional or national basis. Franchisee acknowledges and agrees that Franchisor operates Cafes under the Marks, and further agrees and acknowledges that the license granted hereby is only for the operation of one Cafe. Accordingly, in the Assigned Area, Franchisor and its affiliates may also offer and sell (and may authorize others to offer and sell): (a) collateral products under the Marks, at or from any location, such as pre-packaged food products and memorabilia; (b) food and beverage services under the Marks at or through any other distribution system or food service facility (other than a Café); and (c) any products or food and beverage services under any other names and marks.

1.4. Area of Primary Responsibility. After determination of the Location for the Cafe, Franchisee shall also be assigned an Area of Primary Responsibility (the “Area of Primary

Responsibility”) by Franchisor, which shall be set forth on the cover page of this Agreement. Franchisee shall make all commercially reasonable efforts to advertise and promote the franchised business in its Area of Primary Responsibility in accordance with Article VIII. Franchisee’s Area of Primary Responsibility shall not be exclusive to Franchisee for any purpose except to the extent it includes the Assigned Area.

1.5. Nestle Development Agreement. Pursuant to a Second Amended and Restated Product Distribution Development Agreement between Franchisor and Nestle dated as of March 1, 2006 (the “Nestle Development Agreement”), Nestle has granted Franchisor the exclusive right to feature the Mark “Nestle Toll House” prominently on permanent store-front signage on Cafes that are developed within the United States and Canada. At any time Nestle may establish cafes similar to the Café anywhere in the world (other than in the United States and Canada) under the mark “Nestle Toll House,” or anywhere in the world (including the United States and Canada) under any other marks, and may authorize others to do so. Upon termination or expiration of the Nestle Development Agreement, Nestle may establish cafes similar to the Café anywhere in the world, including in the Assigned Area, under the mark “Nestle Toll House” or under any other marks, and may authorize others to do so. Nestle may at any time sell food and beverage services under its marks, including “Nestle Toll House,” at or through any other distribution system or food service facility in the Assigned Area. Neither Franchisee nor any of Franchisee’s Principals or Franchisee’s employees shall initiate or maintain contact with any officer, director or employee or agent of Nestle, or any affiliate thereof, except with Franchisor’s written permission. The Nestle Development Agreement expires on December 31, 2022.

1.6. Variations. Franchisee acknowledges that because complete and detailed uniformity under many varying conditions may not be possible or practical, Franchisor specifically reserves the right and privilege, at its sole discretion and as it may deem in the best interests of all concerned in any given circumstance, to vary standards for any System franchisee based upon the peculiarities of the particular site or circumstance, business potential, trade area, existing business practices or any other condition that Franchisor deems to be of importance to the successful operation of such franchisee’s business. Franchisee shall not be entitled to require Franchisor to disclose or grant to Franchisee a like or similar variation hereunder.

ARTICLE II. SITE SELECTION, PLANS AND CONSTRUCTION

2.1. Franchisee’s Responsibility. Franchisee assumes all cost, liability, expense and responsibility for locating, obtaining and developing a site for the Cafe and for constructing and equipping the Cafe at such site. Franchisee shall not make any binding commitment to a prospective vendor or lessor of real estate with respect to a site for the Cafe unless the site is accepted as set forth below. While Franchisor may render assistance to Franchisee in the selection of a site, Franchisee has sole responsibility for locating, selecting, procuring and developing a site for the Cafe and Franchisee may and is encouraged to consult with real estate and other professionals of Franchisee’s choosing in discharging such responsibility. Franchisee acknowledges that Franchisor’s consent to a prospective site is permission only, does not constitute a representation, promise, warranty or guarantee, express or implied, by Franchisor that the Cafe operated at that site will be profitable or otherwise successful, and cannot create a liability for Franchisor. Franchisee shall hold Franchisor harmless with respect to Franchisee’s selection of the site for the Cafe.

2.2. Site Selection.

(a) Consent to Site. Prior to acquiring by lease or purchase a site for the Cafe, Franchisee shall locate a site for the Cafe that satisfies the site selection guidelines provided to Franchisee by Franchisor pursuant to Section 5.1 and shall submit to Franchisor in the form specified by Franchisor a

description of the site, including evidence satisfactory to Franchisor demonstrating that the site satisfies Franchisor's site selection guidelines, together with such other information and materials as Franchisor may reasonably require, including, but not limited to, a letter of intent or other evidence satisfactory to Franchisor that confirms Franchisee's favorable prospects for obtaining the site. Recognizing that time is of the essence, Franchisee shall submit such information and materials for the proposed site to Franchisor for its consent no later than one hundred eighty (180) days after the execution of this Agreement. Franchisor shall have thirty (30) days after receipt of this information and materials to consent, in its sole discretion, to the proposed site as the location for the Cafe. No site may be used for the Location of the Cafe unless it is consented to in writing by Franchisor.

(b) Acquisition of Site. If Franchisee will purchase the Café premises, Franchisee shall submit a copy of the contract of sale to Franchisor for its written consent prior to its execution and shall furnish to Franchisor a copy of the executed contract of sale within ten (10) days after execution. If Franchisee will occupy the Café premises under a lease, Franchisee shall submit a copy of the lease terms to Franchisor for written consent prior to its execution of the lease and shall furnish to Franchisor a copy of the executed lease within ten (10) days after execution. Franchisor shall have fifteen (15) days after receipt of the contract of sale or lease terms to consent to such documentation prior to Franchisee's execution of the contract of sale or lease. Within forty-five (45) days after Franchisor has consented to the contract of sale or lease terms for the Café site (or such longer period as Franchisor consents to in writing), but in no event later than one year from the Effective Date, Franchisee shall acquire the Café site by purchase or lease. All leases and other agreements Franchisee enters into to secure the Location must comply with the terms set forth in the Manuals. No lease for the Cafe premises shall be executed by Franchisee unless a collateral assignment of lease, in substantially the form attached as Attachment B, is executed by Franchisee and delivered to Franchisor. Failure by Franchisee to acquire the Café site within the time and in the manner required herein, or to execute and deliver to Franchisor a collateral assignment of lease in substantially the form attached as Attachment B, shall constitute a material event of default under this Agreement.

(c) Description of Site. After the Location for the Cafe is consented to by Franchisor and acquired by Franchisee pursuant to this Agreement, the Location shall be forth on the cover page of this Agreement.

(d) Prohibition on Assignment of Lease. If Franchisee leases the Location for the Café, (i) Franchisee may not create any obligations on Franchisor's behalf, grant any rights against Franchisor, or agree to any other term that is inconsistent with this Agreement; (ii) Franchisee will duly and timely perform all terms under the lease; and (iii) except as otherwise provided in this Agreement, Franchisee will not assign, encumber or transfer the lease, or sublet all or any part of the Location, without Franchisor's prior written consent, which consent shall not be unreasonably withheld.

2.3. Zoning and Permits. Franchisee shall be responsible for obtaining all zoning classifications and clearances that may be required by state or local laws, ordinances or regulations or that may be necessary as a result of any restrictive covenants relating to the Cafe premises. Prior to beginning the construction of the Cafe, Franchisee shall (a) obtain all permits, licenses and certifications required for the lawful construction or remodeling and operation of the Cafe, and (b) certify in writing to Franchisor that the insurance coverage specified in Article XII is in full force and effect and that all required approvals, clearances, permits and certifications have been obtained. Upon request, Franchisee shall provide to Franchisor additional copies of Franchisee's insurance policies or certificates of insurance and copies of all such approvals, clearances, permits and certifications.

2.4. Plans and Specifications. Franchisee must obtain any architectural, engineering and design services it deems necessary for the construction of the Cafe at its own expense from an

architectural design firm consented to by Franchisor. Franchisee shall adapt the prototypical architectural and design plans and specifications for construction of the Cafe provided to Franchisee by Franchisor in accordance with Section 5.1(c) as necessary for the construction of the Cafe and shall submit such adapted plans to Franchisor or its designated representative for review. If Franchisor or its representative determines, in its sole discretion, that any such plans are not consistent with the best interests of the System, Franchisor may prohibit the implementation of such plans, and in this event will notify Franchisee of any objection(s) within thirty (30) days of receiving such plans. If Franchisor or its representative fails to notify Franchisee of an objection to the plans within this time period, Franchisee may use such plans. If Franchisor or its representative objects to any such plans, Franchisor or its representative shall provide Franchisee with a reasonably detailed list of changes necessary to make the plans acceptable. Within twenty (20) days of receiving such objections, Franchisee shall incorporate the requested changes into such plans and resubmit them to Franchisor or its representative for review. Franchisor or its representative shall notify Franchisee within fifteen (15) days of receiving the resubmitted plans whether the plans are acceptable. If Franchisor or its representative fails to notify Franchisee of any objection within such time period, Franchisee may use the resubmitted plans. Franchisee acknowledges that Franchisor's or its representative's review of such plans relates only to compliance with the System and that acceptance by Franchisor of such plans does not constitute a representation, warranty, or guarantee, express or implied, by Franchisor or its representative that such plans are accurate or free of error concerning their design or structural application.

2.5. Construction.

(a) Commencement. Franchisee shall not commence construction or remodeling of the Cafe until Franchisor has consented to the use of plans in accordance with Section 2.4. Upon Franchisor's consent to the use of the plans, Franchisee shall commence and diligently pursue construction or remodeling (as applicable) of the Cafe. Commencement of construction shall be defined as the time at which any site work is initiated by or on behalf of Franchisee at the location accepted for the Cafe. Site work includes, without limitation, paving of parking areas, installing outdoor lighting and sidewalks, extending utilities, demising of interior walls and demolishing of any existing premises.

(b) Project Manager. Prior to commencing construction of the Cafe, Franchisee shall hire, at its own expense, a project manager consented to by Franchisor to oversee all aspects of the construction or remodeling (as applicable) and equipping of the Café, including obtaining all permits, licenses and certifications required for the lawful construction or remodeling (as applicable) and equipping of the Café.

(c) Reports and Inspections. During the time of construction or remodeling, Franchisee shall provide Franchisor or its designated representative with such periodic reports regarding the progress of the construction or remodeling as may be reasonably requested by Franchisor or its representative. In addition, Franchisor or its representative shall make such on-site inspections as it may deem reasonably necessary to evaluate such progress. Franchisee shall notify Franchisor of the scheduled date for completion of construction or remodeling no later than thirty (30) days prior to such date. Within a reasonable time after the date of completion of construction or remodeling, Franchisor or its representative may, at its option, conduct an inspection of the completed Cafe.

(d) Authorization to Open. Franchisee acknowledges and agrees that it will not open the Cafe for business without the written authorization of Franchisor and that authorization to open shall be conditioned upon Franchisee's strict compliance with this Agreement.

2.6. Opening. Franchisee acknowledges that time is of the essence. Subject to Franchisee's compliance with the conditions stated below, Franchisee shall open the Cafe and commence business

within one hundred eighty (180) days after Franchisee has obtained possession of the Location, unless Franchisee obtains an extension of such time period from Franchisor in writing. The date the Cafe opens for business to the public as provided herein ("Opening Date") shall be set forth on the cover page of this Agreement. Prior to opening, Franchisee shall complete all exterior and interior preparations for the Cafe, including installation of equipment, fixtures, furnishings and signs, in accordance with the plans and specifications consented to by Franchisor, and shall comply with all other pre-opening obligations of Franchisee, including, but not limited to, those obligations described in Article VI, to Franchisor's satisfaction. If Franchisee fails to comply with any of such obligations, Franchisor shall have the right to prohibit Franchisee from commencing business. Franchisee's failure to open the Cafe and commence business in accordance with the foregoing shall be deemed a material event of default under this Agreement.

ARTICLE III. TERM AND RENEWAL

3.1. Initial Term. Unless sooner terminated as provided in Article XVI, the term of this Agreement shall begin on the Effective Date and shall expire on the earlier of (a) ten (10) years from the Opening Date or (b) the expiration or termination of Franchisee's right to possess the Cafe premises.

3.2. Renewal. Franchisee may, at its option, renew the rights under this Agreement for two (2) additional consecutive terms of five (5) years each (provided that such renewal term shall automatically terminate upon the expiration or termination of Franchisee's right to possess the Cafe premises), subject to any or all of the following conditions that must, in Franchisor's discretion, be met prior to and at the time of renewal:

(a) Notice. Franchisee shall give Franchisor written notice of Franchisee's election to renew not less than six (6) months nor more than twelve (12) months prior to the end of the initial term or first renewal term, as applicable;

(b) Improvements. Franchisee shall refurbish, repair or replace, at Franchisee's cost and expense, all equipment, point of sale systems, credit/debit card processing systems, computer systems, signs, interior and exterior decor items, fixtures, furnishings, catering or delivery vehicles, if applicable, supplies and other products and materials required for the operation of the Cafe as Franchisor may reasonably require and shall otherwise upgrade the Cafe to reflect the then-current standards and image of the System;

(c) No Defaults. Franchisee shall not be in default of any provision of this Agreement, or any other agreement between Franchisee or any of its affiliates and Franchisor or any of its affiliates; and Franchisee shall have substantially and timely complied with all the terms and conditions of such agreements during the terms thereof;

(d) Monetary Obligations. Franchisee shall have timely satisfied all monetary obligations owed to Franchisor and its affiliates under this Agreement and any other agreement between Franchisee or any of its affiliates and Franchisor or any of its affiliates;

(e) Possession of Premises. Franchisee shall present evidence satisfactory to Franchisor that Franchisee has the right to remain in possession of the Cafe premises or obtain Franchisor's consent to a new site for the operation of the Cafe for the duration of the renewal term of this Agreement;

(f) Renewal Franchise Agreement. Franchisee and/or Controlling Principals, as applicable, shall execute Franchisor's then-current form of renewal franchise agreement, including

attachments, which agreement shall supersede this Agreement in all respects, and the terms of which may differ from the terms of this Agreement, including, without limitation, a higher percentage royalty fee, advertising contribution or expenditure requirement; provided, however, that Franchisee shall pay to Franchisor, in lieu of an initial franchise fee, a renewal fee representing twenty-five percent (25%) of Franchisor's then-current initial franchise fee;

(g) Release. Franchisee and the Controlling Principals shall execute a general release of any and all claims against Franchisor and its affiliates, and the officers, directors, shareholders, partners, agents, representatives, independent contractors, servants and employees of each of them, in their corporate and individual capacities, including, without limitation, claims arising under this Agreement or under federal, state or local laws, rules, regulations or orders; and

(h) Qualification and Training. Franchisee shall comply with Franchisor's then-current qualification and training requirements.

ARTICLE IV. FEES

4.1. Franchise Fee. Franchisee shall pay to Franchisor an initial franchise fee in the amount set forth on the cover page of this Agreement upon execution of this Agreement. The amount of the initial franchise fee when so paid shall be deemed fully earned and nonrefundable in consideration of the administrative and other expenses incurred by Franchisor in granting the franchise hereunder and for its lost or deferred opportunity to grant such franchise to any other party.

4.2. Royalty.

(a) Royalty Fee. Franchisee shall pay to Franchisor, in partial consideration for the rights herein granted, a continuing royalty fee of six percent (6%) of Gross Sales. Such royalty fee shall be due and payable each week ("Accounting Period") based on the Gross Sales for the preceding week (the first such Accounting Period beginning on the Opening Date and ending on the Sunday that corresponds to the end of the then-current Accounting Period as determined in accordance with the Manuals) so that it is received by Franchisor by electronic fund transfer ("EFT") on or before the Wednesday following the end of each Accounting Period (or next business day if the Wednesday is not a business day). A business day for the purpose of this Agreement means any day other than Saturday, Sunday or a national holiday.

(b) Royalty Report. Each such royalty fee shall be preceded by a royalty report itemizing the Gross Sales for the preceding Accounting Period ("Royalty Report") and any other reports required hereunder. Notwithstanding the foregoing, Franchisee shall provide Franchisor with such Gross Sales information on the Monday of each week following the Accounting Period (or next business day if the Monday is not a business day) by modem or, if not reasonably available, by facsimile transmission or such other method of delivery as Franchisor may reasonably direct.

(c) Electronic Funds Transfer. Franchisee agrees that Franchisor shall have the right to withdraw funds from Franchisee's designated bank account each Accounting Period by EFT in the amount of the royalty fee described above. Such withdrawals shall be drawn on the Wednesday of each week for the amount of the royalty due with respect to Franchisee's Gross Sales for the preceding Accounting Period, as evidenced by the Royalty Report. If the Royalty Report has not been received within the time period required by this Agreement, then Franchisor may process an EFT for the royalty for the subject Accounting Period based on (i) information regarding Franchisee's Gross Sales for the preceding Accounting Period obtained by Franchisor in the manner contemplated by Section 7.6, or (ii) the most recent Royalty Report provided to Franchisor by Franchisee; provided that if a Royalty Report

for the subject Accounting Period is subsequently received and reflects (A) that the actual amount of the royalty due was more than the amount of the EFT by Franchisor, then Franchisor shall be entitled to withdraw additional funds through EFT from Franchisee's designated bank account for the difference; or (B) that the actual amount of the royalty due was less than the amount of the EFT by Franchisor, then Franchisor shall, at its option, return the excess amount to Franchisee or credit the excess amount to the payment of Franchisee's future royalty obligations. Upon execution of this Agreement and at any time thereafter at Franchisor's request, Franchisee shall execute such documents or forms as Franchisor deems necessary for Franchisor to process EFTs from Franchisee's designated bank account for the payments due hereunder. Should any EFT not be honored by Franchisee's bank for any reason, Franchisee shall be responsible for that payment plus a service charge applied by Franchisor and the bank, if any. Franchisee shall at all times maintain in the designated bank account funds sufficient to pay all royalty and required Fund contributions when due. If royalty payments are not received when due, interest may be charged by Franchisor in accordance with Section 4.2(d). Upon written notice to Franchisee, Franchisee may be required to pay such royalty fees directly to Franchisor in lieu of EFT at Franchisor's sole discretion.

(d) Interest. Franchisee shall not be entitled to withhold payments due Franchisor under this Agreement on grounds of alleged nonperformance by Franchisor hereunder. Any payment or report not actually received by Franchisor on or before such date shall be deemed overdue. Time is of the essence with respect to all payments to be made by Franchisee to Franchisor. All unpaid obligations under this Agreement shall bear interest from the date due until paid at the lesser of (i) eighteen percent (18%) per annum; or (ii) the maximum rate allowed by applicable law. Notwithstanding anything to the contrary contained herein, no provision of this Agreement shall require the payment or permit the collection of interest in excess of the maximum rate allowed by applicable law. If any excess of interest is provided for herein, or shall be adjudicated to be so provided in this Agreement, the provisions of this paragraph shall govern and prevail, and neither Franchisee nor Franchisee's Principals shall be obligated to pay the excess amount of such interest. If for any reason interest in excess of the maximum rate allowed by applicable law shall be deemed charged, required or permitted, any such excess shall be applied as a payment and reduction of any other amounts that may be due and owing hereunder, and if no such amounts are due and owing hereunder then such excess shall be repaid to the party that paid such interest.

(e) Late Fee. If the payments or reports are not received by Franchisor as required by this Section, Franchisee shall pay to Franchisor, in addition to the overdue amount, a fee of fifty dollars (\$50) per day for each day that the royalty is unpaid or the report is not received. This fee is reasonably related to Franchisor's costs resulting from the delay in payment and/or receipt of any report, is not a penalty, and is in addition to any other remedy available to Franchisor under this Agreement for Franchisee's failure to pay royalties and/or submit reports in accordance with the terms of this Agreement. If for any reason the fee of fifty dollars (\$50) is deemed to be interest charged, required or permitted, in excess of the maximum rate allowed by applicable law, any such excess shall be applied as a payment and reduction of any other amounts that may be due and owing hereunder, and if no such amounts are due and owing hereunder, then such excess shall be repaid to the party that paid such amount.

4.3. Gross Sales. For the purposes of this Agreement, "Gross Sales" shall mean the total selling price of all services and products and all income of every other kind and nature related to the Cafe (including, without limitation, income related to catering and delivery activities, and any sales or orders of food products or food preparation services provided from or related to the Cafe), whether for cash or credit and regardless of collection in the case of credit. In the event of a cash shortage, the amount of Gross Sales shall be determined based on the records of the point of sale system and any cash shortage shall not be considered in the determination. Gross Sales shall expressly exclude the following:

(a) Sums representing sales taxes collected directly from customers, based upon present or future laws of federal, state or local governments, collected by Franchisee in the operation of the Cafe, and any other tax, excise or duty that is levied or assessed against Franchisee by any federal, state, municipal or local authority, based on sales of specific merchandise sold at or from the Cafe, provided that such taxes are actually transmitted to the appropriate taxing authority;

(b) Proceeds from isolated sales of trade fixtures not constituting any part of Franchisee's products and services offered for resale at the Cafe nor having any material effect upon the ongoing operation of the Cafe required under this Agreement; and

(c) Other items authorized by Franchisor in writing to be excluded from Gross Sales. Any such authorization may be revoked or withdrawn at any time in writing by Franchisor in its discretion.

ARTICLE V. FRANCHISOR'S OBLIGATIONS

5.1. Franchisor Services. Franchisor and/or its designated representative will provide the services described below with regard to the Cafe:

(a) Site Selection Guidelines. Written site selection guidelines and such site selection assistance as Franchisor may deem advisable.

(b) On-Site Evaluation. At Franchisor's discretion, such on-site evaluation as Franchisor may deem necessary on its own initiative or in response to Franchisee's reasonable request for site evaluation; provided, however, that Franchisor shall not provide an on-site evaluation for any proposed site prior to the receipt of all required information and materials concerning such site prepared pursuant to Article II. If on-site evaluations are deemed appropriate by Franchisor, or upon Franchisee's reasonable request, Franchisor reserves the right to charge a reasonable fee for performing each such evaluation and a fee representing the reasonable expenses incurred by Franchisor (or its designee) in connection with such on-site evaluation, including, without limitation, the cost of travel, lodging, meals and wages.

(c) Plans and Specifications. On loan, a set of prototypical architectural and design plans and specifications for a Cafe. Franchisee shall independently, and at Franchisee's expense, have such architectural and design plans and specifications adapted for construction of the Cafe in accordance with Article II.

(d) Manuals. On loan, one (1) set of Confidential Operations Manuals and such other manuals and written materials as Franchisor shall have developed for use in the franchised business (as the same may be revised by Franchisor from time to time, the "Manuals"), as more fully described in Section 10.1.

(e) Visits. Visits to the Cafe and evaluations of the products sold and services rendered therein from time to time as reasonably determined by Franchisor, as more fully described in Section 7.5(g).

(f) Advertising Materials. Samples or camera ready artwork of certain advertising and promotional materials and information developed by Franchisor from time to time for use by Franchisee in marketing and conducting local advertising for the Cafe.

(g) Operating Techniques. Advice and written materials concerning techniques of managing and operating the Cafe from time to time developed by Franchisor, including new developments and improvements in Cafe equipment and food products and the packaging and preparation thereof.

(h) Merchandise. From time to time and at Franchisor's discretion, at a reasonable cost make available for resale to Franchisee's customers, certain merchandise identifying the System, such as pre-packaged food products and memorabilia, in sufficient amounts to meet customer demand. Similarly, Franchisor may make available from time to time certain Cafe equipment and decor items at a reasonable cost.

(i) List of Suppliers. A list of designated and/or approved suppliers as described in Section 7.4 from time to time as Franchisor deems appropriate.

(j) Training. An initial training program for Franchisee's Operating Principal, General Manager and other Cafe personnel and other training programs in accordance with the provisions of Section 6.5.

(k) On-Site Assistance. On-site pre-opening and post-opening assistance at the Cafe in accordance with the provisions of Section 6.5(d).

(l) Marketing Fund. Administration of a marketing fund and/or, if and when established, advertising cooperatives in accordance with Article VIII.

5.2. Responsibilities of Area Representative. Franchisor reserves the right to retain the services of an area representative ("Area Representative") in the geographic area in which Franchisee's Café is or will be located. In such event, the Area Representative, on behalf of Franchisor, will perform certain sales, site assistance, training, and/or supervisory services directed by Franchisor. Franchisee hereby agrees to any such delegation and assignment by Franchisor of any portion or all of Franchisor's obligations and rights under this Agreement. Franchisee also acknowledges and agrees that it is not a third party beneficiary of any Area Representative Agreement or other agreement between Franchisor and any Area Representative.

ARTICLE VI. FRANCHISEE'S AGREEMENTS, REPRESENTATIONS, WARRANTIES AND COVENANTS

6.1. Optimum Sales. Each of Franchisee and the Controlling Principals covenants and agrees that it shall make all commercially reasonable efforts to operate the Cafe so as to achieve optimum sales.

6.2. Entity Representations. If Franchisee is a corporation, partnership, limited liability company, or other legal entity, Franchisee and the Controlling Principals represent, warrant and covenant that:

(a) Due Formation. Franchisee is duly organized and validly existing under the state law of its formation;

(b) Qualification. Franchisee is duly qualified and is authorized to do business in each jurisdiction in which its business activities or the nature of the properties owned by it require such qualification;

(c) Single Purpose. Franchisee's organizational documents shall at all times provide that the activities of Franchisee are confined exclusively to the operation of the Cafe, unless otherwise consented to in writing by Franchisor;

(d) Power and Authority. The execution of this Agreement and the consummation of the transactions contemplated hereby are within Franchisee's power and have been duly authorized by Franchisee;

(e) Organizational Documents. Copies of Franchisee's organizational documents, other governing documents, resolutions or consents of the governing board authorizing entry into and performance of this Agreement, and any certificates, buy-sell agreements or other documents restricting the sale or transfer of equity interests in Franchisee, and any other documents as may be reasonably required by Franchisor shall be furnished to Franchisor prior to the execution of this Agreement;

(f) Ownership Interests. The ownership interests in Franchisee are accurately and completely described on the cover page of this Agreement. Franchisee shall immediately provide a copy of the updated list of all owners to Franchisor upon the occurrence of any change of ownership and otherwise make its list of owners available to Franchisor upon request;

(g) Restriction on Transfer. If Franchisee is a corporation, Franchisee shall maintain stop-transfer instructions against the transfer on its records of any of its equity securities and each stock certificate representing stock of the corporation shall have conspicuously endorsed upon it a statement in a form satisfactory to Franchisor that it is held subject to all restrictions imposed upon assignments by this Agreement; provided, however, that the requirements of this Section shall not apply to the transfer of equity securities of a publicly-held corporation. For purposes of this Agreement, a publicly-held corporation is a corporation registered pursuant to Section 12 of the Securities Exchange Act of 1934, as amended, or a corporation subject to the requirements of Section 15(d) of such Act. If Franchisee is a partnership or limited liability company, its written partnership or limited liability company agreement shall provide that ownership of an interest in such entity is held subject to all restrictions imposed upon assignments by this Agreement;

(h) Financial Statements. Franchisee and, at Franchisor's request, each of the Controlling Principals, have provided Franchisor with the most recent financial statements of Franchisee and such Controlling Principals. Such financial statements present fairly the financial position of Franchisee and each of the Controlling Principals, as applicable, at the dates indicated therein and with respect to Franchisee, the results of its operations and its cash flow for the years then ended. Franchisee shall maintain at all times sufficient working capital to fulfill its obligations under this Agreement. Each of the financial statements mentioned above shall be certified as true, complete and correct and shall have been prepared in conformity with generally accepted accounting principles applicable to the respective periods involved and, except as expressly described in the applicable notes, applied on a consistent basis. No material liabilities, adverse claims, commitments or obligations of any nature exist as of the date of this Agreement, whether accrued, unliquidated, absolute, contingent or otherwise, that are not reflected as liabilities on the financial statements of Franchisee or the Controlling Principals;

(i) Franchisee's Principals. If, after the execution of this Agreement, any person ceases to qualify as one of Franchisee's Principals (as defined in Section 18.21) or if any individual succeeds to or otherwise comes to occupy a position that would, upon designation by Franchisor, qualify him as one of Franchisee's Principals, Franchisee shall notify Franchisor within ten (10) days after any such change and, upon designation of such person by Franchisor as one of Franchisee's Principals or as a Controlling Principal, as the case may be, such person shall execute such documents and instruments

(including, as applicable, this Agreement) as may be required by Franchisor to be executed by others in such positions;

(j) Execution of Documents. Franchisee's Principals shall each execute and bind themselves to the confidentiality and noncompetition covenants set forth in the Confidentiality Agreement and Ancillary Covenants Not to Compete in the form of Attachment C to this Agreement (see Sections 10.2(b) and 10.3(g)). The Controlling Principals shall, jointly and severally, guarantee Franchisee's performance of all of Franchisee's obligations, covenants and agreements hereunder, and shall otherwise bind themselves to the terms of this Agreement as stated herein, pursuant to the terms and conditions of the Controlling Principals Guaranty and Covenant in the form of Attachment A to this Agreement, and shall otherwise bind themselves to the terms of this Agreement as stated herein and in the Controlling Principals Guaranty and Covenant; and

(k) Continuing Obligations. Franchisee and the Controlling Principals acknowledge and agree that the representations, warranties and covenants set forth in this Section are continuing obligations of Franchisee and the Controlling Principals, as applicable, and that any failure to comply with such representations, warranties and covenants shall constitute a material event of default under this Agreement. Franchisee and the Controlling Principals shall cooperate with Franchisor in any efforts made by Franchisor to verify compliance with such representations, warranties and covenants.

6.3. Operating Principal.

(a) Designation. Upon the execution of this Agreement, Franchisee shall designate and retain an individual to serve as the Operating Principal of the Café (the "Operating Principal"). If Franchisee is an individual, Franchisee shall be the Operating Principal.

(b) Guaranty. The Operating Principal shall execute the Controlling Principals Guaranty and Covenant in the form of Attachment A to this Agreement as one of the Controlling Principals, and shall be individually, jointly and severally, bound by all obligations of Franchisee, the Operating Principal and the Controlling Principals hereunder and under the Controlling Principals Guaranty and Covenant.

(c) General Manager. The Operating Principal must, at its option, either serve as the General Manager (as defined in Section 6.4) or, subject to the approval of Franchisor, designate another individual to serve as the General Manager; which designated individual shall also perform the duties and obligations of Operating Principal described herein; provided that Operating Principal shall take all necessary action to ensure that such designee conducts and fulfills all of Operating Principal's obligations in accordance with the terms of this Agreement and Operating Principal shall remain fully responsible for such performance.

(d) Qualifications. The Operating Principal shall, during the entire period he serves as Operating Principal, meet the following qualifications:

(i) The Operating Principal must maintain a direct or indirect ownership interest in Franchisee. Except as may otherwise be provided in this Agreement, the Operating Principal's interest in Franchisee shall be and shall remain free of any pledge, mortgage, hypothecation, lien, charge, encumbrance, voting agreement, proxy, security interest or purchase right or options.

(ii) The Operating Principal (and any such designee) shall meet Franchisor's standards and criteria for such individual, as set forth in the Manuals or otherwise in writing by Franchisor, and shall be an individual otherwise acceptable to Franchisor in its sole discretion.

(iii) The Operating Principal (or his designee, if applicable) shall devote substantial full time and best efforts to the supervision and conduct of the franchised business, and may not engage in any other business activity without the Franchisor's consent.

(iv) The Operating Principal (or his designee, if applicable) shall satisfy the training requirements set forth in Section 6.5.

(e) Replacement. If the Operating Principal or any designee is not able to continue to serve in the capacity of Operating Principal or no longer qualifies to act as such in accordance with this Section, Franchisee shall promptly notify Franchisor and designate a replacement within thirty (30) days after the Operating Principal or such designee ceases to serve or be so qualified, such replacement being subject to the same qualifications and restrictions listed above. Franchisee shall provide for interim management of the activities contemplated under this Agreement until such replacement is so designated, such interim management to be conducted in accordance with this Agreement. Any failure to comply with the requirements of this Section shall be deemed a material event of default under this Agreement.

6.4. General Manager.

(a) Designation. Franchisee shall designate and retain at all times a general manager ("General Manager") to direct the operation and management of the Café. Franchisee shall designate its General Manager prior to attending the initial training program. The General Manager shall be responsible for the daily operation of the Café. The General Manager may be one of the Controlling Principals.

(b) Qualifications. The General Manager shall, during the entire period he serves as General Manager, meet the following qualifications:

(i) The General Manager shall meet Franchisor's standards and criteria for such individual, as set forth in the Manuals or otherwise in writing by Franchisor, and shall be an individual otherwise acceptable to Franchisor in its sole discretion.

(ii) The General Manager shall devote full time and best efforts to the supervision and management of the Café, and may not engage in any other business activity without the Franchisor's consent.

(iii) The General Manager shall satisfy the training requirements set forth in Section 6.5.

(c) Replacement. If the General Manager is not able to continue to serve in such capacity or no longer qualifies to act as such in accordance with this Section, Franchisee shall promptly notify Franchisor and designate a replacement within thirty (30) days after the General Manager ceases to serve, such replacement being subject to the same qualifications listed above (including completing all training and obtaining all certifications required by Franchisor). Franchisee shall provide for interim management of the Cafe until such replacement is so designated, such interim management to be conducted in accordance with the terms of this Agreement. Any failure to comply with the requirements of this Section shall be deemed a material event of default under this Agreement. If Franchisee fails to have a replacement General Manager satisfactorily complete Franchisor's training or certified as meeting

such requirements, in lieu of termination, Franchisor may charge Franchisee an additional support fee until such General Manager is properly trained or certified in accordance with Franchisor's requirements. Such support fee shall be in the amount of one hundred dollars (\$100) per week, and shall be withdrawn from Franchisee's designated bank account in accordance with Section 4.2(c) at the same time Franchisor withdraws the royalty fee.

6.5. Training. Franchisee agrees that it is necessary to the continued operation of the System and the Cafe that Franchisee's Operating Principal and General Manager receive such training as Franchisor may require, and accordingly agrees as follows:

(a) Initial Training. Not later than thirty (30) days prior to the date the Cafe commences operations, Franchisee's Operating Principal and General Manager shall attend and complete, to Franchisor's satisfaction, Franchisor's initial training program. Training of such persons shall be conducted by Franchisor or its designee at a Franchisor-operated Cafe or such other location designated by Franchisor, if the Cafe is the first cafe developed by Franchisee. Franchisor shall provide instructors and training materials for the initial training of the initial Operating Principal and General Manager at no charge to Franchisee; provided that Franchisor shall have the right to charge a reasonable fee for such training of any additional managers or Cafe personnel.

(b) Replacement Training. Franchisor shall determine, in its sole discretion, whether the Operating Principal and General Manager have satisfactorily completed initial training. If the initial training program is not satisfactorily completed by the Operating Principal or General Manager, or if Franchisor in its reasonable business judgment based upon the performance of the Operating Principal or General Manager, determines that the training program cannot be satisfactorily completed by any such person, Franchisee shall designate a replacement to satisfactorily complete such training. Any Operating Principal or General Manager subsequently designated by Franchisee shall also receive and complete such initial training. Franchisor reserves the right to charge a reasonable fee for any initial training provided by Franchisor to any initial General Manager or any other Cafe personnel for any Cafe subsequently developed by Franchisee and otherwise for any initial training provided to a replacement or successor General Manager, if Franchisee is not approved by Franchisor to provide such training. Franchisee shall be responsible for any and all expenses incurred by Franchisee or Franchisee's Operating Principal, General Manager and other Cafe personnel in connection with any initial training program, including, without limitation, costs of travel, lodging, meals and wages.

(c) Additional Training. Franchisee's Operating Principal, General Manager and such other Cafe personnel as Franchisor shall designate shall attend such additional training programs as Franchisor may offer from time to time, if Franchisor requires such attendance. For all such programs, Franchisor will provide the instructors and training materials. However, Franchisor reserves the right to impose a reasonable fee for such additional training programs that are not mandatory. Franchisee shall be responsible for any and all expenses incurred by Franchisee or its Operating Principal, General Manager and other Cafe personnel in connection with such additional training, including, without limitation, costs of travel, lodging, meals, and wages.

(d) Opening Assistance. In connection with the opening of the Cafe, Franchisor shall provide Franchisee with opening assistance by a trained representative of Franchisor. The trainer will provide on-site pre-opening and opening training, supervision, and assistance to Franchisee for a period of time ranging from two (2) to three (3) days. With respect to the opening assistance described above and any such assistance provided to a replacement Cafe established by Franchisee pursuant to Section 1.2, Franchisee shall pay to Franchisor the per diem fee then being charged to franchisees generally for opening assistance, including payment of any expenses incurred by such trainer(s), such as

costs of travel, lodging, meals and wages; provided, that if the Cafe is the first cafe developed by Franchisee, Franchisee shall not be required to pay such per diem fee.

(e) On-Site Remedial Training. Upon the reasonable request of Franchisee or as Franchisor shall deem appropriate, Franchisor shall, during the term hereof, subject to the availability of personnel, provide Franchisee with additional trained representatives who shall provide on-site remedial training and assistance to Franchisee's Cafe personnel. For additional training and assistance requested by Franchisee, Franchisee shall pay the per diem fee then being charged to franchisees under the System for the services of such trained representatives, plus their costs of travel, lodging, meals, and wages. The per diem fee will not be charged if such assistance is provided based on Franchisor's determination that such training and assistance is necessary; however, Franchisor reserves the right to charge for its reasonable expenses incurred in connection with such training and assistance.

(f) Annual Meetings and Conference Calls. Franchisee's Operating Principal must attend, at Franchisee's expense, all annual and other meetings and conference calls of franchisees that Franchisor determines are mandatory for all franchisees, or groups of franchisees as designated by Franchisor, such as franchisees within a particular geographic region. Franchisor reserves the right to impose a reasonable fee for such meetings. Franchisor may impose a charge for Franchisee's Operating Principal's failure to attend such meetings and conference calls.

6.6. Reimbursement of Former Employer. Franchisee and the Controlling Principals understand that compliance by all franchisees and developers operating under the System with Franchisor's training, development and operational requirements is an essential and material element of the System and that Franchisor and franchisees and developers operating under the System consequently expend substantial time, effort and expense in training management personnel for the development and operation of their respective Cafes. Accordingly, Franchisee and the Controlling Principals agree that if Franchisee or any Controlling Principal shall designate as General Manager or employ in a managerial position any individual who is at the time or was within the preceding ninety (90) days employed in a managerial or supervisory position by Franchisor or any of its affiliates, including, but not limited to, individuals employed to work in Cafes operated by Franchisor or any affiliate or by any other franchisee or developer, but specifically excluding individuals that have relocated their domicile more than fifty (50) miles in the preceding ninety (90) days prior to being offered such managerial position, then such former employer of such individual shall be entitled to be compensated for the reasonable costs and expenses, of whatever nature or kind, incurred by such employer in connection with the training of such employee. The parties hereto agree that such expenditures may be uncertain and difficult to ascertain and therefore agree that the compensation specified herein reasonably represents such expenditures and is not a penalty. An amount equal to the compensation of such employee for the six (6) month period (or such shorter time, if applicable) immediately prior to the termination of his employment with such former employer shall be paid by Franchisee prior to such individual assuming the position of General Manager or other managerial position unless otherwise agreed with the former employer. In seeking any individual to serve as General Manager or in such other managerial position, Franchisee and the Controlling Principals shall not discriminate in any manner whatsoever against any individual to whom the provisions of this Section apply, on the basis of the compensation required to be paid hereunder, if Franchisee or any Controlling Principal designates or employs such individual. The parties hereto expressly acknowledge and agree that no current or former employee of Franchisor, its affiliates, Franchisee, or of any other entity operating under the System shall be a third party beneficiary of this Agreement or any provision hereof. Notwithstanding the above, solely for purposes of bringing an action to collect payments due under this Section, such former employer shall be a third-party beneficiary of this Section. Franchisor expressly disclaims any representations and warranties regarding the performance of any employee or former employee of Franchisor, its affiliates or any franchisee or developer under the System, who is designated as Franchisee's General Manager or employed by Franchisee or any of the Controlling Principals in any

capacity, and Franchisor shall not be liable for any losses, of whatever nature or kind, incurred by Franchisee or any Controlling Principal in connection therewith.

6.7. Compliance with Laws. Franchisee shall comply with all federal, state and local laws, rules and regulations and shall timely obtain any and all permits, certificates or licenses necessary for the full and proper conduct of the franchised business, including, without limitation, licenses to do business, fictitious name registrations, sales tax permits, fire clearances, health permits, certificates of occupancy and any permits, certificates or licenses required by any environmental law, rule or regulation.

6.8. Notification of Proceedings. Franchisee shall notify Franchisor in writing within five (5) days of the commencement of any action, suit or proceeding and of the issuance of any order, writ, injunction, award or decree of any court, agency or other governmental instrumentality, which may adversely affect the operation or financial condition of the franchised business.

6.9. Power-of-Attorney.

(a) Telephone and Internet. Upon the execution of this Agreement and at any time thereafter upon Franchisor's request, Franchisee shall execute such forms and documents as Franchisor deems necessary to appoint Franchisor its true and lawful attorney-in-fact with full power and authority for the sole purpose of assigning to Franchisor upon the termination or expiration of this Agreement, as required under Section 17.15, all rights to the telephone numbers of the Cafe and all related Yellow Pages, White Pages and other business listings, and all Internet listings, domain names, Internet accounts, advertising on the Internet or World Wide Web, websites, listings with search engines, electronic mail addresses or any other similar listing or usages related to the franchised business.

(b) Tax Returns. Upon execution of this Agreement and at any time thereafter upon Franchisor's request, Franchisee shall execute such forms and documents as Franchisor deems necessary to appoint Franchisor its true and lawful attorney-in-fact with full power and authority for the sole purpose of obtaining any and all returns and reports filed by Franchisee with any state or federal taxing authority.

ARTICLE VII. FRANCHISE OPERATIONS

7.1. Standards Compliance. Franchisee understands the importance of maintaining uniformity among all of the Cafes and the importance of complying with all of Franchisor's standards and specifications relating to the operation of the Cafe. To protect the reputation and goodwill of Franchisor and to maintain the high standards of operation under the Marks, Franchisee shall conduct its business in accordance with the Manuals, other written directives which Franchisor may issue to Franchisee from time to time, and any other manuals and materials created or approved for use in the operation of Cafes.

7.2. Maintenance of Cafe. Franchisee shall maintain the Cafe in a high degree of sanitation, repair and condition, and shall make such additions, alterations, repairs and replacements as may be required for that purpose, including, without limitation, such periodic repainting or replacement of signs, furnishings, decor, and equipment (including, but not limited to, point of sale systems, credit/debit card processing systems and computer systems) as Franchisor may reasonably direct. Franchisee shall also obtain, at Franchisee's cost and expense, any new or additional equipment, fixtures, supplies and other products and materials that Franchisor may reasonably require for Franchisee to offer and sell new menu items from the Cafe or to provide the Cafe services by alternative means. Except as may be expressly provided in the Manuals, no alterations or improvements or changes of any kind in design, equipment, signs, interior or exterior decor items, fixtures or furnishings shall be made in or about the Cafe or its premises without Franchisor's prior written approval.

7.3. Upgrade of Cafe. Upon Franchisor's request, Franchisee shall make such improvements to the Cafe to conform it to Franchisor's then-current standards and specifications. Without limitation of the foregoing, Franchisee shall make any capital improvements required by this Section if requested by Franchisor on or after the fifth anniversary of the Opening Date, or at such other time that a majority of the Cafes then operated by Franchisor or its affiliates have made or are utilizing best efforts to make such improvements or modifications.

7.4. Sourcing. Franchisee shall comply with all of Franchisor's standards and specifications relating to the purchase of all food and beverage items, ingredients, supplies, materials, fixtures, furnishings, equipment (including point of sale systems, credit/debit card processing systems and computer systems) and other products used or offered for sale at the Cafe. Except as provided in Sections 7.8, 7.9 and 7.12 with respect to certain materials bearing the Marks and proprietary products, and Section 7.11 with respect to vehicles used in the operation of the Cafe, Franchisee shall obtain such items from suppliers (including manufacturers, distributors and other sources) who continue to demonstrate the ability to meet Franchisor's then-current standards and specifications for food and beverage items, ingredients, supplies, materials, fixtures, furnishings, equipment and other items used or offered for sale at Cafes and who possess adequate quality controls and capacity to supply Franchisee's needs promptly and reliably; and who have been approved in writing by Franchisor prior to any purchases by Franchisee from any such supplier; and who have not thereafter been disapproved by Franchisor. If Franchisee desires to purchase, lease or use any products or other items from an unapproved supplier, Franchisee shall submit to Franchisor a written request for such approval, or shall request the supplier itself to do so. Franchisee shall not purchase or lease from any supplier until and unless such supplier has been approved in writing by Franchisor. Franchisor shall have the right to require that its representatives be permitted to inspect the supplier's facilities, and that samples from the supplier be delivered, either to Franchisor or to an independent laboratory designated by Franchisor for testing. A charge not to exceed the reasonable cost of the inspection and the actual cost of the test shall be paid by Franchisee or the supplier. Franchisor reserves the right, at its option, to re-inspect from time to time the facilities and products of any such approved supplier and to revoke its approval upon the supplier's failure to continue to meet any of Franchisor's then-current criteria. Nothing in the foregoing shall be construed to require Franchisor to approve any particular supplier.

7.5. Operational Requirements. Franchisee shall operate the Cafe in strict conformity with Franchisor's methods, standards and specifications as set forth in the Manuals and as from time to time otherwise prescribed in writing. Without limitation of the foregoing, Franchisee agrees:

(a) Distribution Method. To sell or offer for sale all menu items, products and services required by Franchisor and in the method, manner and style of distribution and ordering prescribed by Franchisor, including, but not limited to, dining-in, carry-out, catering or delivery services, or online ordering only as expressly authorized by Franchisor in writing in the Manuals or otherwise. Franchisee agrees to comply with the terms of any such distribution or ordering program and in connection therewith to execute such documents or instruments that Franchisor may deem necessary to such program.

(b) Menu Items. To sell and offer for sale only the menu items, products and services that have been expressly approved for sale in writing by Franchisor; to discontinue selling and offering for sale any menu items, products or services and any method, manner or style of distribution or ordering that Franchisor may, in its sole discretion, disapprove in writing at any time; and to refrain from deviating from Franchisor's standards and specifications.

(c) Inventory. To maintain in sufficient supply and to use and sell at all times only such food and beverage items, ingredients, products, materials, supplies and paper goods that conform to

Franchisor's standards and specifications; to prepare all menu items in accordance with the recipes and procedures for preparation contained in the Manuals or other written directives, including, but not limited to, using the brand and/or type of ingredients required by Franchisor and the prescribed measurements of ingredients; and to refrain from deviating from Franchisor's standards and specifications by the use or offer of non-conforming items or differing amounts of any items.

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

(e) Gift Certificates. To participate in any gift certificate or card program established by Franchisor. Franchisee shall purchase and maintain a minimum inventory of gift certificates or cards, shall offer such gift certificates or cards for sale and shall honor any such gift certificates or cards presented at the Café for the purchase of food or beverage items. Franchisee may not create or issue its own gift certificates or cards and shall only sell gift certificates or cards approved by Franchisor.

(f) Equipment. To purchase or lease and install, at Franchisee's expense, all fixtures, furnishings, equipment (including point of sale systems, credit/debit card processing systems and computer systems), decor items, signs, and related items as Franchisor may reasonably direct from time to time in the Manuals or otherwise in writing; and to refrain from installing or permitting to be installed on or about the Cafe premises, any fixtures, furnishings, equipment, decor items, signs, games, vending machines or other items not previously approved as meeting Franchisor's standards and specifications.

(g) Inspections. To grant Franchisor and its agents the right to enter upon the Cafe premises and, in Franchisor's discretion, to examine any motor vehicle used in connection with Cafe operations at any time for the purpose of conducting inspections; to cooperate with Franchisor's representatives in such inspections by rendering such assistance as they may reasonably request; and, upon notice from Franchisor or its agents and without limiting Franchisor's other rights under this Agreement, to take such steps as may be necessary to correct immediately any deficiencies detected during an inspection. Should Franchisee, for any reason, fail to correct such deficiencies within a reasonable time as determined by Franchisor, Franchisor shall have the right and authority (without, however, any obligation to do so) to correct such deficiencies and charge Franchisee a reasonable fee for Franchisor's expenses in so taking the corrective action (including, without limitation, any necessary reinspection). Any such fee is payable by Franchisee immediately upon demand.

(h) Staff. To maintain a competent, conscientious, trained staff and to take such steps as are necessary to ensure that its employees preserve good customer relations and comply with such dress code as Franchisor may prescribe.

7.6. Computer Systems. Franchisee shall install and maintain the point of sale systems and computer hardware and software (including, without limitation, point of sale software) Franchisor requires for the operation of the Cafe and shall follow the procedures related thereto that Franchisor specifies in the Manuals or otherwise in writing. Among other things, Franchisor may require that Franchisee install and maintain systems that permit Franchisor or its representatives to access and retrieve electronically any information stored in Franchisee's point of sale systems, credit/debit card processing systems and computer systems, including, without limitation, information concerning Cafe Gross Sales or

Franchisee's financial statements, at the times and in the manner that Franchisor may specify from time to time. Upon Franchisor's request, Franchisee shall execute such documents as Franchisor deems necessary to permit Franchisor or its representative to access and retrieve electronically all information stored on any point of sale system, credit/debit card processing system or computer system used in connection with the Café. Franchisor also may require Franchisee to enter into software license agreements in the form that Franchisor requires for software Franchisor develops or acquires for use in the System. All information contained in and collected by any such computer program shall be the sole and exclusive property of Franchisor.

7.7. Internet and Website.

(a) Franchisee shall have and maintain adequate hardware and software in order to access the Internet at the bit speed required by Franchisor from time to time. Franchisee shall maintain an electronic mail account with an Internet service provider acceptable to Franchisor. Franchisee shall read the electronic mail for the franchised business on a daily basis and shall accept and acknowledge receipt of all electronic mail sent by Franchisor. Franchisee shall not establish any website or other listing on the Internet except as provided herein.

(b) Franchisor has established an Internet Website that provides information about the System and the products and services offered by Cafes. Franchisor has sole discretion and control over the Website (including timing, design, contents and continuation). Franchisor may use part of the Fund monies it collects under this Agreement to pay or reimburse the costs associated with the development, maintenance and update of the Website.

(c) Franchisor may (but is not required to) include at the Website an interior page containing information about Franchisee's Cafe. If Franchisor includes such information on the Website, Franchisor may require Franchisee to prepare all or a portion of the page, at Franchisee's expense, using a template that Franchisor provides. All such information will be subject to Franchisor's approval prior to posting.

(d) Franchisor has established an Intranet through which Franchisor and its franchisees can communicate by electronic mail or similar electronic means. Franchisee shall use the facilities of the Intranet in strict compliance with the standards, protocols and restrictions that Franchisor includes in the Manual (including, without limitation, standards, protocols and restrictions relating to the encryption of confidential information and prohibitions against the transmission of libelous, derogatory or defamatory statements). Franchisee shall pay Franchisor an annual Intranet access fee in the amount of \$300, payable in equal monthly installments on the first business day of each month by EFT. The amount of the Intranet access fee may be modified from time to time to reflect Franchisee's prorata share of any increased cost in maintaining the Intranet with the Intranet provider. Franchisee shall be provided with at least thirty (30) days prior written notice of any change in such fee.

(e) Franchisor or Nestle has sole discretion and control over any profiles using or relating to the Marks, or that display the Marks, that are maintained on social media, networking or other websites or outlets, including without limitation Facebook, LinkedIn, Twitter, Instagram and Pinterest. Franchisor may use part of the Fund monies it collects under this Agreement to pay or reimburse the costs associated with the development, maintenance and update of such profiles. Franchisor may (but need not) establish guidelines pursuant to which Franchisee may establish profiles or otherwise establish a presence on such social media, networking or other websites or outlets. In that event, Franchisee shall comply with the standards, protocols and restrictions that Franchisor imposes from time to time on such use and shall supply Franchisor with any login and password information related to such use.

7.8. Recipes. Franchisee acknowledges and agrees that initially the Cafe will feature certain products associated with Nestle and that Franchisor has and may continue to develop for use in the System certain products that are prepared from Nestle products or from Franchisor or Nestle proprietary recipes and that bear the Marks. Because of the importance of quality and uniformity of production and the significance of such products in the System, it is to the mutual benefit of the parties that Franchisor closely controls the production and distribution of such products. Accordingly, Franchisee agrees that with respect to such products, whether or not such products are proprietary, Franchisee shall use only products manufactured by or on behalf of Franchisor or Nestle, and shall purchase solely from Franchisor or from a source designated by Franchisor or, with respect to products manufactured by or on behalf of Franchisor or Nestle, from a seller of such products, all of Franchisee's requirements for such products. Franchisee further agrees to purchase from Franchisor or from a source designated by Franchisor for resale to Franchisee's customers certain merchandise identifying the System as Franchisor shall require, such as pre-packaged food products and memorabilia and promotional products, in amounts sufficient to satisfy Franchisee's customer demand.

7.9. Advertising Materials. Franchisee shall require all advertising and promotional materials, signs, decorations, paper goods (including menus and all forms and stationery used in the franchised business), and other items that may be designated by Franchisor to bear the Marks in the form, color, location and manner prescribed by Franchisor.

7.10. Complaints. Franchisee shall process and handle all consumer complaints connected with or relating to the Cafe, and shall promptly notify Franchisor by telephone and in writing of all: (a) food related illnesses, (b) safety or health violations, (c) claims exceeding One Thousand Dollars (\$1,000.00), and (d) any other material claims against or losses suffered by Franchisee. Franchisee shall maintain any communications with governmental authorities affecting the Cafe during the term of this Agreement and for one (1) year after the expiration or earlier termination hereof.

7.11. Vehicles. Any vehicle used by Franchisee in connection with the operation of the Cafe shall meet Franchisor's image and other standards. Franchisee shall place such signs and decor items on the vehicle as Franchisor requires and shall at all times keep such vehicle clean and in good working order. Franchisee shall not permit anyone to operate a vehicle used in connection with the Cafe who is under the age of eighteen (18) years or who does not possess a valid driver's license under the laws of the state in which the Cafe is located. Franchisee shall require each such person who operated a vehicle used in connection with Cafe operations to comply with all laws, regulations and rules of the road and to use due care and caution in the operation and maintenance of motor vehicles. Except as noted above, Franchisor does not set forth any standards or exercise control over any motor vehicle utilized by Franchisee.

7.12. Master Product Reference Agreement. Franchisee acknowledges and agrees that it has read and understands the portions of the Master Product Reference Agreement attached as Attachment D hereto. So long as the Master Product Reference Agreement remains in effect, Franchisee shall comply with each and every term contained therein relating to Franchisor, Franchisee or the operation of the Café, as the same may be amended from time to time and provided to Franchisee. The Master Product Reference Agreement expires on the later of (a) March 1, 2016 and (b) 10 years from the expiration or termination of the Nestle Development Agreement (currently December 31, 2022). Thus, if the Nestle Development Agreement expires on December 31, 2022, the Master Product Reference Agreement will expire on December 31, 2032.

ARTICLE VIII. ADVERTISING AND RELATED FEES

Recognizing the value of advertising and the importance of the standardization of advertising programs to the furtherance of the goodwill and public image of the System, the parties agree as follows:

8.1. Advertising Programs. Franchisor may from time to time develop and administer advertising and sales promotion programs designed to promote and enhance the collective success of all Cafes operating under the System. Franchisee shall participate in all such advertising and sales promotion programs in accordance with the terms and conditions established by Franchisor for each program. In all aspects of these programs, including, without limitation, the type, quantity, timing, placement and choice of media, market areas and advertising agencies, the standards and specifications established by Franchisor shall be final and binding upon Franchisee.

8.2. Initial Advertising Program. Immediately before and within 30 days after the opening of the Café, Franchisee shall spend a minimum of \$5,000 to conduct an initial local advertising and promotional program to publicize the opening of the Café. Franchisee shall submit to Franchisor all receipts and invoices as verification of its compliance with this Section. Franchisee may not open the Café prior to receiving Franchisor's approval of this program.

8.3. Local Advertising. In addition to the ongoing advertising contributions set forth herein and, subject to any allocation of Franchisee's expenditures for local advertising to the Cooperative as described in Section 8.5, or Fund as described in Section 8.4, if requested by Franchisor, Franchisee shall spend, annually throughout the term of this Agreement, not less than one percent (1%) of the Gross Sales of the Cafe on advertising for the Cafe in its Area of Primary Responsibility ("Local Advertising"). Franchisee shall submit to Franchisor annually an advertising expenditure report accurately reflecting such expenditures for the preceding period on or before the 1st day of February following the end of each calendar year. If that day is not a business day, then such report shall be due on the next business day. In addition to the restrictions set forth below, costs and expenditures incurred by Franchisee in connection with any of the following shall not be included in Franchisee's expenditures on Local Advertising for purposes of this Section, unless approved in advance by Franchisor in writing:

- (a) Incentive programs for employees or agents of Franchisee, including the cost of honoring any coupons distributed in connection with such programs;
- (b) Research expenditures;
- (c) Salaries and expenses of any employees of Franchisee, including salaries or expenses for attendance at advertising meetings or activities;
- (d) Charitable, political or other contributions or donations;
- (e) In-store materials consisting of fixtures or equipment; and
- (f) Seminar and educational costs and expenses of employees of Franchisee.

8.4. Marketing Fund.

(a) Establishment. Franchisor has established a marketing fund (the "Fund") on behalf of the System for advertising and marketing. Franchisor will, from time to time, designate a percentage of the Gross Sales of the Cafe to be contributed to the Fund and Franchisee agrees to contribute that amount at the same time and in the same manner as the corresponding royalty fee is paid;

provided that Franchisee will not be required to contribute to the Fund more than two percent (2%) of the Gross Sales of the Café. Franchisor may require Franchisee to allocate to the Fund, all or any portion of Franchisee's required contributions to a Cooperative as described in Section 8.5 or expenditures for Local Advertising as described in Section 8.3. In reviewing and establishing or modifying the Fund contribution rate, Franchisor shall consider the level of advertising and marketing expenditures by Cafes operated by Franchisor and by competitors of the System, media costs, available marketing resources, population changes, changes in market conditions, the degree of market penetration of the System, and such other factors as Franchisor deems relevant to the operation of the Fund. Franchisee shall be provided with thirty (30) days prior written notice of any such change in the Fund contribution rate.

(b) Administration. Franchisor or its designee will administer the Fund as follows:

(i) Franchisor shall direct all advertising and marketing programs and shall have sole discretion to approve or disapprove the creative concepts, materials and media used in such programs and the placement and allocation thereof. Franchisee agrees and acknowledges that the Fund is intended to maximize general public recognition and acceptance of the Marks and enhance the collective success of all Cafes operating under the System.

(ii) Franchisor shall, with respect to Cafes operated by Franchisor, contribute to the Fund generally on the same basis as Franchisee.

(iii) Franchisor may use the Fund to satisfy any and all costs of developing, preparing, producing, directing, administering, conducting, maintaining and disseminating advertising, marketing, promotional and public relations materials, programs, campaigns, sales and marketing seminars and training programs of every kind and nature, through media now existing or hereafter developed (including, without limitation, the cost of preparing and conducting television, radio, magazine, newspaper and electronic advertising campaigns; direct mail and outdoor billboard advertising; public relations activities; conducting marketing research, employing advertising agencies to assist therein; developing and maintaining an Internet website; and personnel and other departmental costs for advertising that Franchisor internally administers or prepares).

(iv) The Fund will be operated solely as a conduit for collecting and expending the advertising contributions for the System. The Fund will not be used to defray any of Franchisor's general operating expenses, except for reasonable administrative costs and overhead that Franchisor may incur in activities related to the administration and direction of the Fund, generally not to exceed 20% per year. The Fund and its earnings shall not otherwise inure to Franchisor's benefit.

(v) Franchisor will prepare an annual statement of the Fund's operations and will make it available to Franchisee upon request. In administering the Fund, Franchisor undertakes no obligation to make expenditures for Franchisee that are equivalent or proportionate to Franchisee's contribution or to ensure that any particular franchisee benefits directly or pro rata from the production or placement of advertising.

(vi) Although the Fund is intended to be of perpetual duration, Franchisor may terminate it. Franchisor will not terminate the Fund, however, until all monies in the Fund have been spent for advertising or promotional purposes or returned to contributors, without interest, on the basis of their respective contributions.

8.5. Advertising Cooperative.

(a) Establishment. Franchisee agrees that Franchisor shall have the right, in its sole discretion, to designate any geographic area in which two (2) or more Cafes are located as a region for purposes of establishing an advertising cooperative ("Cooperative"). The members of the Cooperative for any area shall, at a minimum, consist of all Cafes located in such area. Each Cooperative shall be organized and governed in a form and manner, and shall commence operation on a date, determined in advance by Franchisor in its sole discretion. Each Cooperative shall be organized for the exclusive purposes of administering advertising programs and developing, subject to Franchisor's approval pursuant to Section 8.8, promotional materials for use by the members in Local Advertising. If at the time of the execution of this Agreement a Cooperative has been established for a geographic area that encompasses the Cafe, or if any such Cooperative is established during the term of this Agreement, Franchisee shall execute such documents as are required by Franchisor immediately upon the request of Franchisor and shall become a member of the Cooperative pursuant to the terms of those documents.

(b) Participation. Franchisee shall participate in the Cooperative as follows:

(i) Subject to any allocation of Franchisee's contribution to a Cooperative to the Fund as described in Section 8.4, Franchisee shall contribute to the Cooperative such amounts required by the documents governing the Cooperative; provided, however, Franchisee will not be required to contribute more than one percent (1%) of Franchisee's Gross Sales during each Accounting Period to the Cooperative unless, subject to Franchisor's approval, the members of the Cooperative agree to the payment of a larger fee. Notwithstanding the above, the payment of any such Cooperative fee shall be applied toward satisfaction of the Franchisee's Local Advertising requirement set forth in Section 8.3;

(ii) Franchisee shall submit to the Cooperative and to Franchisor such statements and reports as may be required by Franchisor or by the Cooperative. All contributions to the Cooperative shall be maintained and administered in accordance with the documents governing the Cooperative. The Cooperative shall be operated solely as a conduit for the collection and expenditure of the Cooperative fees for the purposes outlined above; and

(iii) No advertising or promotional plans or materials may be used by the Cooperative or furnished to its members without the prior consent of Franchisor or its representative. All such plans and materials shall be submitted to Franchisor in accordance with the procedure set forth in Section 8.8.

8.6. Total Advertising Contribution. Regardless of whether Franchisor establishes a Fund under Section 8.4 applicable to the Cafe, or a Cooperative is established under Section 8.5 applicable to the Cafe, the total required advertising contributions or payments by Franchisee under this Article (a) to a Fund, (b) to a Cooperative, and (c) for Local Advertising, shall not exceed two percent (2%) of Franchisee's Gross Sales.

8.7. Online and Other Trademark or Business Listings and Internet Search Engines. Franchisee shall also place and pay the cost of an online or other trademark or other business listings in the local market area. Any amount paid by Franchisee for such online or other trademark or other business listings may not be applied by Franchisee toward satisfaction of its Local Advertising requirement. Franchisee shall register or list the Café with each Internet search engine designated by Franchisor.

8.8. Approval of Advertising. All advertising and promotion by Franchisee in any medium shall be conducted in a professional manner and shall conform to the standards and requirements of Franchisor as set forth in the Manuals or otherwise. Franchisee shall submit to Franchisor for its approval samples of all advertising and promotional plans and materials and public relations programs that Franchisee desires to use, including, without limitation, any materials in digital, electronic or computerized form, or in any form of media now or hereafter developed (e.g., materials to be made available through a computer or telecommunications network such as the Internet), that have not been either provided or previously approved by Franchisor. Franchisor shall approve or disapprove such plans and materials within fifteen (15) business days of Franchisor's receipt thereof. Franchisee shall not use such unapproved plans or materials until they have been approved by Franchisor, and shall promptly discontinue use of any advertising or promotional plans or materials, whether or not previously approved, upon notice from Franchisor. Franchisee shall not advertise or use the Franchisor's Marks in any fashion on the Internet, World Wide Web or via other means of advertising through telecommunication, or establish any website listing on the Internet or World Wide Web, without the express written consent of Franchisor. Any advertising, marketing or sales concepts, programs or materials proposed or developed by Franchisee for the Café and approved by Franchisor may be used by other System Cafes without any compensation to Franchisee.

8.9. Prices. With respect to the offer and sale of all menu and beverage items, Franchisor may from time to time offer guidance with respect to the selling price for such goods, products and services. Franchisee is in no way bound to adhere to any such recommended or suggested price. Franchisee shall have the right to sell its products and provide services at any price that Franchisee may determine. If Franchisee elects to sell any or all its products or merchandise at any price recommended by Franchisor, Franchisee acknowledges that Franchisor has made no guarantee or warranty that offering such products or merchandise at the recommended price will enhance Franchisee's sales or profits.

8.10. Volume Rebates. If Franchisor receives any cash rebates, volume discounts, concessions, advertising allowances, or discount bonuses (collectively "Discounts"), whether by way of cash, kind or credit, from any manufacturer or supplier designated by Franchisor, whether or not on account of purchases made (a) by Franchisor for its own account or for Franchisee's account, or franchisees generally, or (b) by Franchisee directly for its own account, Franchisor shall be entitled to retain the whole of the amount or any part of such Discounts.

ARTICLE IX. MARKS

9.1. Grant. Franchisor grants Franchisee the right to use the Marks during the term of this Agreement in accordance with the System and related standards and specifications.

9.2. Acknowledgements. Franchisee expressly understands and acknowledges that:

(a) Ownership. Societe des Produits Nestle S.A. ("SPN") is the record owner of the Mark "Nestle Toll House." Franchisor is the record owner of the Mark "Cafe by Chip." Franchisor assigned the ownership of the "Brick House Subs" Mark to BHTT Entertainment, Inc., but retained a license to use the use the Mark "Brick House Subs" worldwide, indefinitely and without payment in connection with restaurant services having a focus on the sale of sandwiches. As between Franchisor and Franchisee, Franchisor, Nestle or SPN is the owner of all right, title and interest in and to the Marks and the goodwill associated with and symbolized by them.

(b) No Interference. Neither Franchisee nor any Controlling Principal shall take any action that would prejudice or interfere with the validity of Franchisor's, Nestlé's or SPN's rights with respect to the Marks. Nothing in this Agreement shall give the Franchisee any right, title, or interest in or

to any of the Marks or any of Franchisor's, Nestlé's or SPN's service marks, trademarks, trade names, trade dress, logos, copyrights or proprietary materials, except the right to use the Marks and the System in accordance with the terms and conditions of this Agreement for the operation of the Cafe and only at or from its Location or in approved advertising related to the Cafe.

(c) Goodwill. Franchisee understands and agrees that any and all goodwill arising from Franchisee's use of the Marks and the System shall inure solely and exclusively to Franchisor's, Nestlé's, and SPN's benefit, and upon expiration or termination of this Agreement and the license herein granted, no monetary amount shall be assigned as attributable to any goodwill associated with Franchisee's use of the Marks.

(d) Validity. Franchisee shall not contest the validity of or Franchisor's, Nestlé's, or SPN's interest in the Marks or assist others to contest the validity of or Franchisor's, Nestlé's or SPN's interest in the Marks.

(e) Infringement. Franchisee acknowledges that any unauthorized use of the Marks shall constitute an infringement of Franchisor's, Nestlé's or SPN's rights in the Marks and a material event of default hereunder. Franchisee shall provide Franchisor, Nestle and SPN with all assignments, affidavits, documents, information and assistance Franchisor, Nestle or SPN reasonably requests to fully vest in Franchisor, Nestle or SPN all such rights, title and interest in and to the Marks, including all such items as are reasonably requested by Franchisor, Nestle or SPN to register, maintain and enforce such rights in the Marks.

(f) Substitution. Franchisor reserves the right to substitute different Marks for use in identifying the System and the Cafe if the current Marks no longer can be used by Franchisor, or if Franchisor, in its sole discretion, determines that substitution of different Marks will be beneficial to the System. In such event, Franchisor may require Franchisee, at Franchisee's expense, to discontinue or modify Franchisee's use of any of the Marks or to use one or more additional or substitute Marks. Franchisor's right to use the Marks "Nestle" and "Toll House" will terminate upon the expiration or termination of the Master Product Reference Agreement.

(g) Domain Names. Franchisor is the lawful, rightful and sole owner of the www.nestlecafe.com domain name, and Franchisee unconditionally disclaims any ownership interest in that or any colorable similar Internet domain name. Franchisee shall not register any Internet domain name in any class or category that contains the words "Nestle" or "Toll House" or any abbreviation, combination or variation of those words.

9.3. Agreements. With respect to Franchisee's franchised use of the Marks pursuant to this Agreement, Franchisee further agrees that:

(a) Exact Use. Unless otherwise authorized or required by Franchisor, Franchisee shall advertise the Cafe only under the Marks "Nestle Toll House," "Cafe by Chip" and, with respect to the Combination Café only, "Brick House Subs," each without prefix or suffix. Franchisee shall not use the Marks as part of its corporate or other legal name, and shall obtain the Franchisor's approval of such corporate or other legal name prior to filing it with the applicable state authority.

(b) Identification. Franchisee shall identify itself as the owner of the Cafe in conjunction with any use of the Marks, including, but not limited to, uses on invoices, order forms, receipts and contracts, as well as the display of a notice in such content and form and at such conspicuous locations on the premises of the Cafe or any catering or delivery vehicle as Franchisor may designate in writing.

(c) Debt. Franchisee shall not use the Marks to incur any obligation or indebtedness on behalf of Franchisor.

(d) Trade Names. Franchisee shall comply with Franchisor's instructions in filing and maintaining the requisite trade name or fictitious name registrations, and shall execute any documents deemed necessary by Franchisor or its counsel to obtain protection of the Marks or to maintain their continued validity and enforceability.

9.4. Infringement. Franchisee shall notify Franchisor immediately by telephone and thereafter in writing of any apparent infringement of or challenge to Franchisee's use of any Mark, of any claim by any person of any rights in any Mark, and Franchisee and the Controlling Principals shall not communicate with any person other than Franchisor or any designated affiliate thereof, their counsel and Franchisee's counsel in connection with any such infringement, challenge or claim. Franchisor shall have complete discretion to take such action as it deems appropriate in connection with the foregoing, and the right to control exclusively, or to delegate control to any of its affiliates of, any settlement, litigation or Patent and Trademark Office or other proceeding arising out of any such alleged infringement, challenge or claim or otherwise relating to any Mark. Franchisee agrees to execute any and all instruments and documents, render such assistance, and do such acts or things as may, in the opinion of Franchisor, reasonably be necessary or advisable to protect and maintain the interests of Franchisor or any other person or entity in any litigation or other proceeding or to otherwise protect and maintain the interests of Franchisor or any other interested party in the Marks. Franchisor will indemnify Franchisee against and reimburse Franchisee for all damages (including settlement amounts) for which Franchisee is held liable in any proceeding arising out of Franchisee's use of any of the Marks that infringes on the rights of any other party, provided that the conduct of Franchisee and the Controlling Principals with respect to such proceeding and use of the Marks is in full compliance with the terms of this Agreement.

9.5. Nonexclusive License. The right and license of the Marks granted hereunder to Franchisee is nonexclusive and Franchisor thus has and retains the following rights, among others, subject only to the limitations of Article I:

(a) Other Licenses. To grant other licenses for use of the Marks, in addition to those licenses already granted to existing franchisees;

(b) Other Systems. To develop and establish other systems using the Marks or other names or marks and to grant licenses thereto without providing any rights to Franchisee; and

(c) Production and Distribution. To engage, directly or indirectly, through its employees, representatives, licensees, assigns, agents and others, at wholesale, retail or otherwise, in (1) the production, distribution, license and sale of products and services, and (2) the use in connection with such production, distribution and sale, of the Marks and any and all trademarks, trade names, service marks, logos, insignia, slogans, emblems, symbols, designs and other identifying characteristics as may be developed or used from time to time by Franchisor.

ARTICLE X. CONFIDENTIALITY AND NONCOMPETITION COVENANTS

10.1. Manuals.

(a) Delivery. Franchisor has provided to Franchisee on loan a current copy of the Manuals. The Manuals may be in hard copy or they may be made available to Franchisee in digital, electronic or computerized form or in some other form now existing or hereafter developed that would allow Franchisee to view the contents thereof. If the Manuals (or any changes thereto) are provided in a

form other than paper copy, Franchisee shall pay any and all costs to retrieve, review, use or access the Manuals. To protect the reputation and goodwill of Franchisor and to maintain high standards of operation under Franchisor's Marks, Franchisee shall conduct its business in accordance with the Manuals as they may from time to time be modified by Franchisor, other written directives that Franchisor may issue to Franchisee from time to time whether or not such directives are included in the Manuals, and any other manuals and materials created or approved for use in the operation of the franchised business.

(b) Confidential. Franchisee and the Controlling Principals shall at all times treat the Manuals, any written directives of Franchisor, and any other manuals and materials, and the information contained therein, as confidential and shall maintain such information as trade secret and confidential in accordance with this Article. Franchisee and the Controlling Principals shall divulge and make such materials available only to such of Franchisee's employees as must have access to it in order to operate the Cafe. Franchisee and the Controlling Principals shall not at any time copy, duplicate, record or otherwise reproduce these materials, in whole or in part, or otherwise make the same available to any person other than those authorized above.

(c) Property of Franchisor. The Manuals, written directives, other manuals and materials and any other confidential communications provided or approved by Franchisor shall at all times remain the sole property of Franchisor. Franchisee shall maintain the Manuals at all times in a safe and secure location, shall take all reasonable measures to prevent unauthorized access thereto, whether any attempted unauthorized access takes the form of physical access or access via computer or telecommunications networks or otherwise and shall report the theft or loss of the Manuals, or any portion thereof, immediately to Franchisor. At a minimum, Franchisee shall, in the case of computer and telecommunications networks, use the latest available firewall and similar technology to prevent unauthorized access. Franchisee shall return the Manuals to Franchisor immediately upon request or upon termination or expiration of this Agreement.

(d) Supplement to Agreement. The Manuals, any written directives, and any other manuals and materials issued by Franchisor and any modifications to such materials shall supplement this Agreement.

(e) Revisions. Franchisor may from time to time revise the contents of the Manuals and other manuals and materials created or approved for use in the operation of the franchised business. Franchisee expressly agrees to comply with each new or changed standard. Franchisee shall at all times ensure that the Manuals are kept current and up to date. In the event of any dispute as to the contents of the Manuals, the terms of the master copy of the Manuals maintained by Franchisor at Franchisor's corporate office shall control. Franchisee shall remove and return to Franchisor all pages of the Manual that have been replaced or updated by Franchisor.

(f) Replacement Fee. Franchisor will charge a replacement fee of One Thousand Dollars (\$1,000) for any replacement Manual requested by Franchisee.

10.2. Confidential Information.

(a) Confidential. Neither Franchisee nor any Controlling Principal shall, during the term of this Agreement and thereafter, communicate or divulge to, or use for the benefit of, any other person or entity, and, following the expiration or termination of this Agreement, they shall not use for their own benefit, any confidential information, knowledge or know-how concerning the methods of operation of the franchised business that may be communicated to them or of which they may be apprised in connection with the operation of the Cafe under the terms of this Agreement ("Confidential Information"). Franchisee and the Controlling Principals shall divulge such Confidential Information

only to Franchisee's employees who must have access to it in order to operate the Cafe. Any and all information, knowledge, know-how, techniques and any materials used in or related to the System that Franchisor provides to Franchisee in connection with this Agreement shall be deemed Confidential Information for purposes of this Agreement. Neither Franchisee nor the Controlling Principals shall at any time, without Franchisor's prior written consent, copy, duplicate, record or otherwise reproduce such Confidential Information, in whole or in part, nor otherwise make the same available to any unauthorized person. The covenant in this Section shall survive the expiration, termination or transfer of this Agreement or any interest herein and shall be perpetually binding upon Franchisee and each of the Controlling Principals.

(b) Covenants. Franchisee shall require and obtain the execution of covenants similar to those set forth in Section 10.2(a) from its General Manager and all other personnel of Franchisee who have received or will have access to Confidential Information. Such covenants shall be substantially in the form set forth in Attachment C. All of Franchisee's Principals not required to sign this Agreement as a Controlling Principal also must execute such covenants.

(c) New Concepts. If Franchisee or the Controlling Principals develop any new concept, process, product, recipe, or improvement in the operation or promotion of the Cafe, Franchisee is required to promptly notify Franchisor and provide Franchisor with all necessary related information, without compensation. Franchisee and the Controlling Principals acknowledge that any such concept, process product, recipe, or improvement will become the property of Franchisor, and Franchisor may use or disclose such information to other franchisees or developers as it determines to be appropriate.

10.3. Noncompetition Covenants.

(a) In-Term Covenants. Franchisee and the Controlling Principals specifically acknowledge that, pursuant to this Agreement, Franchisee and the Controlling Principals will receive valuable training, trade secrets and Confidential Information, including, without limitation, information regarding the operational, sales, promotional and marketing methods and techniques of Franchisor and the System that are beyond the present skills and experience of Franchisee and the Controlling Principals and Franchisee's managers and employees. Franchisee and the Controlling Principals acknowledge that such specialized training, trade secrets and Confidential Information provide a competitive advantage and will be valuable to them in the development and operation of the Cafe, and that gaining access to such specialized training, trade secrets and Confidential Information is, therefore, a primary reason why they are entering into this Agreement. In consideration for such specialized training, trade secrets, Confidential Information and rights, Franchisee and the Controlling Principals covenant that with respect to Franchisee, during the term of this Agreement (or with respect to each of the Controlling Principals, during the term of this Agreement for so long as such individual or entity satisfies the definition of "Controlling Principals" as described in Section 18.21), except as otherwise approved in writing by Franchisor, neither Franchisee nor any of the Controlling Principals shall, either directly or indirectly, for themselves or through, on behalf of or in conjunction with any person or entity:

(i) Divert, or attempt to divert, any business or customer of the franchised business to any competitor, by direct or indirect inducement or otherwise, or do or perform, directly or indirectly, any other act injurious or prejudicial to the goodwill associated with the Marks and the System.

(ii) Own, maintain, operate, engage in, or have any financial or beneficial interest in (including any interest in a legal entity), advise, assist or make loans to, any business located within the United States, its territories or commonwealths, or any other country, province, state or geographic area in which Franchisor has used, sought registration of or registered the

same or similar Marks or operates or licenses others to operate a business under the same or similar Marks, which business is of a character and concept similar to the Cafe, including, without limitation, a business that offers and sells as a primary menu item any one or more of cookies, ice cream, coffee drinks or, if Franchisee is operating a Combination Café, sandwiches.

(b) Post-Term Covenants. In consideration for the specialized training, trade secrets, Confidential Information and rights described in Section 10.3(a), Franchisee and Controlling Principals covenant that with respect to Franchisee, and for a continuous uninterrupted period commencing upon the expiration or termination of, or transfer of all of Franchisee's interest in, this Agreement (or, with respect to each of the Controlling Principals, commencing upon the earlier of: (1) the expiration or termination of, or transfer of all of Franchisee's interest in, this Agreement or (2) the time such individual or entity ceases to satisfy the definition of "Controlling Principals" as described in Section 18.21) and continuing for two years thereafter, except as otherwise approved in writing by Franchisor, neither Franchisee nor any of the Controlling Principals shall, directly or indirectly, for themselves, or through, on behalf of or in conjunction with any person or entity:

(i) Divert, or attempt to divert, any business or customer of the franchised business hereunder to any competitor, by direct or indirect inducement or otherwise, or do or perform, directly or indirectly, any other act injurious or prejudicial to the goodwill associated with the Marks and the System.

(ii) Employ, or seek to employ, any person who is at that time or was within the preceding ninety (90) days employed by Franchisor, any of its affiliates or by any other franchisee or developer of Franchisor, or otherwise directly or indirectly induce such person to leave that person's employment, except as may be permitted under any existing development agreement or franchise agreement between Franchisor and Franchisee.

(iii) Own, maintain, operate, engage in, or have any financial or beneficial interest in (including any interest in a legal entity), advise, assist or make loans to, any business that is of a character and concept similar to the Cafe, including, without limitation, a business that offers and sells as a primary menu item any one or more of cookies, ice cream, coffee drinks or, if Franchisee is operating a Combination Café, sandwiches, which business is, or is intended to be, located within the Assigned Area or within a ten (10)-mile radius of the location of any Cafe in existence or under construction as of the date (as applicable) of expiration or termination of, or transfer of all of Franchisee's interest in, this Agreement or the time such individual or entity ceases to satisfy the definition of Controlling Principals.

(c) Public Company. Section 10.3(a)(ii) and (b)(iii) shall not apply to ownership of less than a five percent (5%) beneficial interest in the outstanding equity securities of any publicly-held corporation.

(d) Reasonableness. The parties acknowledge and agree that each of the covenants contained in this Section are reasonable limitations as to time, geographical area, and scope of activity to be restrained and do not impose a greater restraint than is necessary to protect the goodwill or other business interests of Franchisor. The parties agree that each of these covenants shall be construed as independent of any other covenant or provision of this Agreement. If all or any portion of a covenant in this Section is held unreasonable or unenforceable by a court or agency having valid jurisdiction in an unappealed final decision to which Franchisor is a party, Franchisee and the Controlling Principals expressly agree to be bound by any lesser covenant subsumed within the terms of such covenant that imposes the maximum duty permitted by law, as if the resulting covenant were separately stated in and made a part of this Section.

(e) Reduction of Scope. Franchisee and the Controlling Principals understand and acknowledge that Franchisor shall have the right, in its sole discretion, to reduce the scope of any covenant set forth in this Section, or any portion thereof, without their consent, effective immediately upon notice to Franchisee; and Franchisee and the Controlling Principals agree that they shall comply forthwith with any covenant as so modified, which shall be fully enforceable notwithstanding the provisions of Section 18.3.

(f) No Defense. Franchisee and the Controlling Principals expressly agree that the existence of any claims they may have against Franchisor, whether or not arising from this Agreement, shall not constitute a defense to the enforcement by Franchisor of the covenants in this Section.

(g) Covenants of Managers and Franchisee's Principals. Franchisee shall require and obtain execution of covenants similar to those set forth in this Section (including covenants applicable upon the termination of a person's employment with Franchisee) from its General Manager and all other management level personnel of Franchisee who have received or will have access to training from Franchisor. Such covenants shall be substantially in the form set forth in Attachment C. All of Franchisee's Principals not required to sign this Agreement as a Controlling Principal also must execute such covenants. Notwithstanding the foregoing, Franchisor reserves the right, in its sole discretion, to decrease the period of time or geographic scope of the noncompetition covenant set forth in Attachment C or eliminate such noncompetition covenant altogether for any party that is required to execute such agreement under this Section.

10.4. Injunctive Relief. Failure to comply with the requirements of this Article shall constitute a material event of default under this Agreement. Franchisee and the Controlling Principals acknowledge that a violation of the terms of this Article would result in irreparable injury to Franchisor for which no adequate remedy at law may be available, and Franchisee and the Controlling Principals accordingly consent to the issuance of an injunction prohibiting any conduct by Franchisee or the Controlling Principals in violation of the terms of this Article. Franchisee and the Controlling Principals agree to pay all court costs and reasonable attorneys' fees incurred by Franchisor in connection with the enforcement of this Article, including payment of all costs and expenses for obtaining specific performance of, or an injunction against violation of, the requirements of this Article.

ARTICLE XI. BOOKS AND RECORDS

11.1. Books and Records. Franchisee shall maintain during the term of this Agreement, and shall preserve for at least five (5) years from the dates of their preparation, full, complete and accurate books, records and accounts, including, but not limited to, sales slips, coupons, purchase orders, payroll records, check stubs, bank statements, sales tax records and returns, cash receipts and disbursements, journals and ledgers, records of EFT transactions, and backup or archived records of information maintained on any computer system in accordance with generally accepted accounting principles and in the form and manner prescribed by Franchisor from time to time in the Manual or otherwise in writing.

11.2. Reports. In addition to the remittance reports required by Articles IV and VIII, Franchisee shall comply with the following reporting obligations:

(a) Monthly Statements. Franchisee shall, at Franchisee's expense, submit to Franchisor, in the form prescribed by Franchisor, profit and loss statement for each of the thirteen (13) four (4) week accounting periods designated by Franchisor (the "Statement Period") (which may be unaudited) for Franchisee within fifteen (15) days after the end of each Statement Period during the term hereof. Each such statement shall be signed by Franchisee's treasurer or chief financial officer or comparable officer attesting that it is true, complete and correct;

(b) Annual Statements. Franchisee shall, at its expense, provide to Franchisor a complete annual financial statement (which may be unaudited) for Franchisee prepared by an independent certified public accountant satisfactory to Franchisor, within ninety (90) days after the end of each fiscal year of Franchisee during the term hereof, showing the results of operations of Franchisee during such fiscal year; Franchisor reserves the right to require the financial statements described above to be audited by an independent Certified Public Accountant; and

(c) Additional Reports. Franchisee shall also submit to Franchisor, for review or auditing, such other forms, reports, records, information and data as Franchisor may reasonably designate, in the form and at the times and places reasonably required by Franchisor, upon request and as specified from time to time in writing.

11.3. Review and Inspection. Franchisor or its designees shall have the right at all reasonable times to review, audit, examine and copy any or all of the books and records of Franchisee as Franchisor may require at the Cafe. Franchisee shall make such books and records available to Franchisor or its designees immediately upon request. If any required royalty payments to Franchisor are delinquent, or if an inspection should reveal that such payments have been understated in any report to Franchisor, then Franchisee shall immediately pay to Franchisor the amount overdue or understated upon demand with interest determined in accordance with the provisions of Section 4.2(d). If an inspection discloses an understatement in any report of two percent (2%) or more, Franchisee shall, in addition, reimburse Franchisor for all costs and expenses connected with the inspection (including, without limitation, reasonable accounting and attorneys' fees). These remedies shall be in addition to any other remedies Franchisor may have at law or in equity.

11.4. Mistakes. Franchisee understands and agrees that the receipt or acceptance by Franchisor of any of the statements furnished or royalties paid to Franchisor (or the cashing of any royalty checks or processing of any electronic fund transfers) shall not preclude Franchisor from questioning the correctness thereof at any time and, if any inconsistencies or mistakes are discovered in such statements or payments, they shall immediately be rectified by the Franchisee and the appropriate payment shall be made by the Franchisee.

11.5. Release of Information. Franchisee hereby authorizes (and agrees to execute any other documents deemed necessary to effect such authorization) all banks, financial institutions, businesses, suppliers, manufacturers, contractors, vendors and other persons or entities with which Franchisee does business to disclose to Franchisor any requested financial information in their possession relating to Franchisee or the Cafe. Franchisee authorizes Franchisor to disclose data from Franchisee's reports, if Franchisor determines, in its sole discretion, that such disclosure is necessary or advisable, which disclosure may include disclosure to prospective or existing franchisees or other third parties.

11.6. Power-of-Attorney. Notwithstanding any forms and documents that may have been executed by Franchisee under Section 6.9, Franchisee hereby appoints Franchisor its true and lawful attorney-in-fact with full power and authority, for the sole purpose of obtaining any and all returns and reports filed by Franchisee with any state and/or federal taxing authority. This power of attorney shall survive the expiration or termination of this Agreement.

ARTICLE XII. INSURANCE

12.1. Insurance Policy. Franchisee shall procure, upon execution of this Agreement, and shall maintain in full force and effect at all times at Franchisee's expense, an insurance policy or policies protecting Franchisee and Franchisor, Nestle and their affiliates, successors and assigns, and the officers, directors, shareholders, partners, agents, representatives, independent contractors, servants and employees

of each of them against any demand or claim with respect to personal injury, death or property damage, or any loss, liability or expense whatsoever arising or occurring upon or in connection with the Cafe.

12.2. Coverage. Such policy or policies shall be written by a responsible carrier or carriers reasonably acceptable to Franchisor and shall include, at a minimum (except as additional coverages and higher policy limits may reasonably be specified by Franchisor from time to time), in accordance with standards and specifications set forth in writing, the following:

(a) Comprehensive General Liability Insurance, including broad form contractual liability, broad form property damage, personal injury, advertising injury, completed operations, products liability and fire damage coverage, in the amount of Two Million Dollars (\$2,000,000) combined single limit.

(b) “All Risks” coverage for the full cost of replacement of the Cafe premises and all other property in which Franchisor may have an interest with no coinsurance clause for the premises.

(c) Crime insurance for employee dishonesty in the amount of Ten Thousand Dollars (\$10,000) combined single limit.

(d) Automobile liability coverage, including coverage of owned, non-owned and hired vehicles, with coverage in amounts not less than One Million Dollars (\$1,000,000) combined single limit.

(e) Worker’s compensation insurance in statutory amounts on all employees of Franchisee and employer’s liability insurance in amounts not less than One Million Dollars (\$1,000,000) per accident/disease.

(f) Such other insurance as may be required by the state or locality in which the Cafe is located and operated.

12.3. Deductibles. Franchisee may, with the prior written consent of Franchisor, elect to have reasonable deductibles in connection with the coverage required under this Section. Such policies shall also include a waiver of subrogation in favor of Franchisor, its affiliates and the respective officers, directors, shareholders, partners, agents, representatives, independent contractors, servants and employees of each of them.

12.4. Builder’s Risk. In connection with any construction, renovation, refurbishment or remodeling of the Cafe, Franchisee shall maintain Builder’s Risks/Installation insurance in forms and amounts, and written by a carrier or carriers, reasonably satisfactory to Franchisor.

12.5. No Limitation. Franchisee’s obligation to obtain and maintain the foregoing policy or policies in the amounts specified shall not be limited in any way by reason of any insurance that may be maintained by Franchisor or Nestle, nor shall Franchisee’s performance of that obligation relieve it of liability under the indemnity provisions set forth in Article XV.

12.6. Additional Insured. All required insurance policies shall name Franchisor, Nestle and their affiliates and the officers, directors, shareholders, partners, agents, representatives, independent contractors, servants and employees of each of them, as additional insureds, and shall include a waiver of subrogation in favor of the additional insureds. All such insurance policies shall provide that any interest of the additional insureds therein shall not be affected by any breach by Franchisee of any policy provisions. All public liability and property damage policies shall contain a provision that the additional

insureds, although named as insureds, shall nevertheless be entitled to recover under such policies on any loss occasioned to them by reason of the negligence of Franchisee or its servants, agents or employees.

12.7. Certificates of Insurance. Upon execution of this Agreement, and thereafter in accordance with Article II and thirty (30) days prior to the expiration of any such policy, Franchisee shall deliver to Franchisor Certificates of Insurance evidencing the existence and continuation of proper coverage with limits not less than those required hereunder. In addition, if requested by Franchisor, Franchisee shall deliver to Franchisor a copy of the insurance policy or policies required hereunder. Further, all insurance policies required hereunder shall expressly provide that no less than thirty (30) days' prior written notice shall be given to Franchisor in the event of a material alteration to or cancellation of the policies.

12.8. Failure to Maintain. Should Franchisee, for any reason, fail to procure or maintain the insurance required by this Agreement, as such requirements may be revised from time to time by Franchisor in writing, Franchisor shall have the right and authority (without, however, any obligation to do so) immediately to procure such insurance and to charge same to Franchisee, which charges, together with a reasonable fee for Franchisor's expenses in so acting, shall be payable by Franchisee immediately upon notice. The foregoing remedies shall be in addition to any other remedies Franchisor may have at law or in equity.

ARTICLE XIII. DEBTS AND TAXES

13.1. Payment. Franchisee shall promptly pay when due all Taxes (as defined below), levied or assessed, and all accounts and other indebtedness of every kind incurred by Franchisee in the conduct of the franchised business under this Agreement. Without limiting the provisions of Article XV, Franchisee shall be solely liable for the payment of all Taxes and shall indemnify Franchisor for the full amount of all such Taxes and for any liability (including penalties, interest and expenses) arising from or concerning the payment of Taxes, whether Taxes were correctly or legally asserted or not. Franchisee shall submit a copy of all tax filings sent to federal, state and local tax authorities to Franchisor within ten (10) business days after such filing has been made with the appropriate taxing authority.

13.2. No Deduction. Each payment to be made to Franchisor hereunder shall be made free and clear and without deduction for any Taxes. The term "Taxes" means any present or future taxes, levies, imposts, duties or other charges of whatsoever nature, including any interest or penalties thereon, imposed by any government or political subdivision of such government on or relating to the operation of the franchised business, the payment of monies, or the exercise of rights granted pursuant to this Agreement, except Taxes imposed on or measured by Franchisor's net income.

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

13.4. Security Interest in Gross Sales. To secure payment by Franchisee of royalty fees, contributions to the Fund, contributions to the Cooperative and other amounts due Franchisor under this Agreement, Franchisee grants to Franchisor a first priority security interest and lien in Franchisee's Gross Sales. To perfect this security interest, Franchisee acknowledges and agrees that Franchisor may file a Form UCC-1 financing statement with the Secretary of State (or other applicable authority) of the state in which Franchisee's Café is located. Franchisee also agrees to execute and deliver such additional

documents and to do all such further acts and things as Franchisor may request to evidence and further perfect its security interest in Franchisee's Gross Sales. Franchisor and Franchisee mutually agree that Franchisee shall enjoy unrestricted use of Franchisee's Gross Sales until (a) Franchisee defaults in the payment of an obligation secured by Franchisee's Gross Sales, (b) any other creditor of Franchisee asserts a security interest in or claim to Franchisee's Gross Sales superior to Franchisor's security interest, (c) Franchisee files a petition for relief under any chapter of the United States Bankruptcy Code, or (d) Franchisee becomes the subject of an involuntary petition under any chapter of the United States Bankruptcy Code that is not dismissed within 30 days after its filing. Upon the occurrence of any such event, Franchisee shall be in default under the security agreement this Section 13.4 establishes, and Franchisor may immediately exercise all the rights of a secured creditor with respect to Franchisee's Gross Sales that are provided in Article 9 of the Uniform Commercial Code.

ARTICLE XIV. TRANSFER OF INTEREST

14.1. Transfer by Franchisor. Franchisor shall have the right to transfer or assign this Agreement and all or any part of its rights or obligations herein to any person or legal entity without Franchisee's consent. Specifically, and without limitation to the foregoing, Franchisee agrees that Franchisor and/or Nestle may sell its assets, and may sell or license the Marks or the System to a third party; may offer its securities privately or publicly; may merge, acquire other corporations or be acquired by another corporation; may undertake a refinancing, recapitalization, leveraged buyout or other economic or financial restructuring; and with regard to any or all of the above sales, assignments and dispositions, Franchisee expressly and specifically waives any claims, demands, or damages against Franchisor arising from or related to the transfer of the Marks (or any variation thereof) or the System from Franchisor and/or Nestle to any other party. Nothing contained in this Agreement shall require Franchisor to offer any services or products, whether or not bearing the Marks, to Franchisee, if Franchisor assigns its rights in this Agreement.

14.2. Transfer by Franchisee.

(a) Consent of Franchisor. Franchisee and the Controlling Principals understand and acknowledge that the rights and duties set forth in this Agreement are personal to Franchisee, and that Franchisor has granted rights under this Agreement in reliance on the business skill, financial capacity and personal character of Franchisee and the Controlling Principals and with the expectation that the duties and obligations contained in this Agreement will be performed by Franchisee and those Controlling Principals signing this Agreement. Accordingly, neither Franchisee nor any Controlling Principal, nor any successor or assign of Franchisee or any Controlling Principal, shall sell, assign, transfer, convey, give away, pledge, mortgage or otherwise encumber any direct or indirect interest in this Agreement, in the Cafe or in Franchisee without the prior written consent of Franchisor. Any purported assignment or transfer, by operation of law or otherwise, made in violation of this Agreement shall be null and void and shall constitute a material event of default under this Agreement.

(b) Conditions. If Franchisee wishes to transfer all or part of its interest in the Cafe or this Agreement or if a Controlling Principal wishes to transfer any ownership interest in Franchisee, transferor and the proposed transferee shall apply to Franchisor for its consent. Franchisor shall not unreasonably withhold its consent to a transfer of any interest in Franchisee, in the Cafe or in this Agreement. Franchisor may, however, in its sole discretion, require any or all of the following as conditions of its consent to any such transfer:

(i) Monetary Obligations. All of the accrued monetary obligations of Franchisee and its affiliates and all other outstanding obligations to Franchisor and its affiliates arising under this Agreement or any other agreement shall have been satisfied in a timely manner

and Franchisee shall have satisfied all trade accounts and other debts, of whatever nature or kind, in a timely manner;

(ii) No Default. Franchisee and its affiliates shall not be in default of any provision of this Agreement, or any other agreement between Franchisee or any of its affiliates and Franchisor or any of its affiliates, and Franchisee shall have substantially and timely complied with all the terms and conditions of such agreements during the terms thereof;

(iii) Release. The transferor and its principals (if applicable) shall have executed a general release, in a form satisfactory to Franchisor, of any and all claims against Franchisor, its affiliates, their respective partners and the officers, directors, shareholders, partners, agents, representatives, independent contractors, servants and employees of each of them, in their corporate and individual capacities, including, without limitation, claims arising under this Agreement and federal, state and local laws, rules and regulations;

(iv) Satisfaction of Criteria. The transferee shall demonstrate to Franchisor's satisfaction that transferee meets the criteria considered by Franchisor when reviewing a prospective franchisee's application for a license, including, but not limited to, Franchisor's educational, managerial and business standards for transferee; transferee's moral character, business reputation and credit rating; transferee's aptitude and ability to conduct the franchised business (as may be evidenced by prior related business experience or otherwise); transferee's financial resources and capital for operation of the business; and the geographic proximity and number of other Cafes owned or operated by transferee;

(v) Written Assumption. The transferee shall enter into a written agreement, in a form satisfactory to Franchisor, assuming full, unconditional, joint and several liability for, and agreeing to perform from the date of the transfer, all obligations, covenants and agreements of the transferor contained in this Agreement; and, if transferee is an entity, transferee's owners shall execute such agreement as transferee's principals and guarantee the performance of all such obligations, covenants and agreements;

(vi) New Agreement. If requested by Franchisor, the transferee shall execute, for a term ending on the expiration date of this Agreement and with such renewal terms as may be provided by this Agreement, the standard form franchise agreement then being offered to new System franchisees and other ancillary agreements as Franchisor may require for the Cafe, which agreements shall supersede this Agreement and its ancillary documents in all respects and the terms of which agreements may differ from the terms of this Agreement, including, without limitation, a higher percentage royalty fee, advertising contribution or expenditure requirement; provided, however, that the transferee shall not be required to pay any initial franchise fee; and, if transferee is an entity, transferee's owners shall execute such agreement as transferee's principals and guarantee the performance of all such obligations, covenants and agreements;

(vii) Improvements. The transferee, at its expense, shall renovate, modernize and otherwise upgrade the Cafe and, if applicable, any catering or delivery vehicles to conform to the then-current standards and specifications of the System, and shall complete the upgrading and other requirements within the time period reasonably specified by Franchisor;

(viii) Liability for Prior Acts. The transferor shall remain liable for all of the obligations to Franchisor in connection with the Cafe incurred prior to the effective date of the transfer and shall execute any and all instruments reasonably requested by Franchisor to evidence such liability;

(ix) Training. At the transferee's expense, the transferee, the transferee's operating principal, general manager (as applicable) and/or any other applicable Cafe personnel shall complete any training programs then in effect for franchisees of Cafes upon such terms and conditions as Franchisor may reasonably require;

(x) Transfer Fee. The transferee shall pay to Franchisor a transfer fee of Fifteen Thousand Dollars (\$15,000) and shall reimburse Franchisor for its reasonable costs and expenses associated with the transfer, including, without limitation, training costs and legal and accounting fees and costs; provided that the transfer fee shall be Thirty Thousand Dollars (\$30,000) if the transfer occurs within one year of the later of (A) the Effective Date or (B) the Opening Date; and

(xi) Entity Representations. If the transferee is an entity, the transferee shall provide to Franchisor evidence satisfactory to Franchisor that the representations, warranties and covenants of Section 6.2 have been satisfied and are true and correct on the date of transfer.

(c) Reasonableness. Franchisee acknowledges and agrees that each condition that must be met by the transferee is reasonable and necessary to assure such transferee's full performance of the obligations hereunder.

(d) Security Interest. Franchisee shall not grant a security interest in the Cafe or in any of Franchisee's assets without Franchisor's prior written consent, which shall not be unreasonably withheld. In connection therewith, the secured party will be required by Franchisor to agree that in the event of any default by Franchisee under any documents related to the security interest, Franchisor shall have the right and option to be substituted as obligor to the secured party and to cure any default of Franchisee.

14.3. Transfer to Affiliate. If Franchisee desires to transfer any interest in this Agreement to an entity formed solely for the convenience of ownership or affiliated with Franchisee, Franchisor's consent may be conditioned upon any of the requirements in Section 14.2(b), except that the requirements in Sections 14.2(b)(iii), (iv), (vi), (vii), (ix) and (x) shall not apply, but Franchisee shall reimburse Franchisor for its reasonable costs and expenses associated with the transfer, including, without limitation, legal and accounting fees and costs. With respect to a transfer to an entity formed for the convenience of ownership or affiliated with Franchisee, Franchisee or the existing holders of an ownership interest in Franchisee, as applicable, shall be the holders of all ownership interests of such entity, and Franchisee or each existing holder of an ownership interest in Franchisee, as applicable, shall have the same proportionate ownership interest in such entity as he had in Franchisee prior to the transfer.

14.4. Right of First Refusal.

(a) Notice of Offer. If Franchisee wishes to transfer all or part of its interest in the Cafe or this Agreement or if a Controlling Principal wishes to transfer any ownership interest in Franchisee, pursuant to any bona fide offer received from a third party to purchase such interest, then such proposed seller shall promptly notify Franchisor in writing of each such offer, and shall provide such information and documentation relating to the offer as Franchisor may require. Franchisor shall have the right and option, exercisable within thirty (30) days after receipt of such written notification and copies of all documentation required by Franchisor describing such offer, to send written notice to the seller that Franchisor intends to purchase the seller's interest on the same terms and conditions offered by the third party. If Franchisor elects to purchase the seller's interest, closing on such purchase must occur within the later of sixty (60) days from the date of notice to the seller of the election to purchase by Franchisor, sixty (60) days from the date Franchisor receives or obtains all necessary documentation, permits and

approvals, or such other date as the parties agree upon in writing. Any material change in the terms of any offer prior to closing shall constitute a new offer subject to the same right of first refusal by Franchisor as in the case of an initial offer. Failure of Franchisor to exercise the option afforded by this Section shall not constitute a waiver of any other provision of this Agreement, including all of the requirements of Section 14.2, with respect to a proposed transfer.

(b) Non-Cash Consideration. If an offer from a third party provides for payment of consideration other than cash or involves certain intangible benefits, Franchisor may elect to purchase the interest proposed to be sold for the reasonable cash equivalent. If the parties cannot agree within a reasonable time on the reasonable cash equivalent of the non-cash part of the offer, then such amount shall be determined by two (2) appraisers, with each party selecting one (1) appraiser, and the average of their determinations shall be final and binding. In the event of such appraisal, each party shall bear its own legal and other costs and shall split the appraisal fees. If Franchisor exercises its right of first refusal herein provided, it shall have the right to set off against any payment therefor (i) all fees for any such independent appraiser due from Franchisee hereunder and (ii) all amounts due from Franchisee to Franchisor or any of its affiliates.

(c) Default. Failure to comply with the provisions of this Section prior to the transfer of any interest in Franchisee, the Cafe or this Agreement shall constitute a material event of default under this Agreement.

14.5. Death and Permanent Disability.

(a) Death. Upon the death of Franchisee (if Franchisee is a natural person) or any Controlling Principal who is a natural person (the "Deceased"), the executor, administrator or other personal representative of the Deceased shall transfer such interest to a third party in accordance with the conditions described in this Article within twelve (12) months after the death. If no personal representative is designated or appointed or no probate proceedings are instituted with respect to the estate of the Deceased, then the distributee of such interest must be approved by Franchisor. If the distributee is not approved by Franchisor, then the distributee shall transfer such interest to a third party approved by Franchisor within twelve (12) months after the death of the Deceased.

(b) Permanent Disability. Upon the permanent disability of Franchisee (if Franchisee is a natural person) or any Controlling Principal who is a natural person, Franchisor may, in its sole discretion, require such interest to be transferred to a third party in accordance with the conditions described in this Article within six (6) months after notice to Franchisee. "Permanent disability" shall mean any physical, emotional or mental injury, illness or incapacity that would prevent a person from performing the obligations set forth in this Agreement or in the Controlling Principals Guaranty and Covenant attached as Attachment A to this Agreement for at least ninety (90) consecutive days and from which condition recovery within ninety (90) days from the date of determination of disability is unlikely. Permanent disability shall be determined by a licensed practicing physician selected by Franchisor, upon examination of the person; or if the person refuses to submit to an examination, then such person automatically shall be deemed permanently disabled as of the date of such refusal for the purpose of this Section. The costs of any examination required by this Section shall be paid by Franchisor.

(c) Notice. Upon the death or claim of permanent disability of Franchisee or any Controlling Principal, Franchisee or a representative of Franchisee must notify Franchisor of such death or claim of permanent disability within five (5) days of its occurrence. Any transfer upon death or permanent disability shall be subject to the same terms and conditions as described in this Article for any inter vivos transfer. If an interest is not transferred upon death or permanent disability as required in this Section, then such failure shall constitute a material event of default under this Agreement.

14.6. No Release or Waiver. Franchisor's consent to a transfer of any interest described herein shall not constitute a release under this Agreement of the transferring party, nor a waiver of any claims that Franchisor may have against the transferring party, nor shall it be deemed a waiver of Franchisor's right to demand exact compliance with any of the terms of this Agreement by the transferee.

14.7. Public Offering. Securities in Franchisee may be offered to the public (a "public offering") only with the prior written consent of Franchisor, which consent may be withheld in its sole discretion. As a condition of its consent to such offering, Franchisor may, in its sole discretion, require that immediately after such offering that the Controlling Principals retain a controlling interest in Franchisee. For the purpose of this Agreement, "controlling interest" shall mean that the Controlling Principals, either individually or cumulatively, are entitled, under the entity's organizational documents to cast a sufficient number of votes to require such entity to take or omit to take any action that such entity is required to take or omit to take under this Agreement.

14.8. Review of Offering Materials. All materials required for a public offering by federal or state law shall be submitted to Franchisor for a limited review as discussed below prior to being filed with any governmental agency; and any materials (including any private placement memoranda) to be used in any exempt offering or private placement shall be submitted to Franchisor for such review prior to their use. No Franchisee offering (public or private) shall imply (by use of the Marks or otherwise) that Franchisor is participating in an underwriting, issuance or offering of securities of Franchisee or Franchisor, and Franchisor's review of any offering materials shall be limited solely to the subject of the relationship between Franchisee and Franchisor and its affiliates. Franchisor may, at its option, require Franchisee's offering materials to contain a written statement prescribed by Franchisor concerning the limitations described in the preceding sentence. Franchisee, its Controlling Principals and the other participants in the offering must fully indemnify Franchisor and its affiliates, and the officers, directors, shareholders, partners, agents, representatives, independent contractors, servants and employees of each of them, in connection with the offering. For each proposed public or private offering, Franchisee shall pay to Franchisor a non-refundable fee of Ten Thousand Dollars (\$10,000), or such greater amount as is necessary to reimburse Franchisor for its reasonable costs and expenses associated with reviewing the proposed offering, including, without limitation, legal and accounting fees. Franchisee shall give Franchisor written notice at least thirty (30) days prior to the date of commencement of any offering or other transaction covered by this Section.

14.9. Transfers by Franchisee's Principals. If any person holding an interest in Franchisee, this Agreement or the Cafe (other than Franchisee or a Controlling Principal, which parties shall be subject to the provisions set forth above) transfers such interest, then Franchisee shall promptly notify Franchisor of such proposed transfer in writing and shall provide such information relative thereto as Franchisor may reasonably request prior to such transfer. Such transferee may not be a competitor of Franchisor. Such transferee will be a Franchisee's Principal and as such will have to execute a confidentiality agreement and ancillary covenants not to compete in the form then required by Franchisor, which form shall be in substantially the form attached hereto as Attachment C (see Sections 10.2(b) and 10.3(g)). Franchisor also reserves the right to designate the transferee as one of the Controlling Principals.

ARTICLE XV. RELATIONSHIP OF THE PARTIES AND INDEMNIFICATION

15.1. Relationship. The parties acknowledge and agree that this Agreement does not create a fiduciary relationship between them, that Franchisee shall be an independent contractor, and that nothing in this Agreement is intended to constitute either party an agent, legal representative, subsidiary, joint venturer, partner, employee, joint employer or servant of the other for any purpose.

15.2. Notice to Public. Franchisee shall hold itself out to the public as an independent contractor conducting its Cafe operations pursuant to the rights granted by Franchisor. Franchisee agrees to take such action as shall be necessary to that end, including, without limitation, exhibiting a notice of that fact in a conspicuous place on the Cafe premises established for the purposes hereunder or on any catering or delivery vehicle and on all letterhead, business cards, forms, and as further described in the Manuals. Franchisor reserves the right to specify in writing the content and form of such notice.

15.3. No Authority. Franchisee understands and agrees that nothing in this Agreement authorizes Franchisee or any of the Controlling Principals to make any contract, agreement, warranty or representation on Franchisor's behalf, or to incur any debt or other obligation in Franchisor's name, and that Franchisor shall in no event assume liability for, or be deemed liable under this Agreement as a result of, any such action, or for any act or omission of Franchisee or any of the Controlling Principals or any claim or judgment arising therefrom.

15.4. Employment Policies. Franchisor does not exercise any direction or control over the employment policies or employment decisions of Franchisee. All employees of Franchisee are solely employees of Franchisee, not Franchisor. Franchisee is not Franchisor's agent for any purpose in regard to Franchisee's employees or otherwise.

15.5. INDEMNIFICATION. FRANCHISEE SHALL AND HEREBY DOES INDEMNIFY AND SHALL DEFEND AT ITS OWN COST AND SAVE HARMLESS FRANCHISOR, NESTLE, THEIR AFFILIATES, THEIR OFFICERS AND EMPLOYEES, AND THEIR RESPECTIVE SUCCESSORS AND ASSIGNS, FROM AND AGAINST ALL LOSSES, COSTS, LIABILITIES, DAMAGES, CLAIMS AND EXPENSES, OF EVERY KIND AND DESCRIPTION, HOWEVER CAUSED, INCLUDING ALLEGATIONS OF NEGLIGENCE BY FRANCHISOR OR NESTLE, OR THEIR EMPLOYEES AND AGENTS, WHETHER SUCH NEGLIGENCE BE SOLE, JOINT OR CONCURRENT, OR ACTIVE OR PASSIVE, AND INCLUDING REASONABLE ATTORNEYS' FEES, DIRECTLY OR INDIRECTLY ARISING OUT OF OR RESULTING FROM THE CONSTRUCTION, OPERATION, ALTERATION, REPAIR OR USE OF THE FRANCHISED BUSINESS OR THE CAFÉ PREMISES, INCLUDING THE SALE OF ANY FOOD OR BEVERAGE PRODUCTS, SERVICE OR MERCHANDISE BY THE FRANCHISED BUSINESS OR THE OPERATION OF ANY MOTOR VEHICLE, OR OF ANY OTHER BUSINESS CONDUCTED ON OR IN CONNECTION WITH THE FRANCHISED BUSINESS BY THE FRANCHISEE, OR BECAUSE OF ANY ACT OR OMISSION OF THE FRANCHISEE OR ANYONE ASSOCIATED WITH, EMPLOYED BY, OR AFFILIATED WITH FRANCHISEE. FRANCHISEE SHALL PROMPTLY GIVE WRITTEN NOTICE TO FRANCHISOR OF ANY ACTION, SUIT, PROCEEDING, CLAIM, DEMAND, INQUIRY, OR INVESTIGATION RELATED TO THE FOREGOING. FRANCHISOR SHALL IN ANY EVENT HAVE THE RIGHT, THROUGH COUNSEL OF ITS CHOICE AT FRANCHISEE'S EXPENSE, TO CONTROL THE DEFENSE OR RESPONSE TO ANY SUCH ACTION IF IT COULD AFFECT THE INTERESTS OF FRANCHISOR, AND SUCH UNDERTAKING BY FRANCHISOR SHALL NOT, IN ANY MANNER OR FORM, DIMINISH FRANCHISEE'S OBLIGATIONS TO FRANCHISOR HEREUNDER. UNDER NO CIRCUMSTANCES SHALL FRANCHISOR BE REQUIRED OR OBLIGATED TO SEEK RECOVERY FROM THIRD PARTIES OR OTHERWISE MITIGATE ITS LOSSES IN ORDER TO MAINTAIN A CLAIM UNDER THIS INDEMNIFICATION AND AGAINST FRANCHISEE, AND THE FAILURE OF FRANCHISOR TO PURSUE SUCH RECOVERY OR MITIGATE LOSS WILL IN NO WAY REDUCE THE AMOUNTS RECOVERABLE BY FRANCHISOR FROM FRANCHISEE. FRANCHISEE ACKNOWLEDGES THAT THIS SECTION CLEARLY AND UNEQUIVOCALLY MEETS THE REQUIREMENTS OF THE EXPRESS NEGLIGENCE RULE OF THE TEXAS SUPREME COURT AND IRREVOCABLY WAIVES ANY CLAIM TO THE CONTRARY. THE OBLIGATIONS OF FRANCHISEE UNDER THIS SECTION SHALL SURVIVE THE

TERMINATION, EXPIRATION OR TRANSFER OF THIS AGREEMENT, OR ANY INTEREST HEREIN.

ARTICLE XVI. DEFAULT AND TERMINATION

16.1. Default and Automatic Termination. Franchisee shall be deemed to be in material default under this Agreement, and all rights granted herein shall automatically terminate without notice to Franchisee, if Franchisee shall become insolvent or makes a general assignment for the benefit of creditors; or if Franchisee files a voluntary petition under any section or chapter of federal bankruptcy law or under any similar law or statute of the United States or any state thereof, or admits in writing its inability to pay its debts when due; or if Franchisee is adjudicated a bankrupt or insolvent in proceedings filed against Franchisee under any section or chapter of federal bankruptcy laws or under any similar law or statute of the United States or any state; or if a bill in equity or other proceeding for the appointment of a receiver of Franchisee or other custodian for Franchisee's business or assets is filed and consented to by Franchisee; or if a receiver or other custodian (permanent or temporary) of Franchisee's assets or property, or any part thereof, is appointed by any court of competent jurisdiction; or if proceedings for a composition with creditors under any state or federal law should be instituted by or against Franchisee; or if a final judgment remains unsatisfied or of record for thirty (30) days or longer (unless supersedeas bond is filed); or if Franchisee is dissolved; or if execution is levied against Franchisee's business or property; or if suit to foreclose any lien or mortgage against the Cafe premises or equipment is instituted against Franchisee and not dismissed within thirty (30) days; or if the real or personal property of Franchisee's Cafe shall be sold after levy thereupon by any sheriff, marshal or constable.

16.2. Default with No or Limited Right to Cure. Franchisee shall be deemed to be in material default and Franchisor may, at its option, terminate this Agreement and all rights granted hereunder, without affording Franchisee any opportunity to cure the default, effective immediately upon notice to Franchisee, upon the occurrence of any of the following events.

(a) Unauthorized Location. If Franchisee operates the Cafe or sells any products or services authorized by Franchisor for sale at the Cafe at a location, which has not been approved by Franchisor.

(b) Failure to Acquire Location. If Franchisee fails to acquire a Location for the Cafe within the time and in the manner specified in Article II.

(c) Failure to Construct. If Franchisee fails to construct or remodel the Cafe in accordance with the plans and specifications provided to Franchisee under Section 5.1(c) as such plans may be adapted with Franchisor's approval in accordance with Section 2.5.

(d) Failure to Open. If Franchisee fails to open the Cafe for business within the period specified in Section 2.6.

(e) Cease to Operate. If Franchisee at any time ceases to operate or otherwise abandons the Cafe, or loses the right to possession of the premises, or otherwise forfeits the right to do or transact business in the jurisdiction where the Cafe is located; provided, however, that this provision shall not apply in cases of Force Majeure (acts of God, strikes, lockouts or other industrial disturbances, war, riot, epidemic, fire or other catastrophe or other forces beyond Franchisee's control), if through no fault of Franchisee, the premises are damaged or destroyed by an event as described above, provided that Franchisee applies within thirty (30) days after such event, for Franchisor's approval to relocate or reconstruct the premises (which approval shall not be unreasonably withheld) and Franchisee diligently pursues such reconstruction or relocation.

(f) Conviction. If Franchisee or any of the Controlling Principals is convicted of, or has entered a plea of nolo contendere to, a felony or indictable offense, a crime involving moral turpitude, or any other crime or offense that Franchisor believes is reasonably likely to have an adverse effect on the System, the Marks, the goodwill associated therewith, or Franchisor's interests therein.

(g) Threat to Public Health. If a threat or danger to public health or safety results from the construction, maintenance or operation of the Café.

(h) Failure to Maintain Operating Principal or General Manager. If Franchisee fails to designate a qualified replacement or successor Operating Principal (or his designee, as applicable) or General Manager within the time required under Section 6.3(e) and 6.4(c), respectively.

(i) Transfer Without Consent. If Franchisee or any of the Controlling Principals purports to transfer any rights or obligations under this Agreement or any interest in Franchisee or the Cafe to any third party without Franchisor's prior written consent or without offering Franchisor a right of first refusal with respect to such transfer, contrary to the terms of Article XIV.

(j) Monetary Default. If Franchisee or any of its affiliates fails, refuses, or neglects promptly to pay when due any monetary obligation owing to Franchisor, or any of its affiliates or vendors, under this Agreement or any other agreement, or to submit the financial or other information required by Franchisor under this Agreement and does not cure such default within five (5) days following notice from Franchisor (or such other cure period specified in such other agreement, unless no cure period is stated or such period is less than five (5) days, in which case the five (5) day cure period shall apply).

(k) Noncompetition. If Franchisee or any of the Controlling Principals fails to comply with the in-term covenants in Section 10.3 or Franchisee fails to obtain execution of the covenants and related agreements required under Section 10.3(g) within thirty (30) days after being requested to do so by Franchisor.

(l) Confidential Information. If, contrary to the terms of Section 10.2(a), Franchisee or any of the Controlling Principals discloses or divulges any Confidential Information provided to Franchisee or the Controlling Principals by Franchisor, or fails to obtain execution of covenants and related agreements required under Section 10.2(b) within thirty (30) days after being requested to do so by Franchisor.

(m) Transfer Upon Death or Disability. If an approved transfer upon death or permanent disability of Franchisee or any Controlling Principal is not effected within the time period and in the manner prescribed by Section 14.5.

(n) False Books. If Franchisee knowingly maintains false books or records, or submits any false reports to Franchisor.

(o) Breach of Certain Covenants. If Franchisee or any of the Controlling Principals breaches in any material respect any of the covenants set forth in Section 6.2 or has falsely made any of the representations or warranties set forth in Section 6.2.

(p) Failure to Maintain Insurance. If Franchisee fails to procure and maintain such insurance policies as required by Article XII and Franchisee fails to cure such default within seven (7) days following notice from Franchisor.

(q) Fraud or Conduct Affecting the Marks. If Franchisee or any of the Controlling Principals commits fraud in connection with the purchase or operation of the Café or otherwise engages in conduct that, in the sole judgment of Franchisor, materially impairs the goodwill association with the Marks.

(r) Misuse of Marks. If Franchisee misuses or makes any unauthorized use of the Marks, fails to follow Franchisor's directions and guidelines concerning use of the Marks, or otherwise materially impairs the goodwill associated therewith or with the System or Franchisor's rights therein; and does not cure such default within twenty-four (24) hours following notice from Franchisor.

(s) Default Under Lease. If Franchisee fails to comply with any of the requirements imposed by the lease for the Café premises or the related collateral assignment of lease in favor of Franchisor, and does not cure such default within the cure period, if any, specified in the lease or assignment.

(t) Cross Default. If Franchisee or any of its affiliates are in default under any Franchise Agreement with Franchisor or any of its affiliates and does not cure such default within the time period provided in such Franchise Agreement.

(u) Contact with Nestle. If Franchisee or any of Franchisee's Principals or Franchisee's employees contact Nestle without written permission from Franchisor.

(v) Multiple Defaults. If Franchisee and/or the Controlling Principals commit three (3) or more events of default under this Agreement in any 24 month period, whether or not such defaults are of the same or different nature and whether or not such defaults have been cured by Franchisee after notice by Franchisor.

16.3. Default and Right to Cure. Except as provided in Sections 16.1 and 16.2 of this Agreement, upon any default by Franchisee that is susceptible of being cured, Franchisor may terminate this Agreement by giving written notice of termination stating the nature of such default to Franchisee at least thirty (30) days prior to the effective date of termination. However, Franchisee may avoid termination by immediately initiating a remedy to cure such default and curing it to Franchisor's satisfaction within the thirty (30)-day period and by promptly providing proof thereof to Franchisor. If any such default is not cured within the specified time, or such longer period as applicable law may require, this Agreement shall terminate without further notice to Franchisee effective immediately upon the expiration of the thirty (30)-day period or such longer period as applicable law may require. Defaults that are susceptible of cure hereunder may include, but are not limited to, the following illustrative events:

(a) If Franchisee fails to comply with any of the requirements imposed by this Agreement, as it may from time to time be amended or reasonably be supplemented by Franchisor, or fails to carry out the terms of this Agreement in good faith.

(b) If Franchisee fails to maintain or observe any of the standards, specifications or procedures prescribed by Franchisor in this Agreement or otherwise in writing.

(c) If Franchisee fails, refuses, or neglects to obtain Franchisor's prior written approval or consent as required by this Agreement.

16.4. Additional Remedies. If Franchisee is in default of this Agreement, Franchisor may, in addition to any other remedies it may have, suspend Franchisee's participation in any advertising or other

program Franchisor offers, including any web page for the Café maintained on Franchisor's web site, for so long as Franchisee remains in default.

ARTICLE XVII. POST-TERMINATION

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

17.1. Cease Operation. Franchisee shall immediately cease to operate the Cafe under this Agreement, and shall not thereafter, directly or indirectly, represent to the public or hold itself out as a present or former franchisee of Franchisor.

17.2. Cease Use of Marks. Franchisee shall immediately and permanently cease to use, in any manner whatsoever, any confidential methods, computer software, procedures, and techniques associated with the System; the marks "Nestle Toll House," "Cafe by Chip" or "Brick House Subs"; and all other Marks and distinctive forms, slogans, signs, symbols, and devices associated with the System. In particular, Franchisee shall cease to use, without limitation, all signs, advertising materials, displays, stationery, forms and any other articles, which display the Marks.

17.3. Cancel Assumed Names. Franchisee shall take such action as may be necessary to cancel any assumed name or equivalent registration that contains the mark "Nestle Toll House," "Cafe by Chip" or "Brick House Subs" or any other service mark or trademark of Franchisor, and Franchisee shall furnish Franchisor with evidence satisfactory to Franchisor of compliance with this obligation within five (5) days after termination or expiration of this Agreement.

17.4. No Imitation. Franchisee agrees, if it continues to operate or subsequently begins to operate any other business, not to use any reproduction, counterfeit, copy or colorable imitation of the Marks, either in connection with such other business or the promotion thereof, that is likely to cause confusion, mistake, or deception, or that is likely to dilute Franchisor's rights in and to the Marks, and further agrees not to utilize any designation of origin or description or representation that falsely suggests or represents an association or connection with Franchisor constituting unfair competition.

17.5. Payment of Monetary Obligations. Franchisee and its Controlling Principals shall promptly pay all sums owing to Franchisor and its affiliates. Such sums shall include all damages, costs and expenses, including reasonable attorneys' fees, incurred by Franchisor as a result of any default by Franchisee, which obligation shall give rise to and remain, until paid in full, a lien in favor of Franchisor against any and all of the personal property, furnishings, equipment, fixtures, and inventory owned by Franchisee and on the premises operated hereunder at the time of default.

17.6. Payment of Damages. Franchisee and the Controlling Principals shall pay to Franchisor all damages, costs and expenses, including reasonable attorneys' fees, incurred by Franchisor in connection with obtaining any remedy available to Franchisor for any violation of this Agreement and, subsequent to the termination or expiration of this Agreement, in obtaining injunctive or other relief for the enforcement of any provisions of this Article.

17.7. Return of Manuals. Franchisee shall immediately deliver to Franchisor all Manuals, records, files, instructions, correspondence, all materials related to operating the Cafe, including, without limitation, agreements, invoices, and any and all other materials relating to the operation of the Cafe in Franchisee's possession or control, and all copies thereof (all of which are acknowledged to be Franchisor's property), and shall retain no copy or record of any of the foregoing, except Franchisee's

copy of this Agreement and of any correspondence between the parties and any other documents that Franchisee reasonably needs for compliance with any provision of law.

17.8. Confidentiality and Noncompetition. Franchisee and the Controlling Principals shall comply with the restrictions on Confidential Information contained in Article X and shall also comply with the non-competition covenants contained in Article X. Any other person required to execute similar covenants pursuant to Article X shall also comply with such covenants.

17.9. Advertising Materials. Franchisee shall also immediately furnish Franchisor an itemized list of all advertising and sales promotion materials bearing the Marks or any of Franchisor's distinctive markings, designs, labels, or other marks thereon, whether located on Franchisee's premises or under Franchisee's control at any other location. Franchisor shall have the right to inspect these materials. Franchisor shall have the option, exercisable within thirty (30) days after such inspection, to purchase any or all of the materials at Franchisee's cost, or to require Franchisee to destroy and properly dispose of such materials. Materials not purchased by Franchisor shall not be utilized by Franchisee or any other party for any purpose unless authorized in writing by Franchisor.

17.10. Signs and Menu Boards. Upon execution of this Agreement, in partial consideration of the rights granted hereunder, Franchisee acknowledges and agrees that all right, title and interest in the signs and menu boards used at the Cafe are hereby assigned to Franchisor, and that upon termination or expiration of this Agreement, neither Franchisee nor any lien holder of Franchisee shall have any further interest therein.

17.11. Assignment of Leases. If Franchisee operates the Cafe under a lease for the Cafe premises with a third party or, with respect to any lease for equipment used in the operation of the franchised business, then, Franchisee shall, at Franchisor's option, assign to Franchisor any interest that Franchisee has in any lease for the premises of the Cafe or any equipment related thereto. Franchisor may exercise such option at or within thirty (30) days after either termination or (subject to any existing right to renew) expiration of this Agreement.

17.12. Right to Purchase.

(a) Personal Property. Except as provided in Section 17.9, 17.10 and 17.11, Franchisor shall have the option, to be exercised within thirty (30) days after termination or expiration of this Agreement, to purchase from Franchisee any or all of the furnishings, equipment (including any point of sale system, credit/debit card processing system or computer system), signs, fixtures, motor vehicles, supplies, and inventory of Franchisee related to the operation of the Cafe, at Franchisee's cost or fair market value, whichever is less. Franchisor shall be purchasing Franchisee's assets free and clear of any liens, charges, encumbrances or security interests and shall be assuming no liabilities whatsoever, unless otherwise agreed to in writing by the parties. If the parties cannot agree on the fair market value within thirty (30) days of Franchisor's exercise of its option, fair market value shall be determined by two (2) appraisers, with each party selecting one (1) appraiser, and the average of their determinations shall be binding. In the event of such appraisal, each party shall bear its own legal and other costs and shall split the appraisal fees equally. If Franchisor elects to exercise any option to purchase herein provided, it shall have the right to set off (i) all fees for any such independent appraiser due from Franchisee, (ii) all amounts due from Franchisee to Franchisor or any of its affiliates and (iii) any costs incurred in connection with any escrow arrangement (including reasonable legal fees), against any payment therefor and shall pay the remaining amount in cash.

(b) Real Property. In addition to the options described above and if Franchisee owns the Cafe premises, then, Franchisor shall have the option, to be exercised at or within thirty (30) days

after termination or expiration of this Agreement, to purchase the Cafe premises including any building thereon, if applicable, for the fair market value of the land and building. Franchisor shall purchase assets free and clear of any liens, charges, encumbrances or security interests and shall assume no liabilities whatsoever, unless otherwise agreed to in writing by the parties. If Franchisee does not own the land on which the Cafe is operated and Franchisor exercises its option for an assignment of the lease, Franchisor may exercise this option for the purpose of purchasing the building if owned by Franchisee and related assets as described above. If the parties cannot agree on fair market value within thirty (30) days of Franchisor's exercise of its option, fair market value shall be determined in accordance with appraisal procedure described above.

(c) Assignments. With respect to the options described in Sections 17.11 and 17.12(a) and (b), Franchisee shall deliver to Franchisor in a form satisfactory to Franchisor, such warranties, deeds, releases of lien, bills of sale, assignments and such other documents and instruments that Franchisor deems necessary in order to perfect Franchisor's title and possession in and to the properties being purchased or assigned and to meet the requirements of all tax and government authorities. If, at the time of closing, Franchisee has not obtained all of these certificates and other documents, Franchisor may, in its sole discretion, place the purchase price in escrow pending issuance of any required certificates or documents.

17.13. Closing of Purchase. The time for closing of the purchase and sale of the properties described in Section 17.12(a) and (b) shall be a date not later than thirty (30) days after the purchase price is determined by the parties or the determination of the appraisers, or such date Franchisor receives and obtains all necessary permits and approvals, whichever is later, unless the parties mutually agree to designate another date. The time for closing on the assignment of the lease described in Section 17.11 shall be a date no later than ten (10) days after Franchisor's exercise of its option thereunder unless Franchisor is exercising its options under either Section 17.12(a) or (b), in which case the date of the closing shall be on the same closing date prescribed for such option. Closing shall take place at Franchisor's corporate offices or at such other location as the parties may agree.

17.14. Assignment of Options. Franchisor shall be entitled to assign any and all of its options in this Section to any other party, without the consent of Franchisee.

17.15. Assignment of Telephone Numbers. Franchisee, at the option of Franchisor, shall assign to Franchisor all rights to the telephone numbers of the Cafe and any related Yellow Pages trademark listing or other business listings and execute all forms and documents required by Franchisor and any telephone company at any time to transfer such service and numbers to Franchisor. Further, Franchisee shall assign to Franchisor all Internet listings, domain names, Internet Accounts, advertising on the Internet or World Wide Web, websites, listings with search engines, electronic mail addresses or any other similar listing or usage related to the franchised business. Notwithstanding any forms and documents that may have been executed by Franchisee under Section 6.9, Franchisee hereby appoints Franchisor its true and lawful agent and attorney-in-fact with full power and authority, for the sole purpose of taking such action as is necessary to complete such assignment. This power of attorney shall survive the expiration or termination of this Agreement. Franchisee shall thereafter use different telephone numbers, electronic mail addresses or other listings or usages at or in connection with any subsequent business conducted by Franchisee.

17.16. Alterations to the Café Premises. If Franchisor does not elect to exercise its option to acquire the lease for the Cafe premises or to purchase the Café premises, Franchisee shall make such modifications or alterations to the Cafe premises as are necessary to distinguish the appearance of the Cafe from that of other cafes operating under the System and shall make such specific additional changes as Franchisor may reasonably request. If Franchisee fails or refuses to comply with the requirements of

this Section, Franchisor shall have the right to enter upon the premises of the franchised business, without being guilty of trespass or any other crime or tort, to make or cause to be made such changes as may be required, at the expense of Franchisee, which expense Franchisee agrees to pay upon demand.

ARTICLE XVIII. MISCELLANEOUS

18.1. Notices. Any and all notices required or permitted under this Agreement shall be in writing and shall be personally delivered or sent by expedited delivery service or certified or registered mail, return receipt requested, first-class postage prepaid, or sent by prepaid facsimile or electronic mail (provided that the sender confirms the facsimile or electronic mail by sending an original confirmation copy by certified or registered mail or expedited delivery service within three (3) business days after transmission) to the respective parties at the following address for Franchisor and at the address set forth on the cover page of this Agreement for Franchisee and Controlling Principals unless and until a different address has been designated by written notice to the other party:

Notices to Franchisor:	Crest Foods, Inc. 101 West Renner Road Suite 240 Richardson, Texas 75082 Attention: President Facsimile: (214) 239-3091 Email: president@nestlecafe.com
------------------------	---

Any notice shall be deemed to have been given at the time of personal delivery or, in the case of facsimile or electronic mail, upon transmission (provided confirmation is sent as described above) or, in the case of expedited delivery service or registered or certified mail, three (3) business days after the date and time of mailing.

18.2. Entire Agreement. This Agreement, the documents referred to herein, and the Attachments hereto, constitute the entire, full and complete agreement between Franchisor and Franchisee and the Controlling Principals concerning the subject matter hereof and shall supersede all prior related agreements, representations, understandings, negotiations and discussions, whether oral or written, of Franchisor, Franchisee and the Controlling Principals. Notwithstanding the foregoing, nothing in this Agreement, the documents referred to herein or the Attachments hereto is intended to disclaim the representations made by Franchisor in the Franchise Disclosure Document provided to Franchisee in connection with this Agreement.

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

18.4. No Waiver. No delay, waiver, omission or forbearance on the part of Franchisor to exercise any right, option, duty or power arising out of any breach or default by Franchisee or the Controlling Principals under this Agreement shall constitute a waiver by Franchisor to enforce any such right, option, duty or power against Franchisee or the Controlling Principals, or as to a subsequent breach or default by Franchisee or the Controlling Principals. Acceptance by Franchisor of any payments due to it hereunder subsequent to the time at which such payments are due shall not be deemed to be a waiver by Franchisor of any preceding breach by Franchisee or the Controlling Principals of any terms, provisions, covenants or conditions of this Agreement.

18.5. Approvals or Consents. Whenever this Agreement requires the prior approval or consent of Franchisor, Franchisee shall make a timely written request to Franchisor, and such approval or consent shall be obtained in writing.

18.6. No Warranties. Franchisor makes no warranties or guarantees upon which Franchisee may rely and assumes no liability or obligation to Franchisee or any third party to which it would not otherwise be subject, by providing any waiver, approval, advice, consent or suggestion to Franchisee in connection with this Agreement, or by reason of any neglect, delay or denial of any request therefor.

18.7. Force Majeure. If a Force Majeure event shall occur, then Franchisee shall continue to be obligated to pay to Franchisor any and all amounts that it shall have duly become obligated to pay in accordance with the terms of this Agreement prior to the occurrence of any Force Majeure event and the Indemnitees shall continue to be indemnified and held harmless by Franchisee in accordance with Article XV. Except as provided in Section 16.2(e) and the immediately preceding sentence herein, none of the parties hereto shall be held liable for a failure to comply with any terms and conditions of this Agreement when such failure is caused by an event of Force Majeure. Upon the occurrence of any event of the type referred to herein, the party affected thereby shall give prompt notice thereof to the other parties, together with a description of the event, the duration for which the party expects its ability to comply with the provisions of this Agreement to be affected thereby and a plan for resuming operation under this Agreement, which the party shall promptly undertake and maintain with due diligence. Such affected party shall be liable for failure to give timely notice only to the extent of damage actually caused.

18.8. MEDIATION. THE PARTIES AGREE TO SUBMIT ANY CLAIM, CONTROVERSY OR DISPUTE ARISING OUT OF OR RELATING TO THIS AGREEMENT (AND ATTACHMENTS) OR THE RELATIONSHIP CREATED BY THIS AGREEMENT TO NON-BINDING MEDIATION PRIOR TO BRINGING SUCH CLAIM, CONTROVERSY OR DISPUTE IN A COURT OR BEFORE ANY OTHER TRIBUNAL. THE MEDIATION SHALL BE CONDUCTED THROUGH EITHER AN INDIVIDUAL MEDIATOR OR A MEDIATOR APPOINTED BY A MEDIATION SERVICES ORGANIZATION OR BODY, EXPERIENCED IN THE MEDIATION OF DISPUTES BETWEEN FRANCHISORS AND FRANCHISEES, AGREED UPON BY THE PARTIES AND, FAILING SUCH AGREEMENT WITHIN A REASONABLE PERIOD OF TIME AFTER EITHER PARTY HAS NOTIFIED THE OTHER OF ITS DESIRE TO SEEK MEDIATION OF ANY CLAIM, CONTROVERSY OR DISPUTE (NOT TO EXCEED FIFTEEN (15) DAYS), BY THE AMERICAN ARBITRATION ASSOCIATION IN ACCORDANCE WITH ITS RULES GOVERNING MEDIATION, AT FRANCHISOR'S CORPORATE HEADQUARTERS IN DALLAS, TEXAS. THE COSTS AND EXPENSES OF MEDIATION, INCLUDING COMPENSATION AND EXPENSES OF THE MEDIATOR (AND EXCEPT FOR THE ATTORNEYS FEES INCURRED BY EITHER PARTY), SHALL BE BORNE BY THE PARTIES EQUALLY. IF THE PARTIES ARE UNABLE TO RESOLVE THE CLAIM, CONTROVERSY OR DISPUTE WITHIN NINETY (90) DAYS AFTER THE MEDIATOR HAS BEEN CHOSEN, THEN THE MATTER SHALL BE SUBMITTED TO ARBITRATION IN ACCORDANCE WITH SECTION 18.9 TO RESOLVE SUCH CLAIM, CONTROVERSY OR DISPUTE UNLESS SUCH TIME PERIOD IS EXTENDED BY WRITTEN AGREEMENT OF THE PARTIES. NOTWITHSTANDING THE FOREGOING, FRANCHISOR MAY BRING AN ACTION (1) FOR MONIES OWED, (2) FOR INJUNCTIVE OR OTHER EXTRAORDINARY RELIEF, OR (3) INVOLVING THE POSSESSION OR DISPOSITION OF, OR OTHER RELIEF RELATING TO, REAL PROPERTY IN A COURT HAVING JURISDICTION AND IN ACCORDANCE WITH SECTION 18.10, WITHOUT FIRST SUBMITTING SUCH ACTION TO MEDIATION OR ARBITRATION.

18.9. ARBITRATION.

(a) PROCEDURE. EXCEPT AS PROVIDED IN THIS AGREEMENT, FRANCHISOR, FRANCHISEE AND THE CONTROLLING PRINCIPALS AGREE THAT ANY CLAIM, CONTROVERSY OR DISPUTE ARISING OUT OF OR RELATING TO THE FRANCHISE, FRANCHISEE'S ESTABLISHMENT OR OPERATION OF ANY CAFE UNDER THIS AGREEMENT (AND ANY AMENDMENTS THERETO) INCLUDING, BUT NOT LIMITED TO, ANY CLAIM BY FRANCHISEE, OR ANY OF THE CONTROLLING PRINCIPALS, OR PERSONS CLAIMING ON BEHALF OF FRANCHISEE OR THE CONTROLLING PRINCIPALS, CONCERNING THE ENTRY INTO, THE PERFORMANCE UNDER OR THE TERMINATION OF THIS AGREEMENT, OR ANY OTHER AGREEMENT BETWEEN FRANCHISOR, OR ITS AFFILIATES, AND FRANCHISEE, ANY CLAIM AGAINST A PAST OR PRESENT OFFICER, DIRECTOR, EMPLOYEE OR AGENT OF FRANCHISOR, INCLUDING THOSE OCCURRING SUBSEQUENT TO THE TERMINATION OF THIS AGREEMENT, THAT CANNOT BE AMICABLY SETTLED AMONG THE PARTIES OR THROUGH MEDIATION SHALL, EXCEPT AS SPECIFICALLY SET FORTH HEREIN AND IN SECTION 18.10, BE REFERRED TO ARBITRATION. THE ARBITRATION SHALL BE CONDUCTED THROUGH AN ORGANIZATION OR BODY EXPERIENCED IN THE ARBITRATION OF DISPUTES BETWEEN FRANCHISORS AND FRANCHISEES DESIGNATED BY FRANCHISOR. IF FRANCHISOR FAILS TO DESIGNATE AN ORGANIZATION OR BODY WITHIN A REASONABLE TIME AFTER THE DISPUTE HAS BEEN REFERRED FOR ARBITRATION (NOT TO EXCEED FIFTEEN (15) DAYS), ARBITRATION SHALL BE CONDUCTED BY THE AMERICAN ARBITRATION ASSOCIATION IN ACCORDANCE WITH THE RULES OF THE AMERICAN ARBITRATION ASSOCIATION, AS AMENDED, EXCEPT THAT THE ARBITRATOR SHALL APPLY THE FEDERAL RULES OF EVIDENCE DURING THE CONDUCT OF THE HEARING SESSIONS WITH RESPECT TO THE ADMISSIBILITY OF EVIDENCE. IF SUCH RULES ARE IN ANY WAY CONTRARY TO OR IN CONFLICT WITH THIS AGREEMENT, THE TERMS OF THIS AGREEMENT SHALL CONTROL. ONLY CLAIMS, CONTROVERSIES OR DISPUTES INVOLVING FRANCHISEE AND THE CONTROLLING PRINCIPALS MAY BE BROUGHT HEREUNDER. NO CLAIM FOR OR ON BEHALF OF ANY OTHER FRANCHISEE OR SUPPLIER, OR CLASS, REPRESENTATIVE OR ASSOCIATION THEREOF, MAY BE BROUGHT BY FRANCHISEE OR THE CONTROLLING PRINCIPALS HEREUNDER.

(b) ARBITRATOR. THE PARTIES SHALL AGREE ON AN ARBITRATOR WITHIN FIFTEEN (15) DAYS OF THE FILING OF ARBITRATION. IF THE PARTIES CANNOT AGREE ON A SINGLE ARBITRATOR, FRANCHISOR AND FRANCHISEE (OR CONTROLLING PRINCIPAL, AS APPLICABLE) SHALL EACH SELECT ONE ARBITRATOR. IF THE PARTY UPON WHOM THE DEMAND FOR ARBITRATION IS SERVED FAILS TO SELECT AN ARBITRATOR WITHIN FIFTEEN (15) DAYS AFTER THE RECEIPT OF THE DEMAND FOR ARBITRATION, THEN THE ARBITRATOR SO DESIGNATED BY THE PARTY REQUESTING ARBITRATION SHALL ACT AS THE SOLE ARBITRATOR TO RESOLVE THE CONTROVERSY AT HAND. THE TWO ARBITRATORS DESIGNATED BY THE PARTIES SHALL SELECT A THIRD ARBITRATOR. IF THE TWO ARBITRATORS DESIGNATED BY THE PARTIES FAIL TO SELECT A THIRD ARBITRATOR WITHIN FIFTEEN (15) DAYS, THE THIRD ARBITRATOR SHALL BE SELECTED BY THE ORGANIZATION AGREED UPON OR THE AMERICAN ARBITRATION ASSOCIATION OR ANY SUCCESSOR THERETO, UPON APPLICATION BY EITHER PARTY. ALL OF THE ARBITRATORS SHALL BE EXPERIENCED IN THE ARBITRATION OF DISPUTES BETWEEN FRANCHISORS AND FRANCHISEES. THE ARBITRATION SHALL TAKE PLACE AT FRANCHISOR'S CORPORATE OFFICES. THE AWARD OF THE ARBITRATORS SHALL BE FINAL AND JUDGMENT UPON THE AWARD RENDERED IN ARBITRATION MAY BE ENTERED IN ANY COURT HAVING JURISDICTION

THEREOF. THE COSTS AND EXPENSES OF ARBITRATION MAY BE ENTERED IN ANY COURT HAVING JURISDICTION THEREOF. THE ARBITRATORS SHALL BE REQUIRED TO SUBMIT WRITTEN FINDINGS OF FACT AND CONCLUSIONS OF LAW WITHIN THIRTY (30) BUSINESS DAYS FOLLOWING THE FINAL HEARING SESSION OF THE ARBITRATION. THE COSTS AND EXPENSES OF ARBITRATION, INCLUDING COMPENSATION AND EXPENSES OF THE ARBITRATORS, SHALL BE BORNE BY THE PARTIES AS THE ARBITRATORS DETERMINE.

(c) EXCEPTIONS. NOTWITHSTANDING THE ABOVE, THE FOLLOWING SHALL NOT BE SUBJECT TO ARBITRATION:

(i) DISPUTES AND CONTROVERSIES ARISING FROM THE SHERMAN ACT, THE CLAYTON ACT OR ANY OTHER FEDERAL OR STATE ANTITRUST LAW;

(ii) DISPUTES AND CONTROVERSIES BASED UPON OR ARISING UNDER THE LANHAM ACT, AS NOW OR HEREAFTER AMENDED, RELATING TO THE OWNERSHIP OR VALIDITY OF THE MARKS; AND

(iii) DISPUTES AND CONTROVERSIES RELATING TO ACTIONS TO OBTAIN POSSESSION OF THE PREMISES OF THE CAFE UNDER LEASE OR SUBLEASE.

(d) SPECIFIC PERFORMANCE. IF FRANCHISOR SHALL DESIRE TO SEEK SPECIFIC PERFORMANCE OR OTHER EXTRAORDINARY RELIEF INCLUDING, BUT NOT LIMITED TO, INJUNCTIVE RELIEF UNDER THIS AGREEMENT, AND ANY AMENDMENTS THERETO, OR TO COLLECT MONIES DUE, THEN ANY SUCH ACTION SHALL NOT BE SUBJECT TO ARBITRATION AND FRANCHISOR SHALL HAVE THE RIGHT TO BRING SUCH ACTION AS DESCRIBED IN SECTION 18.10.

(e) LIMITS ON ARBITRATOR. IN PROCEEDING WITH ARBITRATION AND IN MAKING DETERMINATIONS HEREUNDER, THE ARBITRATORS SHALL NOT EXTEND, MODIFY OR SUSPEND ANY TERMS OF THIS AGREEMENT OR THE REASONABLE STANDARDS OF BUSINESS PERFORMANCE AND OPERATION ESTABLISHED BY FRANCHISOR IN GOOD FAITH. NOTICE OF OR REQUEST TO OR DEMAND FOR ARBITRATION SHALL NOT STAY, POSTPONE OR RESCIND THE EFFECTIVENESS OF ANY TERMINATION OF THIS AGREEMENT. THE ARBITRATORS SHALL APPLY TEXAS LAW AND THE TERMS OF THIS AGREEMENT IN REACHING THEIR DECISION.

18.10. VENUE. WITH RESPECT TO ANY CLAIMS, CONTROVERSIES OR DISPUTES THAT ARE NOT FINALLY RESOLVED THROUGH MEDIATION OR ARBITRATION, OR AS OTHERWISE PROVIDED ABOVE, FRANCHISEE AND THE CONTROLLING PRINCIPALS HEREBY IRREVOCABLY SUBMIT THEMSELVES TO THE SOLE AND EXCLUSIVE JURISDICTION OF THE STATE COURTS OF DALLAS COUNTY, TEXAS AND THE FEDERAL DISTRICT COURT FOR THE NORTHERN DISTRICT OF TEXAS, DALLAS DIVISION. FRANCHISEE AND THE CONTROLLING PRINCIPALS HEREBY WAIVE ALL QUESTIONS OF PERSONAL JURISDICTION FOR THE PURPOSE OF CARRYING OUT THIS PROVISION. FRANCHISEE AND THE CONTROLLING PRINCIPALS HEREBY AGREE THAT SERVICE OF PROCESS MAY BE MADE UPON ANY OF THEM IN ANY PROCEEDING RELATING TO OR ARISING OUT OF THIS AGREEMENT OR THE RELATIONSHIP CREATED BY THIS AGREEMENT BY ANY MEANS ALLOWED BY TEXAS OR FEDERAL LAW. FRANCHISEE AND

THE CONTROLLING PRINCIPALS FURTHER AGREE THAT VENUE FOR ANY PROCEEDING RELATING TO OR ARISING OUT OF THIS AGREEMENT SHALL BE DALLAS COUNTY, TEXAS; PROVIDED, HOWEVER, WITH RESPECT TO ANY ACTION (1) FOR MONIES OWED, (2) FOR INJUNCTIVE OR OTHER EXTRAORDINARY RELIEF OR (3) INVOLVING POSSESSION OR DISPOSITION OF, OR OTHER RELIEF RELATING TO, REAL PROPERTY, FRANCHISOR MAY BRING SUCH ACTION IN ANY STATE OR FEDERAL DISTRICT COURT THAT HAS JURISDICTION. THIS AGREEMENT WAS EXECUTED AND ACCEPTED AT FRANCHISOR'S PLACE OF BUSINESS IN DALLAS COUNTY, TEXAS. THE PARTIES ANTICIPATE THAT THE PERFORMANCE OF CERTAIN OF FRANCHISEE'S OBLIGATIONS ARISING UNDER THIS AGREEMENT, INCLUDING THE PAYMENT OF CERTAIN MONIES DUE FRANCHISOR AND THE SATISFACTION OF CERTAIN TRAINING REQUIREMENTS OF FRANCHISOR, SHALL OCCUR IN DALLAS COUNTY, TEXAS.

18.11. GOVERNING LAW. EXCEPT TO THE EXTENT GOVERNED BY THE UNITED STATES TRADEMARK ACT OF 1946 (LANHAM ACT, 15 U.S.C. §§1051 ET. SEQ.), THIS AGREEMENT SHALL FOR ALL PURPOSES BE GOVERNED BY AND INTERPRETED AND ENFORCED IN ACCORDANCE WITH THE INTERNAL LAWS OF THE STATE OF TEXAS, EXCEPT THAT ITS CHOICE OF LAW AND CONFLICT OF LAW RULES SHALL NOT APPLY. NOTWITHSTANDING THE ABOVE, FRANCHISEE AND THE CONTROLLING PRINCIPALS AGREE THAT THE TEXAS BUSINESS OPPORTUNITY ACT AND THE TEXAS DECEPTIVE TRADE PRACTICE ACT (AND ANY SUCCESSOR LAWS, RULES OR REGULATIONS THERETO) DO NOT APPLY TO THE TRANSACTIONS CONTEMPLATED BY THIS AGREEMENT.

WAIVER OF CONSUMER RIGHTS

I WAIVE MY RIGHTS UNDER THE DECEPTIVE TRADE PRACTICES-CONSUMER PROTECTION ACT, SECTION 17.41 ET SEQ., BUSINESS & COMMERCE CODE, A LAW THAT GIVES CONSUMERS SPECIAL RIGHTS AND PROTECTIONS. AFTER CONSULTATION WITH AN ATTORNEY OF MY OWN SELECTION, I VOLUNTARILY CONSENT TO THIS WAIVER.

18.12. MUTUAL BENEFIT. FRANCHISEE, THE CONTROLLING PRINCIPALS AND FRANCHISOR ACKNOWLEDGE THAT THE PARTIES' AGREEMENT REGARDING APPLICABLE STATE LAW AND FORUM SET FORTH IN SECTIONS 18.10 AND 18.11 PROVIDE EACH OF THE PARTIES WITH THE MUTUAL BENEFIT OF UNIFORM INTERPRETATION OF THIS AGREEMENT AND ANY DISPUTE ARISING OUT OF THIS AGREEMENT OR THE PARTIES' RELATIONSHIP CREATED BY THIS AGREEMENT. EACH OF FRANCHISEE, THE CONTROLLING PRINCIPALS AND FRANCHISOR FURTHER ACKNOWLEDGES THE RECEIPT AND SUFFICIENCY OF MUTUAL CONSIDERATION FOR SUCH BENEFIT AND THAT EACH PARTY'S AGREEMENT REGARDING APPLICABLE STATE LAW AND CHOICE OF FORUM HAVE BEEN NEGOTIATED FOR IN GOOD FAITH AND ARE PART OF THE BENEFIT OF THE BARGAIN REFLECTED BY THIS AGREEMENT.

18.13. DISPUTE RESOLUTION PROGRAM. WITHOUT LIMITING ANY OF THE FOREGOING, FRANCHISOR RESERVES THE RIGHT, AT ANY TIME, TO CREATE A DISPUTE RESOLUTION PROGRAM AND RELATED SPECIFICATIONS, STANDARDS, PROCEDURES AND RULES FOR THE IMPLEMENTATION THEREOF TO BE ADMINISTERED BY FRANCHISOR OR ITS DESIGNEES FOR THE BENEFIT OF ALL FRANCHISEES CONDUCTING BUSINESS UNDER THE SYSTEM. THE STANDARDS, SPECIFICATIONS, PROCEDURES AND RULES FOR SUCH DISPUTE RESOLUTION PROGRAM SHALL BE MADE PART OF THE

MANUALS AND IF MADE PART OF THE MANUALS, ON EITHER A VOLUNTARY OR MANDATORY BASIS, FRANCHISEE SHALL COMPLY WITH ALL SUCH STANDARDS, SPECIFICATIONS, PROCEDURES AND RULES IN SEEKING RESOLUTION OF ANY CLAIMS, CONTROVERSIES OR DISPUTES WITH OR INVOLVING FRANCHISOR OR OTHER FRANCHISEES, IF APPLICABLE UNDER THE PROGRAM. IF SUCH DISPUTE RESOLUTION PROGRAM IS MADE MANDATORY, THEN FRANCHISEE AND FRANCHISOR AGREE TO SUBMIT ANY CLAIMS, CONTROVERSIES OR DISPUTES ARISING OUT OF OR RELATING TO THIS AGREEMENT (AND ATTACHMENTS) OR THE RELATIONSHIP CREATED BY THIS AGREEMENT FOR RESOLUTION IN ACCORDANCE WITH SUCH DISPUTE RESOLUTION PROGRAM PRIOR TO SEEKING RESOLUTION OF SUCH CLAIMS, CONTROVERSIES OR DISPUTES IN THE MANNER DESCRIBED IN SECTIONS 18.8 – 18.10 (PROVIDED THAT THE PROVISIONS OF SECTION 18.10 CONCERNING FRANCHISOR'S RIGHT TO SEEK RELIEF IN A COURT FOR CERTAIN ACTIONS INCLUDING FOR INJUNCTIVE OR OTHER EXTRAORDINARY RELIEF SHALL NOT BE SUPERSEDED OR AFFECTED BY THIS SECTION) OR IF SUCH CLAIM, CONTROVERSY OR DISPUTE RELATES TO ANOTHER FRANCHISEE, FRANCHISEE AGREES TO PARTICIPATE IN THE PROGRAM AND SUBMIT ANY SUCH CLAIMS, CONTROVERSIES OR DISPUTES IN ACCORDANCE WITH THE PROGRAM'S STANDARDS, SPECIFICATIONS, PROCEDURES AND RULES, PRIOR TO SEEKING RESOLUTION OF SUCH CLAIM BY ANY OTHER JUDICIAL OR LEGALLY AVAILABLE MEANS.

18.14. WAIVER OF CERTAIN DAMAGES. EXCEPT WITH RESPECT TO FRANCHISEE'S AND EACH CONTROLLING PRINCIPAL'S OBLIGATION TO INDEMNIFY FRANCHISOR PURSUANT TO SECTION 15.5 AND CLAIMS FRANCHISOR BRINGS FOR FRANCHISEE'S UNAUTHORIZED USE OF THE MARKS OR UNAUTHORIZED USE OR DISCLOSURE OF ANY CONFIDENTIAL INFORMATION, THE PARTIES WAIVE, TO THE FULLEST EXTENT PERMITTED BY LAW, ANY RIGHT TO OR CLAIM FOR ANY PUNITIVE, EXEMPLARY, INCIDENTAL, INDIRECT, SPECIAL, CONSEQUENTIAL OR OTHER DAMAGES (INCLUDING, WITHOUT LIMITATION, LOSS OF PROFITS) AGAINST THE OTHER AND AGREES THAT IN THE EVENT OF A DISPUTE, EACH PARTY SHALL BE LIMITED TO EQUITABLE RELIEF AND TO RECOVERY OF ANY ACTUAL DAMAGES SUSTAINED BY IT; PROVIDED, HOWEVER THAT FRANCHISOR SHALL HAVE THE RIGHT TO RECOVER LOST PROFITS IN THE EVENT OF A PREMATURE TERMINATION OF THIS AGREEMENT BASED ON FRANCHISEE'S MATERIAL DEFAULT.

18.15. Counterparts. This Agreement may be executed in multiple counterparts, each of which when so executed shall be an original, and all of which shall constitute one and the same instrument.

18.16. Headings. The captions used in connection with the sections and subsections of this Agreement are inserted only for purpose of reference. Such captions shall not be deemed to govern, limit, modify or in any other manner affect the scope, meaning or intent of the provisions of this Agreement or any part thereof nor shall such captions otherwise be given any legal effect.

18.17. Survival. Any obligation of Franchisee or the Controlling Principals that contemplates performance of such obligation after termination or expiration of this Agreement or the transfer of any interest of Franchisee or the Controlling Principals therein shall be deemed to survive such termination, expiration or transfer.

18.18. Severability. Except as expressly provided to the contrary herein, each portion, section, part, term and provision of this Agreement shall be considered severable; and if, for any reason, any portion, section, part, term or provision is determined to be invalid and contrary to, or in conflict with,

any existing or future law or regulation by a court or agency having valid jurisdiction, this shall not impair the operation of, or have any other effect upon, the other portions, sections, parts, terms or provisions of this Agreement that may remain otherwise intelligible, and the latter shall continue to be given full force and effect and bind the parties; the invalid portions, sections, parts, terms or provisions shall be deemed not to be part of this Agreement; and there shall be automatically added such portion, section, part, term or provision as similar as possible to that which was severed which shall be valid and not contrary to or in conflict with any law or regulation.

18.19. Construction. All references herein to the masculine, neuter or singular shall be construed to include the masculine, feminine, neuter or plural, where applicable. Without limiting the obligations individually undertaken by the Controlling Principals under this Agreement, all acknowledgments, promises, covenants, agreements and obligations made or undertaken by Franchisee in this Agreement shall be deemed, jointly and severally, undertaken by all of the Controlling Principals.

18.20. Remedies. All rights and remedies of the parties to this Agreement shall be cumulative and not alternative, in addition to and not exclusive of any other rights or remedies that are provided for herein or that may be available at law or in equity in case of any breach, failure or default or threatened breach, failure or default of any term, provision or condition of this Agreement or any other agreement between Franchisee or any of its affiliates and Franchisor or any of its affiliates. The rights and remedies of the parties to this Agreement shall be continuing and shall not be exhausted by any one or more uses thereof, and may be exercised at any time or from time to time as often as may be expedient; and any option or election to enforce any such right or remedy may be exercised or taken at any time and from time to time. The expiration, earlier termination or exercise of Franchisor's rights pursuant to Article XVI shall not discharge or release Franchisee or any of the Controlling Principals from any liability or obligation then accrued, or any liability or obligation continuing beyond, or arising out of, the expiration, the earlier termination or the exercise of such rights under this Agreement.

18.21. Franchisee's Principals and Controlling Principals. The term "Franchisee's Principals" shall include, collectively and individually, Franchisee's spouse, if Franchisee is an individual, all officers and directors of Franchisee (including the officers and directors of any entity that controls Franchisee) whom Franchisor designates as Franchisee's Principals and all holders of an ownership interest in Franchisee and of any entity directly or indirectly controlling Franchisee, and any other person or entity controlling, controlled by or under common control with Franchisee. The initial Franchisee's Principals shall be listed on the cover page of this Agreement. The term "Controlling Principals" shall include, collectively and individually, any Franchisee's Principal who has been designated by Franchisor as a Controlling Principal hereunder. The initial Controlling Principals shall be listed on the cover page to this Agreement.

18.22. Legal Entities. Each reference to the organizational documents, equity owners, directors, and officers of a corporation in this Agreement shall be deemed to refer to the functional equivalents of such organizational documents, equity owners, directors, and officers, as applicable, in the case of any other entity.

18.23. No Third-Party Beneficiaries. Except as expressly provided to the contrary herein, nothing in this Agreement is intended, nor shall be deemed, to confer upon any person or legal entity other than Franchisee, Franchisor, Franchisor's officers, directors and personnel and such of Franchisee's and Franchisor's respective successors and assigns as may be contemplated (and, as to Franchisee, authorized by Article XIV), any rights or remedies under or as a result of this Agreement.

18.24. Delegation by Franchisor. From time to time, Franchisor shall have the right to delegate the performance of any portion or all of its obligations and duties under this Agreement to third parties,

whether the same are agents or affiliates of Franchisor or Area Representatives or independent contractors with which Franchisor has contracted to provide such services. Franchisee agrees in advance to any such delegation by Franchisor of any portion or all of its obligations under this Agreement. Franchisee acknowledges and agrees that this Agreement may not be modified by any Area Representative and that Franchisor will not be bound by any purported modification of this Agreement by any Area Representative. Franchisee acknowledges and agrees that any such delegation of Franchisor's duties and obligations to Area Representatives does not assign or confer any rights under this Agreement upon Area Representatives and that Area Representatives are not third party beneficiaries of this Agreement.

18.25. Terrorist and Money Laundering Activities. Franchisee and its Controlling Principals represent and warrant to Franchisor (i) that neither Franchisee nor any Franchisee's Principals is identified, either by name or an alias, pseudonym or nickname, on the list of "Specially Designated Nationals or "Blocked Persons" (the "SDN List") maintained by the U.S. Treasury Department's Office of Foreign Assets Control ("OFAC") (the list is currently available at <http://www.treasury.gov/resource-center/sanctions/SDN-List/Pages/default.aspx>); (ii) that neither Franchisee nor any Franchisee's Principals is directly or indirectly owned or controlled by the government of any country that is subject to a United States sanction administered by OFAC or by any person or entity on the SDN List; (iii) that neither Franchisee nor any Franchisee's Principals acts or will act directly or indirectly on behalf of the government of any country, person or entity that is subject to a United States sanction; and (iv) that Franchisee and Franchisee's Principals are in full compliance with all laws proscribing money laundering and corrupt practices. Further, Franchisee and its Controlling Principals represent and warrant that neither Franchisee nor any Franchisee's Principals referred to above have violated and agree not to violate any law prohibiting corrupt business practices, money laundering or the aid or support of Persons who conspire to commit acts of terror against any Person or government, including acts prohibited by the USA Patriot Act (text currently available at <http://www.gpo.gov/fdsys/pkg/PLAW-107publ56/pdf/PLAW-107publ56.pdf>), various U.S. Executive Orders, and OFAC Sanctions regulations (text currently at <http://www.treasury.gov/resource-center/sanctions/Programs/Pages/terror.aspx>), or any similar law. The foregoing constitute continuing representations and warranties, and Franchisee and its Controlling Principals shall immediately notify Franchisor in writing of the occurrence of any event or the development of any circumstance that might render any of the foregoing representations and warranties false, inaccurate or misleading.

ARTICLE XIX. ACKNOWLEDGMENTS

19.1. Independent Investigation. Franchisee and the Controlling Principals acknowledge that they have conducted an independent investigation of the business venture contemplated by this Agreement and recognize that the success of this business venture involves substantial business risks and will largely depend upon the ability of Franchisee and the Controlling Principals.

19.2. Representations and Warranties. Franchisor expressly disclaims making, and Franchisee and the Controlling Principals acknowledge that they have not received or relied on, any oral or written representation, warranty, guarantee or promise, express or implied, as to the potential volume, profits or success of the business venture contemplated by this Agreement. Franchisee and the Controlling Principals confirm and acknowledge that no written or oral agreements, promises, commitments, undertakings, or understandings were made to or with Franchisee or the Controlling Principals that are not expressly set forth in this Agreement, and duly executed amendment, attachment or addendum to this Agreement and in the Franchise Disclosure Document provided to Franchisee in connection with this Agreement. Franchisee and the Controlling Principals confirm and acknowledge that no representation, warranty, guaranty or promise, other than those expressly set forth in this Agreement and in the Franchise Disclosure Document provided to Franchisee in connection with this Agreement was made by Franchisor or any other person to induce Franchisee to execute this Agreement. Notwithstanding the

foregoing, nothing in this Agreement, the documents referred to herein or the Attachments hereto is intended to disclaim the representations made by Franchisor in the Franchise Disclosure Document provided to Franchisee in connection with this Agreement.

19.3. Review and Understanding. Franchisee and the Controlling Principals acknowledge that they have received, read and understand this Agreement and the related Attachments and agreements and that Franchisor has afforded Franchisee and the Controlling Principals sufficient time and opportunity to consult with advisors selected by them about the potential benefits and risks of entering into this Agreement.

19.4. No Fiduciary Relationship. Franchisee and the Controlling Principals acknowledge and agree that this Agreement creates an arm's length commercial relationship that cannot and shall not be transformed into a fiduciary or other "special" relationship by course of dealing, by any special indulgences or benefits that Franchisor bestows on Franchisee, or by inference from a party's conduct.

19.5. No Side Deals. Franchisee and the Controlling Principals acknowledge and agree that there are no promises, commitments, "side deals," options, rights of first refusal, or other rights or obligations in connection with this Agreement.

19.6. Receipt of Documents. Franchisee and the Controlling Principals acknowledge that they received (i) a complete copy of this Agreement and all related Attachments and agreements, with all blanks filled in, at least seven (7) calendar days prior to the date on which this Agreement was executed, and (ii) the Franchise Disclosure Document required by the Trade Regulation Rule of the Federal Trade Commission entitled "Disclosure Requirements and Prohibitions Concerning Franchising" at least fourteen (14) calendar days prior to the date on which this Agreement was executed, as further evidenced on the cover page of this Agreement.

[Signature page follows]

IN WITNESS WHEREOF, the parties hereto have duly executed and delivered this Agreement as of the date first above written.

FRANCHISOR:

CREST FOODS, INC.

By: _____
Name: _____
Title: _____

FRANCHISEE:

[NAME]

By: _____
Name: _____
Title: _____

CONTROLLING PRINCIPALS GUARANTY AND COVENANT

This Controlling Principals Guaranty and Covenant (this "Guaranty") is given by each of the undersigned (each a "Guarantor") on _____, 20__ to Crest Foods, Inc., a Texas corporation ("Franchisor"), in order to induce Franchisor to enter into that certain Franchise Agreement dated on or about the date hereof (the "Franchise Agreement") with _____ ("Franchisee").

Guarantor acknowledges that Guarantor has read the terms and conditions of the Franchise Agreement and acknowledges that the execution of this Guaranty and the undertakings of the Controlling Principals herein and in the Franchise Agreement are in partial consideration for, and a condition to the granting of, the rights granted in the Franchise Agreement, and that Franchisor would not have granted these rights without the execution of this Guaranty by Guarantor.

Guarantor acknowledges that Guarantor is included in the term "Controlling Principals" as described in Section 18.21 of the Franchise Agreement.

Guarantor hereby individually makes, agrees to be bound by, and agrees to perform, all of the covenants, representations, warranties and agreements of the Controlling Principals set forth in the Franchise Agreement. Additionally, if Guarantor is designated as the Operating Principal, Guarantor hereby individually makes, agrees to be bound by, and agrees to perform, all of the covenants, representations, warranties and agreements of the Operating Principal set forth in the Franchise Agreement.

Guarantor does hereby guaranty to Franchisor the prompt payment and performance when due of any and all liabilities and obligations arising under or evidenced by the Franchise Agreement, any promissory note or other credit instruments, and any other liabilities, obligations and indebtedness of Franchisee and/or any of its assignees or affiliates to Franchisor and/or any of its assignees or affiliates, of every kind and description, now existing or hereafter incurred or arising, matured or unmatured, direct or indirect, absolute or contingent, due or to become due, and any renewals, consolidations and extensions, including any future advances from Franchisor to Franchisee (collectively, the "Guaranteed Obligations"). Guarantor shall perform and/or make punctual payment to Franchisor of the Guaranteed Obligations in accordance with the terms of the Franchise Agreement or other applicable document forthwith upon demand by Franchisor.

This Guaranty is irrevocable and unlimited. This Guaranty is an absolute and unconditional continuing guaranty of payment and performance of the Guaranteed Obligations. This Guaranty shall not be discharged by renewal of any claims guaranteed by this instrument, the suffering of any indulgence to any debtor, extension of time of payment thereof, nor the discharge of Franchisee by bankruptcy, operation of law or otherwise. Presentment, demand, protest, notice of protest and dishonor, notice of default or nonpayment and diligence in collecting any obligation under any agreement between Franchisee and Franchisor are each and all waived by Guarantor and/or acknowledged as inapplicable. Franchisor shall not be required to pursue any remedy on said Guaranteed Obligations as a condition of the obligation hereunder of Guarantor. Guarantor waives notice of amendment of any agreement between Franchisee and Franchisor and notice of demand for payment by Franchisee. Guarantor further agrees to be bound by any and all amendments and changes to any agreement between Franchisee and Franchisor.

Guarantor agrees to defend, indemnify and hold Franchisor harmless against any and all losses, damages, liabilities, costs and expenses (including, but not limited to, reasonable attorney's fees, reasonable costs of investigation, court costs, and arbitration fees and expenses) resulting from, consisting

of, or arising out of or in connection with any failure by Franchisee to perform any obligation of Franchisee under any agreement between Franchisee and Franchisor.

Guarantor waives any and all notice of the creation, renewal, extension, accrual, modification, amendment, release, or waiver of any of the Guaranteed Obligations and notice of or proof of reliance by Franchisor upon this Guaranty or acceptance of this Guaranty. The Guaranteed Obligations, and any of them, shall conclusively be deemed to have been created, contracted or incurred, or renewed, extended, amended, modified or waived, in reliance upon this Guaranty and all dealings between Franchisor and Guarantor shall likewise be conclusively presumed to have been had or consummated in reliance upon this Guaranty. Franchisor may pursue its rights against Guarantor without first exhausting its remedies against Franchisee and without joining any other guarantor hereto and no delay on the part of Franchisor in the exercise of any right or remedy shall operate as a waiver of such right or remedy, and no single or partial exercise by Franchisor of any right or remedy shall preclude the further exercise of such right or remedy.

The obligations of Guarantor shall be joint and several to that of any other guarantor that has guaranteed any and or all of the Guaranteed Obligations, and Franchisor may enforce the Guaranteed Obligations against each severally, any two or more jointly, or some severally and some jointly.

Until all of the Guaranteed Obligations have been paid in full and/or performed in full, Guarantor shall not have any right of subrogation, unless expressly given to Guarantor in writing by Franchisor.

No change in the name, objects, share capital, business, membership, directors' powers, organization or management of the Franchisee shall in any way affect Guarantor in respect of the Guaranteed Obligations either with respect to transactions occurring before or after any such change, it being understood that this Guaranty is to extend to the person(s) or entity(ies) for the time being and from time to time carrying on the business now carried on by the Franchisee, notwithstanding any change(s) in the name or shareholders of the Franchisee, and notwithstanding any reorganization or its amalgamation with another or others or the sale or disposal of its business in whole or in part to another or others.

All Franchisor's rights, powers and remedies hereunder and under any other agreement now or at any time hereafter in force between Franchisor and Guarantor shall be cumulative and not alternative and shall be in addition to all rights, powers and remedies given to Franchisor by law.

Should any one or more provisions of this Guaranty be determined to be illegal or unenforceable, all other provisions nevertheless shall remain effective.

This Guaranty shall extend to and inure to the benefit of Franchisor and its successors and assigns and shall be binding on Guarantor and its successors and assigns.

IN WITNESS WHEREOF, Guarantor has signed this Guaranty as of the date set forth above.

GUARANTOR

Printed Name:*

Printed Name:

* Denotes individual who is Franchisee's Operating Principal

COLLATERAL ASSIGNMENT OF LEASE

This Collateral Assignment of Lease (this "Assignment") is made this ____ day of _____, 20__ by _____ ("Franchisee"), in favor of Crest Foods, Inc., a Texas corporation ("Franchisor").

RECITALS

Franchisor and Franchisee are parties to that certain Franchise Agreement dated _____, 20__ (the "Franchise Agreement");

Franchisee is a tenant under that certain lease (the "Lease") dated _____, 20__ for space located at _____ (the "Leased Premises") with _____ ("Landlord");

In consideration of Franchisor's consent to operate the Leased Premises under the Franchise Agreement, and as security for Franchisee's obligations under the Franchise Agreement, a collateral assignment is made of Franchisee's interest in, to, and under the Lease; to be exercised, if at all, upon the occurrence of an event of default under, or termination or expiration of, the Franchise Agreement; and

Franchisee is willing to assign its rights, privileges, powers and interests in, to and under the Lease (including all deposits paid by or for the benefit of Franchisee) to Franchisor upon the conditions set forth herein.

NOW, THEREFORE, in consideration of the foregoing and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Franchisee hereby agrees for the benefit of Franchisor as follows:

1. As collateral security for Franchisor, Franchisee hereby assigns all of its rights, powers, privileges and interests in, to and under the Lease to Franchisor, fully intending that Franchisor shall have the rights and powers and be entitled to the benefits thereunder to the same degree and extent as though the Lease had been made between the Landlord and Franchisor, subject, however, to the conditions hereof.

2. This Assignment is executed only as collateral security for Franchisee's obligations under the Franchise Agreement, and the execution and delivery hereof shall not subject Franchisor to or in any way affect or modify the liability of Franchisee under the Lease, and all obligations of Franchisee under the Lease shall be and remain enforceable. Franchisor will not exercise its rights hereunder except upon the occurrence of an event of default under, or termination or expiration of, the Franchise Agreement. Notwithstanding the foregoing, until written notice is sent to Franchisee that an event of default or termination has occurred, Franchisee is granted a license to maintain its rights and the benefits under the Lease.

3. So long as (a) no event of default under the Franchise Agreement exists, (b) the Franchise Agreement remains in effect, and (c) Franchisee is not in default of any of its obligations hereunder or under the Lease, Franchisor agrees not to enforce or seek to enforce any of the rights, powers and privileges transferred to Franchisor pursuant to this Assignment.

4. Franchisee hereby agrees to provide prompt written notice to Franchisor of any default by either party to the Lease. If Franchisor exercises its rights under this Assignment, Franchisee shall continue to be fully liable and responsible for all undischarged obligations or liabilities of Franchisee

under the Lease, and Franchisor shall have the right, but not the obligation, to perform each of Franchisee's obligations under the Lease.

5. Franchisee agrees that Franchisor shall not be obligated to perform or discharge any obligation, duty or liability under the Lease by reason of this Assignment, and that this Assignment and Franchisor's performance hereunder or under the Lease shall not release Franchisee from any liability under the Lease.

6. Franchisee represents that, as of the date hereof, Franchisee is not in breach of the Lease. Franchisee agrees not to do, or suffer to be done, any of the following acts without obtaining the prior written consent of Franchisor, which may be granted or withheld in the sole discretion of Franchisor: (a) cancel the Lease; (b) surrender the Lease; (c) assign the Lease or any deposit paid by or for the benefit of Franchisee thereunder or any portion thereof; or (d) fail to perform any obligation in accordance with the provisions of the Lease. Any of said acts, if done or suffered to be done without Franchisor's prior written consent, shall constitute a default hereunder.

7. In the event of any default by Franchisee under the Lease, this Assignment, or the Franchise Agreement, Franchisor shall have the right, but not the obligation, until such default is cured, to cure such default, and take any action, including taking possession of the Leased Premises, to preserve Franchisee's rights under the Lease and Franchisor's rights under this Assignment and the Franchise Agreement, and Franchisee and Landlord have granted to Franchisor the right of access to the Leased Premises for this purpose, if such action is necessary.

8. Franchisee hereby represents and warrants to Franchisor that it has not executed any prior assignment of the Lease nor has it performed any acts or executed any other instrument which might prevent Franchisor from operating under any of the terms and conditions of the Lease or this Assignment, or which would limit Franchisor in such operation. Franchisee further represents and warrants to Franchisor that it will not execute or grant any modification whatsoever of the Lease, either orally or in writing, without Franchisor's prior written consent.

9. Any notice or communication hereunder must be in writing, and must be given as provided in the Franchise Agreement.

10. Franchisee hereby irrevocably appoints Franchisor as Franchisee's attorney-in-fact to exercise any or all of Franchisee's rights in, to, or under the Lease from and after the occurrence of an event of default under the Franchise Agreement or the Lease, to execute deeds and other conveyance documents, to give appropriate receipts, releases, and satisfactions on behalf of Franchisee in connection with Franchisee's performance under the Lease from and after the occurrence of any such event of default, and to do any or all other acts from and after the occurrence of any such event of default, in Franchisee's name or in Franchisor's own name, that Franchisee could do under the Lease with the same force and effect as if this Assignment had not been made. This power of attorney is coupled with an interest. Nothing contained in this Assignment shall limit any rights or remedies of the Franchisor under the Franchise Agreement.

11. All the covenants and agreements hereinabove contained on the part of Franchisee and Franchisor shall inure to the benefit of and bind their successors and assigns, respectively, including any purchaser at a foreclosure sale. Franchisor may assign its rights hereunder without Franchisee's consent.

12. This Assignment shall be governed by and construed in accordance with the laws of the State of Texas.

13. This Assignment may be executed in two or more counterparts, each of which shall be deemed an original, but all of which taken together shall constitute one and the same instrument.

IN WITNESS WHEREOF, the Franchisee has caused this Assignment to be executed as of the date first above written.

FRANCHISEE:

By: _____

Name: _____

Title: _____

**CONFIDENTIALITY AGREEMENT AND
ANCILLARY COVENANTS NOT TO COMPETE**

This Agreement is made and entered into this ____ day of _____, 20__, among Crest Foods, Inc., a Texas corporation (“Franchisor”), _____ (“Franchisee”) and _____ (“Covenantor”) in connection with a Franchise Agreement dated _____, 20__ between Franchisor and Franchisee (the “Franchise Agreement”). Initially capitalized terms used, but not defined in, this Agreement have the meanings ascribed thereto in the Franchise Agreement.

RECITALS

Franchisor has the right to use and license the use of a System for the establishment and operation of Nestle Toll House Cafes By Chip.

The System is identified by certain Marks including, the marks “Nestle Toll House” and “Café By Chip,” and includes certain Confidential Information which provides economic advantages to Franchisor and licensed users of the System.

Franchisor has granted Franchisee the right to operate a Nestle Toll House Café By Chip pursuant to the Franchise Agreement.

In connection with his or her duties, it will be necessary for Covenantor to have access to some or all of the Confidential Information.

Franchisor and Franchisee have agreed on the importance of restricting the use, access and dissemination of the Confidential Information, and Franchisee therefore has agreed to obtain from Covenantor a written agreement protecting the Confidential Information and further protecting the System against unfair competition.

Covenantor acknowledges that receipt of and the right to use the Confidential Information constitutes independent valuable consideration for the representations, promises and covenants made by Covenantor herein.

NOW, THEREFORE, in consideration of the mutual covenants and obligations contained herein, the parties agree as follows:

A. Confidentiality Agreement

1. Covenantor shall, at all times, maintain the confidentiality of the Confidential Information and shall use such Confidential Information only in the course of his or her employment by or association with Franchisee in connection with the operation of a Nestle Toll House Café By Chip under the Franchise Agreement.

2. Covenantor shall not at any time make copies of any documents or compilations containing some or all of the Confidential Information without Franchisor’s express written permission.

3. Covenantor shall not at any time disclose or permit the disclosure of the Confidential Information except to other employees of Franchisee and only to the limited extent necessary to train or assist other employees of Franchisee in the operation of the Cafe.

4. Covenantor shall surrender any material containing some or all of the Confidential Information to Franchisee or Franchisor, upon request, or upon termination of employment by Franchisee.

5. Covenantor shall not at any time, directly or indirectly, do any act or omit to do any act that would or would likely be injurious or prejudicial to the goodwill associated with the System.

6. Covenantor acknowledges that all Manuals are loaned by Franchisor to Franchisee for limited purposes only and remain the property of Franchisor. Covenantor agrees that no Manuals may be reproduced, in whole or in part, without Franchisor's written consent.

B. Covenants Not to Compete

1. In order to protect the goodwill and unique qualities of the System, and in consideration for the disclosure to Covenantor of the Confidential Information, Covenantor further agrees and covenants as follows:

a. Not to divert, or attempt to divert, directly or indirectly, any business, business opportunity, or customer of the Franchisee's Cafe to any competitor of the Cafe.

b. Not to employ, or seek to employ, any person who is at the time or was within the preceding ninety (90) days employed by Franchisor, or any of its affiliates or any franchisee or developer of Franchisor, or otherwise directly or indirectly induce such person to leave that person's employment except as may occur in connection with Franchisee's employment of such person if permitted under the Franchise Agreement.

*c. Except for the Cafe described in the Franchise Agreement, not to directly or indirectly, for himself or through, on behalf of, or in conjunction with any person or entity, without the prior written consent of Franchisor, own, maintain, operate, engage in or have any financial or beneficial interest in (including any interest in any legal entity), advise, assist or make loans to, any business located within the United States, its territories or commonwealths, or any other country, province, state or geographic area in which Franchisor has used, sought registration of or registered the same or similar Marks or operates or licenses others to operate a business under the same or similar Marks, which business is of a character and concept similar to the Cafe, including, without limitation, a business that offers and sells as a primary menu item any one or more of cookies, ice cream, or coffee drinks [or sandwiches].

2. In further consideration for the disclosure to Covenantor of the Confidential Information and to protect the uniqueness of the System, Covenantor agrees and covenants that for one (1) year following the earlier of the expiration or termination of, or transfer of all of Franchisee's interest in, the Franchise Agreement or the termination of his association with or employment by Franchisee, Covenantor will not without the prior written consent of Franchisor:

a. Divert or attempt to divert, directly or indirectly, any business, business opportunity or customer of the Cafe to any competitor.

b. Employ, or seek to employ, any person who is at the time or was within the preceding ninety (90) days employed by Franchisor, any of its affiliates or any franchisee or developer of Franchisor, or otherwise directly or indirectly induce such persons to leave that person's employment.

*c. Directly or indirectly, for himself or through, on behalf of or in conjunction with any person or entity, own, maintain, operate, engage in or have any financial or beneficial interest in (including any interest in any legal entity), advise, assist or make loans to, any business that is of a character and concept similar to the Cafe, including, without limitation, a business that offers and sells as a primary menu item any one or more of cookies, ice cream, or coffee drinks [or sandwiches], which business is, or is intended to be, located within the Assigned Area or within a ten (10)-mile radius of the location of any Cafe in existence or under construction as of the date (as applicable) of expiration or termination of, or transfer of all of Franchisee's interest in, this Agreement or the termination of Covenantor's association with or employment by Franchisee.

C. Miscellaneous

1. Franchisee shall make all commercially reasonable efforts to ensure that Covenantor acts as required by this Agreement.

2. Covenantor agrees that in the event of a breach of this Agreement, Franchisor would be irreparably injured and be without an adequate remedy at law. Therefore, in the event of such a breach, or threatened or attempted breach of any of the provisions hereof, Franchisor shall be entitled to enforce the provisions of this Agreement and shall be entitled, in addition to any other remedies that are made available to it at law or in equity, including the right to terminate the Franchise Agreement, to a temporary and/or permanent injunction and a decree for the specific performance of the terms of this Agreement, without the necessity of showing actual or threatened harm and without being required to furnish a bond or other security.

3. Covenantor agrees to pay all expenses (including court costs and reasonable attorneys' fees) incurred by Franchisor and Franchisee in enforcing this Agreement.

4. Any failure by Franchisor or the Franchisee to object to or take action with respect to any breach of any provision of this Agreement by Covenantor shall not operate or be construed as a waiver of or consent to that breach or any subsequent breach by Covenantor.

5. THIS AGREEMENT SHALL BE INTERPRETED BY AND CONSTRUED AND ENFORCED IN ACCORDANCE WITH THE LAWS OF THE STATE OF TEXAS, WITHOUT REFERENCE TO TEXAS CHOICE OF LAW PRINCIPLES. COVENANTOR HEREBY IRREVOCABLY SUBMITS HIMSELF TO THE JURISDICTION OF THE STATE COURTS OF DALLAS COUNTY, TEXAS AND THE FEDERAL DISTRICT COURTS FOR THE NORTHERN DISTRICT OF TEXAS, DALLAS DIVISION. COVENANTOR HEREBY WAIVES ALL QUESTIONS OF PERSONAL JURISDICTION OR VENUE FOR THE PURPOSE OF CARRYING OUT THIS PROVISION. COVENANTOR HEREBY AGREES THAT SERVICE OF PROCESS MAY BE MADE UPON HIM IN ANY PROCEEDING RELATING TO OR ARISING UNDER THIS AGREEMENT OR THE RELATIONSHIP CREATED BY THIS AGREEMENT BY ANY MEANS ALLOWED BY TEXAS OR FEDERAL LAW. COVENANTOR FURTHER AGREES THAT VENUE FOR ANY PROCEEDING RELATING TO OR ARISING OUT OF THIS AGREEMENT SHALL BE DALLAS COUNTY, TEXAS; PROVIDED, HOWEVER, WITH RESPECT TO ANY ACTION THAT INCLUDES INJUNCTIVE RELIEF OR OTHER EXTRAORDINARY RELIEF, FRANCHISOR OR FRANCHISEE MAY BRING SUCH ACTION IN ANY COURT IN ANY STATE THAT HAS JURISDICTION.

* May be deleted if Franchisor does not require Franchisee to obtain the execution of this covenant by Covenantor. See Section 10.3(g) of the Franchise Agreement.

6. The parties acknowledge and agree that each of the covenants contained herein are reasonable limitations as to time, geographical area, and scope of activity to be restrained and do not impose a greater restraint than is necessary to protect the goodwill or other business interests of Franchisor. The parties agree that each of the foregoing covenants shall be construed as independent of any other covenant or provision of this Agreement. If all or any portion of a covenant in this Agreement is held unreasonable or unenforceable by a court or agency having valid jurisdiction in any unappealed final decision to which Franchisor is a party, Covenantor expressly agrees to be bound by any lesser covenant subsumed within the terms of such covenant that imposes the maximum duty permitted by law, as if the resulting covenant were separately stated in and made a part of this Agreement.

7. This Agreement contains the entire agreement of the parties regarding the subject matter hereof. This Agreement may be modified only by a duly authorized writing executed by all parties.

8. All notices and demands required to be given hereunder shall be in writing and shall be sent by personal delivery, expedited delivery service, certified or registered mail, return receipt requested, first-class postage prepaid, facsimile or electronic mail (provided that the sender confirms the facsimile or electronic mail by sending an original confirmation copy by certified or registered mail or expedited delivery service within three (3) business days after transmission), to the respective parties at the following addresses unless and until a different address has been designated by written notice to the other parties.

If directed to Franchisor, the notice shall be addressed to:

Crest Foods, Inc.
101 West Renner Road
Suite 240
Richardson, Texas 75082
Attention: President
Facsimile: (214) 239-3091
Email: president@nestlecafe.com

If directed to Franchisee, the notice shall be addressed to:

Attention: _____
Facsimile: (____) _____
Email: _____

If directed to Covenantor, the notice shall be addressed to:

Attention: _____
Facsimile: (____) _____
Email: _____

Any notices sent by personal delivery shall be deemed given upon receipt. Any notices given by facsimile or electronic mail shall be deemed given upon transmission, provided confirmation is made as provided above. Any notice sent by expedited delivery service or registered or certified mail shall be deemed given three (3) business days after the time of mailing. Any change in the foregoing addresses

shall be effected by giving written notice of such change to the other parties. Business day for the purpose of this Agreement excludes Saturday, Sunday and national holidays.

9. The rights and remedies of Franchisor under this Agreement are fully assignable and transferable and shall inure to the benefit of its respective affiliates, successors and assigns. The respective obligations of Franchisee and Covenantor hereunder may not be assigned by Franchisee or Covenantor, without the prior written consent of Franchisor.

IN WITNESS WHEREOF, the undersigned have entered into this Agreement as witnessed by their signatures below.

FRANCHISOR:

CREST FOODS, INC.

By: _____
Name: _____
Title: _____

FRANCHISEE:

By: _____
Name: _____
Title: _____

COVENANTOR:

Name: _____

**REDACTED COPY OF
SECOND AMENDED AND RESTATED MASTER PRODUCT REFERENCE AGREEMENT**

This Second Amended and Restated Master Product Reference Agreement (this “Agreement”) dated as of March 1, 2006 among the Nestlé Food Services division of Nestlé USA, Inc. (“Nestlé USA”), Nestlé Food Services division of Nestlé Canada, Inc. (“Nestlé Canada” and, together with Nestlé USA, “Nestlé”) and Crest Foods, Inc., a Texas corporation (“Operator”).

Recitals:

A. Operator desires to develop and operate quick-service cafes featuring Nestlé Products (as hereinafter defined) and to develop and service a network of franchised quick-service cafes featuring Nestlé Products.

B. Pursuant to that certain Master Product Reference Agreement dated as of January 10, 2000 between Nestlé USA and Operator, as amended by that certain Amended and Restated Master Product Reference Agreement dated as of November 1, 2001 (collectively, the “Original Agreement”), Nestlé granted to Operator certain exclusive rights for a limited term in order to allow Operator to operate quick service cafés featuring Nestlé Products.

C. Societe des Produits Nestlé S.A. (“SPN”) is the record owner of the Trademarks (as hereinafter defined) used in connection with Nestlé Products.

D. As a consequence of the consumer acceptance and quality of the products on which the Trademarks are used, as well as substantial sales and advertising over many years, the Trademarks and associated trade dress have come to symbolize goodwill of enormous value belonging to SPN.

E. Nestlé is licensed to use the Trademarks in the Territory (as hereinafter defined) and SPN has authorized Nestlé to enter into this Agreement on the terms and conditions hereinafter set forth.

F. Nestlé and Developer desire to amend and restate the Original Agreement to make certain changes thereto.

Agreement:

NOW, THEREFORE, in consideration of the premises and the mutual promises and agreements hereinafter set forth, Nestlé and Operator hereby agree as follows:

1. Definitions

In this Agreement, the following terms have the indicated meaning.

“Affiliate” means, with respect to Operator, any person or entity that directly or indirectly controls, is controlled by, or is under common control with Operator, including, without limitation, (i) any entity that owns, controls or holds with power to vote 50% or more of the common stock of Operator or (ii) any entity of which Operator (or any entity controlling Operator) directly or indirectly owns, controls or holds with power to vote 50% or more of its outstanding voting securities.

“Associated Materials” means the labeling, packaging, advertising and promotional materials, including Nestlé trade dress and signage, displays and other point of sale material, advertising and

promotional materials and all other tangible material intended to be distributed to the public on which any Trademark appears or is intended to be used.

“Cafe” means a retail quick-service food service operation featuring Nestle Products and other items as may be approved by Nestle.

“Development Agreement” means that certain Second Amended and Restated Product Distribution Development Agreement dated the date hereof between Operator and Nestle, as amended from time to time.

“Guidelines” means the guidelines developed by Nestle and Operator from time to time pertaining to the use of the Trademark “NESTLE TOLL HOUSE” on Café signage and to other references to Trademarks.

“Nestle Products” means the following products and any other similar products approved in advance by Nestle for distribution through the Cafes:

1. NESTLE TOLL HOUSE cookie products
2. NESTLE TOLL HOUSE cookie-based desserts
3. NESTLE dessert products to be determined by Nestle
4. NESCAFE coffee beverage products
5. NESCAFE frozen coffee
6. CARNATION and NESTLE hot cocoa
7. COFFEE-MATE creamers
8. NESTEA tea products
9. NESTLE, NESTLE CRUNCH, BUTTERFINGER, BABY RUTH and 100 GRAND candy and confection products

“Operations Manual” means the manual developed by Operator for the operation of a Café, as revised from time to time by Operator.

“Products” means the food items made available at the Cafes.

“Territory” means the United States of America and Canada.

“Trademarks” means the following marks or other marks that Nestle authorizes Operator to feature, together with the logos and trade dress associated with each of them, so long as such marks are owned and used by SPN, Nestle, or their affiliates and assigns:

1. NESTLE
2. NESTLE TOLL HOUSE
3. NESCAFE
4. CARNATION
5. COFFEE-MATE

6. NESTEA
7. NESTLE CRUNCH
8. BUTTERFINGER
9. BABY RUTH
10. 100 GRAND

2. Grant

a.

b. This Agreement shall govern each Café developed under the Development Agreement, whether developed by Operator ... or developed by franchisees of Operator....

c. Nestlé shall have the right to require the use of Nestle Products as the primary Products in the operation of the Cafes. Operator may not use in connection with the preparation or sale of the Products and the operation of Cafes, a mark, name or product associated with any other food manufacturer or distributor without the advance consent of Nestle.

d. Operator has no right to the Trademarks or to make, use or sell any goods utilizing the Trademarks, or otherwise to deal in or with the Trademarks, other than as expressly granted in this Section 2. Operator has no right to make, use or sell any goods utilizing any reproduction, counterfeit, copy or colorable imitation of the Trademarks or otherwise deal in or with such Trademarks. Operator shall not be permitted to sell, transfer or distribute any Nestle Product, directly or indirectly, except in Shopping Centers and in hospitals, airports and other locations consented to by Nestle located within the Territory.

e.

f.

3. **Marketing and Advertising**

a. Operator shall bear and pay all costs in connection with the Cafes, including but not limited to the cost of all goods and operating expenses, Associated Materials, menu boards and signs. Operator shall submit to Nestlé, for prior and prompt consent, all Associated Materials to be used in connection with the Cafes. Nestlé shall make its best efforts to indicate required changes within ten (10) business days of receipt of Associated Materials from Operator. Operator shall amend or cause to be amended to the satisfaction of Nestlé any Associated Materials not consented to by Nestlé in the manner that Nestlé shall direct. Operator and its Affiliates shall not permit their franchisees to use any Associated Materials not approved by Nestle.

b. Operator shall advise Nestlé with respect to the compliance of Associated Materials with all Federal, state and local labeling laws or regulations known to Operator.

c. Operator shall utilize on the Associated Materials marking legends designated by Nestlé to the effect that the Trademarks are the property of Nestlé used under authority from SPN and are used with its permission.

d. Operator shall forward copies of all consumer complaints about the Nestle Products to Nestlé. Nestlé and Operator shall confer as to how to respond to such complaints. Nestlé and Operator shall each have the right to respond to all consumer complaints or inquiries concerning the Nestle

Products and the Products, provided that in any difference of opinion on how to respond, when Nestlé deems it necessary to protection of the Trademarks, Nestlé's decision shall control.

4. **Representations and Acknowledgements**

5. **Quality**

a. Operator acknowledges Nestlé's right to approve the types of Products, as well as the quality, style, preparation, presentation, and appearance of the Nestlé Products and the Products and Associated Materials.

b. Nestlé may, from time to time, submit to Operator suggestions or requirements regarding good food preparation practices; sanitation, cleanliness and quality control procedures; consumer complaint procedures; inspection procedures; and Product ingredient specifications and recipes for the Products. In respect of the Nestlé Products and Products, Operator shall adhere to the practices, procedures, specifications and quality programs contained in such suggestions or requirements and as otherwise required or approved by Nestlé for purpose of protecting any of the Trademarks.

c. Operator shall maintain the Nestlé Products and prepare and present the Products in accordance with state and federal standards and in accordance with the standards and procedures that Operator has informed Nestlé of in the Operations Manual. No alterations, modifications or other changes to the Nestlé Products, the Products or Operations Manual shall be made without the prior written consent of Nestlé. Operator shall not prepare or sell any Product item from the Nestlé Products unless Nestlé has first consented to it. Operator shall maintain the Nestlé Products and its facilities and equipment in a clean and sanitary manner and in good working order. Operator shall conduct, at its own expense, certain tests on the Products pursuant to the quality standards set forth in the Operations Manual and which test results shall, at Nestlé's request, be delivered by Operator to Nestlé; provided, however, Operator shall immediately advise Nestlé of results that indicate noncompliance with the Operations Manual and upon instruction of Nestlé immediately correct such defects.

d. Operator acknowledges and agrees that Nestlé may inspect, or cause to be inspected, on reasonable notice, any Café, its equipment, the Nestlé Products, and Product ingredients and raw materials, finished and in-process Products, and may audit, or cause to be audited, Operator's quality control and sanitation programs. After each inspection and audit, Nestlé will submit reports to Operator, instructing corrective action if the Café, Product, program, or condition does not, in Nestlé's reasonable judgment, meet Nestlé's standards for safety and cleanliness, or does not comply with the Operations Manual. Operator shall implement the necessary corrective action within a reasonable time; provided, however, Operator shall immediately suspend utilizing the Café, Product, program, or condition when in Nestlé's reasonable judgment, a defect or condition is found that causes or may cause a health or safety risk. For as long as the health or safety risk is present, Operator shall refrain from utilizing the affected Café, Product, program, or condition. If Operator continues to utilize the affected Café, Product, program, or condition, Nestlé shall have the right to immediately terminate or suspend the right granted under Section 2 to such subject Café.

e. Nestlé has the unqualified right to withdraw its consent regarding any Nestlé Product or any Product if its quality ceases to materially conform to the specifications set forth in the Operations Manual. Nestlé has the unqualified right to withdraw its consent to any Associated Materials if its nature or quality ceases to conform to Nestlé's standards for quality and for intellectual property protection.

f. From time to time, at Nestlé's request, Operator shall make available to Nestlé a reasonable quantity of representative Products and Associated Materials. Operator will make available to

Nestlé, for prior and prompt approval, samples of each type of Product prior to its offering to the public. Nestlé shall make best efforts to consent to or reject the Products within ten (10) business days after its inspection of the samples. Operator shall make changes to the satisfaction of Nestlé and in the manner that Nestlé shall direct to any Products rejected by Nestlé.

g. The parties acknowledge that the purpose of Sections 5(a) – (f) is to protect the Trademarks.

6. Purchase of Ingredients

If a Product could contain, or utilize as ingredients, foodstuffs (in the same or an altered or modified form) that Nestlé sells to the public under the Trademarks, Nestlé may require that such Products contain, or utilize as ingredients only, foodstuffs bearing the Trademarks or other trademarks of Nestlé or strategic partners of Nestlé.

7. Pure Food Warranty, Compliance with Laws

a. Operator warrants that the Products (i) will be prepared in accordance with the Operations Manual, (ii) will be fit for human consumption, (iii) will not be adulterated or misbranded within the meaning of the Federal Food, Drug and Cosmetic Act, as from time to time amended, and regulations promulgated thereunder, (iv) will not be articles which, under the provisions of Sections 404 or 505 of said federal act, may not be introduced into interstate commerce, and (v) will not violate the provisions of the Food Additives Amendment of 1958. This warranty is in like terms extended and shall be applicable to any lawful state law or municipal ordinance in which the definitions of adulteration or misbranding are substantially the same as those in said federal act

b. Operator warrants that the Products will be prepared, sold and distributed in accordance with all applicable federal, state and local laws, rules and regulations. Operator warrants that the policy of sale, distribution and exploitation by Operator shall be of high standard and shall in no manner reflect adversely upon the good name of Nestlé or any of its programs, products or properties, or the Trademarks.

8. Goodwill

Operator recognizes the great value of the goodwill associated with the Trademarks and Operator acknowledges that the Trademarks and all rights therein and goodwill pertaining thereto belong exclusively to SPN and that the Trademarks have and will continue to have a secondary meaning in the mind of the public to signify Nestlé and are famous. Accordingly, Operator shall not do or permit to be done any act or thing or permit any Products to enter the stream of commerce or be sold or distributed, that may impair the goodwill or other rights of Nestlé and the Trademarks or that might otherwise prejudice, tarnish or damage the reputation of the Trademarks, Nestlé, or the sale of Nestlé's products.

9. Notices

10. Responsibility

11. Term and Termination

12. Effect of Termination

13. Disclaimer of Warranties and Representations by Nestlé

14. **Paragraph Order and Headings**
15. **Compliance with Law**
16. **No Joint Venture**
17. **Assignment or Sublicense**
18. **Waiver**
19. **Severability**
20. **Entire Agreement**
21. **Confidentiality**

Each party to this Agreement shall maintain the terms of this Agreement in confidence and shall not disclose the terms to any person except only to the extent required by law or necessary to that party's employees as shall be required to implement this Agreement. Neither party shall issue a public statement concerning or announcing this Agreement without the written consent of the other party. Notwithstanding the foregoing, Operator may disclose this Agreement to its affiliates and franchisees provided they agree to be bound by the terms of this Agreement.

22. **Law and Disputes**

This Agreement is deemed to be entered into in California and shall be interpreted and construed according to California law. Any provision of California law that, by its terms, does not apply to a person or entity operating outside California, shall remain inapplicable with regard to any person or entity operating outside California. Any dispute arising from or directly or indirectly related to this Agreement shall be resolved exclusively in the State or Federal Courts located in Los Angeles County, California, and in appellate courts of competent jurisdiction wherever located, and the parties irrevocably submit and consent to the personal jurisdiction of such courts.

23. **Survival of Provisions**

IN WITNESS WHEREOF, the parties hereto have duly executed and delivered this Agreement on the day and year first above written.

**NESTLÉ FOOD SERVICES
DIVISION OF NESTLÉ USA, INC.**

By: /S/
Its: President

**NESTLÉ FOOD SERVICES
DIVISION OF NESTLÉ CANADA, INC.**

By: /S/
Its: Senior Vice President

CREST FOODS, INC.

By: /S/
Its: President

EXHIBIT B-1

**STATE AMENDMENTS
TO
FRANCHISE AGREEMENT**

**AMENDMENT TO CREST FOODS, INC.
FRANCHISE AGREEMENT
FOR THE STATE OF CALIFORNIA**

The Crest Foods, Inc. Franchise Agreement between _____ (“Franchisee”) and Crest Foods, Inc., a Texas corporation (“Franchisor”), dated _____ (the “Agreement”) shall be amended by the addition of the following language, which shall be considered an integral part of the Agreement (this “Amendment”):

CALIFORNIA LAW MODIFICATIONS

The California Department of Corporations requires that certain provisions contained in franchise documents be amended to be consistent with California law, including the California Franchise Investment Law, CAL. BUS. & PROF. CODE Section 31000 et seq., and the California Franchise Relations Act, CAL. BUS. & PROF. CODE Section 20000 et seq. To the extent that the Agreement contain provisions that are inconsistent with the following, such provisions are hereby amended:

a. THE 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.).

b. THE AGREEMENT CONTAINS A COVENANT NOT TO COMPETE THAT EXTENDS BEYOND THE TERMINATION OF THE FRANCHISE. THIS PROVISION MAY NOT BE ENFORCEABLE UNDER CALIFORNIA LAW.

c. THE AGREEMENT REQUIRES BINDING ARBITRATION. THE ARBITRATION WILL OCCUR AT THE FRANCHISOR’S HEADQUARTERS WITH THE COSTS BEING BORNE AS THE ARBITRATOR DETERMINES. THIS PROVISION MAY NOT BE ENFORCEABLE UNDER CALIFORNIA LAW.

d. THE AGREEMENT REQUIRES APPLICATION OF THE LAWS OF THE STATE OF TEXAS. THIS PROVISION MAY NOT BE ENFORCEABLE UNDER CALIFORNIA LAW.

e. SECTION 31125 OF THE FRANCHISE INVESTMENT LAW REQUIRES US TO GIVE TO FRANCHISEE A DISCLOSURE DOCUMENT APPROVED BY THE COMMISSIONER OF CORPORATIONS BEFORE WE ASK FRANCHISEE TO CONSIDER A MATERIAL MODIFICATION OF FRANCHISEE’S FRANCHISE AGREEMENT.

f. FRANCHISEE MUST SIGN A GENERAL RELEASE OF CLAIMS IF IT RENEWS OR TRANSFERS ITS 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 FRANCHISEE’S RIGHTS UNDER THE FRANCHISE RELATIONS ACT (BUSINESS AND PROFESSIONS CODE §§20000 THROUGH 20043).

g. CALIFORNIA BUSINESS AND PROFESSIONS CODE SECTIONS 20000 THROUGH 20043 PROVIDE RIGHTS TO FRANCHISEE CONCERNING NONRENEWAL AND TERMINATION OF THE AGREEMENT. TO THE EXTENT THE AGREEMENT CONTAINS A PROVISION THAT IS INCONSISTENT WITH THESE LAWS, THESE LAWS WILL CONTROL.

h. THE AGREEMENT REQUIRES LITIGATION AND MEDIATION TO BE CONDUCTED IN TEXAS. THESE PROVISIONS MAY NOT BE ENFORCEABLE UNDER CALIFORNIA LAW.

IN WITNESS WHEREOF, the parties hereto have fully executed, sealed and delivered this Amendment to the Franchise Agreement on _____, 20__.

FRANCHISOR:

CREST FOODS, INC.

By: _____
Name: _____
Title: _____

FRANCHISEE:

By: _____
Name: _____
Title: _____

CONTROLLING PRINCIPALS:

*Name: _____

Name: _____

*Denotes individual who is Franchisee's Operating Principal

**AMENDMENT TO CREST FOODS, INC.
FRANCHISE AGREEMENT
FOR THE STATE OF HAWAII**

The Crest Foods, Inc. Franchise Agreement between _____ (“Franchisee”) and Crest Foods, Inc., a Texas corporation (“Franchisor”), dated _____ (the “Agreement”) is hereby amended by the addition of the following language, which shall be considered an integral part of the Agreement (this “Amendment”):

HAWAII LAW MODIFICATIONS

1. The Director of the Hawaii Department of Commerce and Consumer Affairs requires that certain provisions contained in franchise documents be amended to be consistent with Hawaii law, including the Hawaii Franchise Investment Law, Hawaii Revised Statutes, Title 26, Chapter 482E-1 Through 482E-12 (1988). To the extent that the Agreement contains provisions that are inconsistent with the following, such provisions are hereby amended:

a. The Hawaii Franchise Investment Law provides rights to Franchisee concerning nonrenewal, termination and transfer of the Agreement. If the Agreement contains a provision that is inconsistent with the law, the law will control. Among those rights, the law may require that upon termination or nonrenewal Franchisor purchase for fair market value Franchisee’s inventory, supplies, equipment and furnishings purchased from Franchisor or a supplier designated by Franchisor; provided that personalized materials which have no value to Franchisor need not be compensated for. If the non-renewal or termination is for the purpose of converting Franchisee’s business to one owned and operated by Franchisor, Franchisor may, additionally, be obligated to compensate the Franchisee for loss of goodwill. Franchisor may deduct all amounts due from Franchisee and any costs related to the transportation or disposition of items purchased against any payment for those items. If the parties cannot agree on fair market value, fair market value shall be determined in the manner set forth in the Agreement. If the Agreement does not provide for determination of the fair market value of assets for purchase by Franchisor, such amount will be determined by an independent appraiser approved by both parties, and the costs of the appraisal shall be shared equally by the parties.

b. If the Franchisee is required in the Agreement to execute a release of claims, such release shall exclude claims arising under the Hawaii Franchise Investment Law.

2. Each provision of this Amendment shall be effective only to the extent that the jurisdictional requirements of the Hawaii Franchise Investment 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.

[Signature page follows]

IN WITNESS WHEREOF, the parties hereto have fully executed, sealed and delivered this Amendment to the Franchise Agreement on _____, 20__.

FRANCHISOR:

CREST FOODS, INC.

By:_____

Name:_____

Title:_____

FRANCHISEE:

By:_____

Name:_____

Title:_____

CONTROLLING PRINCIPALS:

*Name:_____

Name:_____

*Denotes individual who is Franchisee's Operating Principal

**AMENDMENT TO CREST FOODS, INC.
FRANCHISE AGREEMENT
FOR THE STATE OF ILLINOIS**

The Crest Foods, Inc. Franchise Agreement between _____ (“Franchisee”) and Crest Foods, Inc., a Texas corporation (“Franchisor”), dated _____ (the “Agreement”) shall be amended by the addition of the following language, which shall be considered an integral part of the Agreement (this “Amendment”):

ILLINOIS LAW MODIFICATIONS

1. The Illinois Attorney General’s Office requires that certain provisions contained in franchise documents be amended to be consistent with Illinois law, including the Franchise Disclosure Act of 1987, Ill. Comp. Stat. ch. 815 sec. 705/1 - 705/44 (1994). To the extent that the Agreement contains provisions that are inconsistent with the following, such provisions are hereby amended:

a. Illinois Franchise Disclosure Act Sections 705/19 and 705/20 provide rights to the Franchisee concerning nonrenewal and termination of the Agreement. If the Agreement contains a provision that is inconsistent with the Act, the Act will control.

b. If the Franchisee is required in the Agreement to execute a release of claims or to acknowledge facts that would negate or remove from judicial review any statement, misrepresentation or action that would violate the Act, or a rule of order under the Act, such release shall exclude claims arising under the Illinois Franchise Disclosure Act, and such acknowledgments shall be void with respect to claims under the Act.

c. If the Agreement requires litigation to be conducted in a forum other than the State of Illinois, the requirement is void under the Illinois Franchise Disclosure Act.

d. If the franchise is under the jurisdiction of the Illinois Franchise Disclosure Act, the Agreement will be governed by Illinois law.

e. To the extent that Section 19.1 of the Agreement requires Franchisee to execute a release of claims or to acknowledge facts that would negate or remove from judicial review any statement, misrepresentation or action that would violate the Act, or a rule or order under the Act, such release shall exclude claims arising under the Illinois Franchise Disclosure Act, and such acknowledgments shall be void and are hereby deleted with respect to claims under the Act.

f. Illinois Franchise Disclosure Act Section 705/41 provides that (i) any condition, stipulation, or provision purporting to bind any person acquiring any franchise to waive compliance with any provision of the Act or any other law of the State of Illinois is void and (ii) this section shall not prevent any person from entering into a settlement agreement or executing a general release regarding a potential or actual lawsuit filed under any of the provisions of the Act, nor shall it prevent the arbitration of any claim pursuant to the provisions of Title 9 of the United States Code.

2. Each provision of this Amendment shall be effective only to the extent that the jurisdictional requirements of the Illinois Franchise Disclosure 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.

IN WITNESS WHEREOF, the parties hereto have fully executed, sealed and delivered this Amendment to the Franchise Agreement on _____, 20__.

FRANCHISOR:

CREST FOODS, INC.

By:_____

Name:_____

Title:_____

FRANCHISEE:

By:_____

Name:_____

Title:_____

CONTROLLING PRINCIPALS:

*Name:_____

Name:_____

*Denotes individual who is Franchisee's Operating Principal

**AMENDMENT TO CREST FOODS, INC.
FRANCHISE AGREEMENT
FOR THE STATE OF INDIANA**

The Crest Foods, Inc. Franchise Agreement between _____ (“Franchisee”) and Crest Foods, Inc., a Texas corporation (“Franchisor”), dated _____ (the “Agreement”) shall be amended by the addition of the following language, which shall be considered an integral part of the Agreement (this “Amendment”):

INDIANA LAW MODIFICATIONS

1. The Indiana Securities Commissioner requires that certain provisions contained in franchise documents be amended to be consistent with Indiana law, including the Indiana Franchises Act, Ind. Code Ann. §§ 1 - 51 (1994) and the Indiana Deceptive Franchise Practices Act, Ind. Code Ann. § 23-2-2.7 (1985). To the extent that the Agreement contains provisions that are inconsistent with the following, such provisions are hereby amended:

a. The Indiana Deceptive Franchise Practices Act provides rights to Franchisee concerning nonrenewal and termination of the Agreement. To the extent the Agreement contains a provision that is inconsistent with the Act, the Act will control.

b. If the Franchisee is required in the Agreement to execute a release of claims or to acknowledge facts that would negate or remove from judicial review any statement, misrepresentation or action that would violate the Act, or a rule or order under the Act, such release shall exclude claims arising under the Indiana Deceptive Franchise Practices Act and the Indiana Franchises Act, and such acknowledgments shall be void with respect to claims under the Acts.

c. If the Agreement contains covenants not to compete upon expiration or termination of the Agreement that are inconsistent with the Indiana Deceptive Franchise Practices Act, the requirements of the Act will control.

d. The Indiana Deceptive Franchise Practices Act provides that substantial modification of the Agreement by Franchisor requires written consent of the Franchisee. If the Agreement contains provisions that are inconsistent with this requirement, the Act will control.

e. If the Agreement requires litigation/arbitration to be conducted in a forum other than the State of Indiana, the requirement may be unenforceable as a limitation on litigation under the Indiana Deceptive Franchise Practices Act § 23-2-2.7(10).

f. If the Agreement requires that it be governed by a state’s law, other than the State of Indiana, to the extent that such law conflicts with the Indiana Deceptive Franchise Practices Act and the Indiana Franchises Act, the Acts will control.

g. If the Agreement contains a reservation of right to injunctive relief or any specified remedy or limitation of remedies available to either Franchisor or Franchisee, these provisions may be unenforceable as a limitation on litigation under the Indiana Deceptive Franchise Practices Act § 23-2-2.7(10).

h. If the Agreement requires the Franchisee to indemnify the Franchisor, such indemnification provision is hereby modified so that in no event will Franchisee be required to indemnify

Franchisor for any liability caused by the Franchisee's compliance with or use of procedures or materials provided by the Franchisor or caused by Franchisor's negligence.

i. The Indiana Deceptive Franchise Practices Act provides that the Franchisor may not establish a franchisor-owned outlet engaged in a substantially identical business to that of the Franchisee within the exclusive territory granted the Franchisee by the Agreement; or, if no exclusive territory is designated, the Franchisor may not compete unfairly with the Franchisee within a reasonable area. If the Agreement contains provisions that are inconsistent with this requirement, the Act will control.

j. If the Agreement contains any other provisions that are inconsistent with the requirements of the Indiana Deceptive Franchise Practices Act, the Act will control.

2. Each provision of this Amendment shall be effective only to the extent that the jurisdictional requirements of the Indiana Deceptive Franchise Practices Act and the Indiana Franchises 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.

[Signature page follows]

IN WITNESS WHEREOF, the parties hereto have fully executed, sealed and delivered this Amendment to the Franchise Agreement on _____, 20__.

FRANCHISOR:

CREST FOODS, INC.

By:_____

Name:_____

Title:_____

FRANCHISEE:

By:_____

Name:_____

Title:_____

CONTROLLING PRINCIPALS:

*Name:_____

Name:_____

*Denotes individual who is Franchisee's Operating Principal

**AMENDMENT TO CREST FOODS, INC.
FRANCHISE AGREEMENT
FOR THE STATE OF MARYLAND**

The Crest Foods, Inc. Franchise Agreement between _____ (“Franchisee”) and Crest Foods, Inc., a Texas corporation (“Franchisor”), dated _____ (the “Agreement”) shall be amended by the addition of the following language, which shall be considered an integral part of the Agreement (this “Amendment”):

MARYLAND LAW MODIFICATIONS

1. The Maryland Securities Division requires that certain provisions contained in franchise documents be amended to be consistent with Maryland law, including the Maryland Franchise Registration and Disclosure Law, Md. Code Ann., Bus. Reg. §§ 14-201 - 14-233. To the extent that the Agreement contains provisions that are inconsistent with the following, such provisions are hereby amended:

a. The Agreement requires the Franchisee to execute a release of claims or to acknowledge facts that would negate or remove from judicial review any statement, misrepresentation or action that would violate Maryland law, or a rule or order under Maryland law. Such release shall exclude claims arising under the Maryland Franchise Registration and Disclosure Law, and such acknowledgments shall be void with respect to claims under the Law.

b. The Agreement requires the Franchisee to execute a general release as a condition to the renewal, sale, assignment or transfer of the Agreement. The general release required as a condition of renewal, sale, assignment or transfer shall not apply to any liability under the Maryland Franchise Registration and Disclosure Law.

c. The Agreement requires litigation to be conducted in a forum other than the State of Maryland. This requirement shall not be interpreted to limit any rights Licensee may have under Sec. 14-216(c)(25) of the Maryland Franchise Registration and Disclosure Law to bring suit in the state of Maryland.

d. Article XIX of the Agreement requires prospective franchisees to disclaim the occurrence and/or acknowledge the non-occurrence of acts that would constitute a violation of the Franchise Law in order to purchase your franchise. Such representations are not intended to nor shall they act as a release, estoppel or waiver of any liability incurred under the Maryland Franchise Registration and Disclosure Law.

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

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

g. All representations requiring Franchisee to assent to a release, estoppel or waiver of liability are not intended to nor shall they act as a release, estoppel or waiver of any liability incurred under the Maryland Franchise Registration and Disclosure Law.

2. Each provision of this Amendment shall be effective only to the extent that the jurisdictional requirements of the Maryland Franchise Registration and Disclosure 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.

IN WITNESS WHEREOF, the parties hereto have fully executed, sealed and delivered this Amendment to the Franchise Agreement on _____, 20__.

FRANCHISOR:

CREST FOODS, INC.

By: _____
Name: _____
Title: _____

FRANCHISEE:

By: _____
Name: _____
Title: _____

CONTROLLING PRINCIPALS:

*Name: _____

Name: _____

*Denotes individual who is Franchisee's Operating Principal

**AMENDMENT TO CREST FOODS, INC.
FRANCHISE AGREEMENT
FOR THE STATE OF MINNESOTA**

The Crest Foods, Inc. Franchise Agreement between _____ (“Franchisee”) and Crest Foods, Inc., a Texas corporation (“Franchisor”), dated _____ (the “Agreement”) shall be amended by the addition of the following language, which shall be considered an integral part of the Agreement (this “Amendment”):

MINNESOTA LAW MODIFICATIONS

1. The Commissioner of Commerce for the State of Minnesota requires that certain provisions contained in franchise documents be amended to be consistent with Minnesota Franchise Act, Minn. Stat. Section 80.01 et seq., and of the Rules and Regulations promulgated under the Act (collectively the “Franchise Act”). To the extent that the Agreement contains provisions that are inconsistent with the following, such provisions are hereby amended:

a. The Minnesota Department of Commerce requires that Franchisor indemnify Minnesota franchisees against liability to third parties resulting from claims that the Developers’ use of the Intellectual Properties infringes trademark rights of the third party. If the Agreement contains a provision that is inconsistent with the Franchise Act, the provisions of the Agreement shall be superseded by the Act’s requirements and shall have no force or effect.

b. Franchise Act, Sec. 80C.14, Subd. 4., requires, except in certain specified cases, that a franchisee be given written notice of a franchisor’s intention not to renew 180 days prior to expiration of the franchise and that the franchisee be given sufficient opportunity to operate the franchise in order to enable the franchisee the opportunity to recover the fair market value of the franchise as a going concern. If the Agreement contains a provision that is inconsistent with such requirement of the Franchise Act, the provisions of the Agreement shall be superseded by the Act’s requirements and shall have no force or effect.

c. Franchise Act, Sec. 80C.14, Subd. 3., requires, except in certain specified cases that a franchisee be given 90 days notice of termination (with 60 days to cure). If the Agreement contains a provision that is inconsistent with such requirement of the Franchise Act, the provisions of the Agreement shall be superseded by the Act’s requirements and shall have no force or effect.

d. If the Agreement requires Franchisee to execute a release of claims or to acknowledge facts that would negate or remove from judicial review any statement, misrepresentation or action that would violate the Franchise Act, such release shall exclude claims arising under the Franchise Act, and such acknowledgments shall be void with respect to claims under the Act.

e. If the Agreement requires that it be governed by a state’s law, other than the State of Minnesota or arbitration or mediation, those provisions shall not in any way abrogate or reduce any rights of the Franchisee as provided for in the Franchise Act, including the right to submit matters to the jurisdiction of the courts of Minnesota.

f. If the Agreement requires Franchisee to sue the Franchisor outside the State of Minnesota, those provisions shall not in any way abrogate or reduce any rights Franchisee may have as provided for in the Franchise Act, including the right to submit matters to the jurisdiction of the courts of Minnesota.

g. Franchise Act, 80C.17, Subd. 5 requires that an action be commenced pursuant to the Franchise Act within 3 years after the cause of action accrues. If the Agreement contains a provision that is inconsistent with the Franchise Act, the provisions of the Agreement shall be superseded by the Act's requirements and shall have no force or effect.

h. If the Agreement requires payment of a termination penalty or other liquidated damages, such provision shall be null and void and have no force or effect.

2. Each provision of this Amendment 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.

IN WITNESS WHEREOF, the parties hereto have fully executed, sealed and delivered this Amendment to the Franchise Agreement on _____, 20__.

FRANCHISOR:

CREST FOODS, INC.

By: _____
Name: _____
Title: _____

FRANCHISEE:

By: _____
Name: _____
Title: _____

CONTROLLING PRINCIPALS:

*Name: _____

Name: _____

*Denotes individual who is Franchisee's Operating Principal

**AMENDMENT TO CREST FOODS, INC.
FRANCHISE AGREEMENT
FOR THE STATE OF NEW YORK**

The Crest Foods, Inc. Franchise Agreement between _____ (“Franchisee”) and Crest Foods, Inc., a Texas corporation (“Franchisor”), dated _____ (the “Agreement”) shall be amended by the addition of the following language, which shall be considered an integral part of the Agreement (this “Amendment”):

NEW YORK LAW MODIFICATIONS

1. The New York Department of Law requires that certain provisions contained in franchise documents be amended to be consistent with New York law, including the General Business Law, Article 33, Sections 680 through 695 (1989). To the extent that the Agreement contains provisions that are inconsistent with the following, such provisions are hereby amended:

a. If the Franchisee is required in the Agreement to execute a release of claims or to acknowledge facts that would negate or remove from judicial review any statement, misrepresentation or action that would violate the General Business Law, regulation, rule or order under the Law, such release shall exclude claims arising under the New York General Business Law, Article 33, Section 680 through 695 and the regulations promulgated thereunder, and such acknowledgments shall be void. It is the intent of this provision that non-waiver provisions of Sections 687.4 and 687.5 of the General Business Law be satisfied.

b. If the Agreement requires that it be governed by a state’s law, other than the State of New York, the choice of law provision shall not be considered to waive any rights conferred upon the Licensee under the New York General Business Law, Article 33, Sections 680 through 695.

2. Each provision of this Amendment shall be effective only to the extent that the jurisdictional requirements of the New York General Business 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.

[Signature page follows]

IN WITNESS WHEREOF, the parties hereto have fully executed, sealed and delivered this Amendment to the Franchise Agreement on _____, 20__.

FRANCHISOR:

CREST FOODS, INC.

By:_____

Name:_____

Title:_____

FRANCHISEE:

By:_____

Name:_____

Title:_____

CONTROLLING PRINCIPALS:

*Name:_____

Name:_____

*Denotes individual who is Franchisee's Operating Principal

**AMENDMENT TO CREST FOODS, INC.
FRANCHISE AGREEMENT
FOR THE STATE OF NORTH DAKOTA**

The Crest Foods, Inc. Franchise Agreement between _____ (“Franchisee”) and Crest Foods, Inc., a Texas corporation (“Franchisor”), dated _____ (the “Agreement”) is hereby amended by the addition of the following language, which shall be considered an integral part of the Agreement (this “Amendment”):

NORTH DAKOTA LAW MODIFICATIONS

1. The North Dakota Securities Commissioner requires that certain provisions contained in franchise documents be amended to be consistent with North Dakota law, including the North Dakota Franchise Investment Law, North Dakota Century Code Annotated Chapter 51-19, Sections 51-19-01 through 51-19-17 (1993). To the extent that the Agreement contains provisions that are inconsistent with the following, such provisions are hereby amended:

a. If the Franchisee is required in the Agreement to execute a release of claims or to acknowledge facts that would negate or remove from judicial review any statement, misrepresentation or action that would violate the Law, or a rule or order under the Law, such release shall exclude claims arising under the North Dakota Franchise Investment Law, and such acknowledgments shall be void with respect to claims under the Law.

b. Covenants not to compete during the term of and upon termination or expiration of the Agreement are enforceable only under certain conditions according to North Dakota Law. If the Agreement contains a covenant not to compete which is inconsistent with North Dakota Law, the covenant may be unenforceable.

c. If the Agreement requires litigation to be conducted in a forum other than the State of North Dakota, the requirement is void with respect to claims under the North Dakota Franchise Investment Law.

d. If the Agreement requires that it be governed by a state’s law, other than the State of North Dakota, to the extent that such law conflicts with the North Dakota Franchise Investment Law, the North Dakota Franchise Investment Law will control, and, if Franchisee is a North Dakota resident or entity, to the extent that such law conflicts with North Dakota Law, North Dakota Law will control.

e. If the Agreement requires mediation or arbitration to be conducted in a forum other than the State of North Dakota, the requirement may be unenforceable under the North Dakota Franchise Investment Law. Arbitration involving a franchise purchased in the State of North Dakota must be held either in a location mutually agreed upon prior to the arbitration or if the parties cannot agree on a location, the location will be determined by the arbitrator.

f. If the Agreement requires payment of a termination penalty or liquidated damages, the requirement may be unenforceable under the North Dakota Franchise Investment Law.

g. If the Agreement requires the Franchisee to consent to a waiver of exemplary and punitive damages, the requirement may be unenforceable under the North Dakota Franchise Investment Law.

h. If the Agreement requires the Franchisee to pay all costs and expenses of the Franchisor in enforcing the Agreement, such provision is modified so that the prevailing party in any enforcement action is entitled to recover all costs and expenses, including attorney's fees, from the nonprevailing party.

2. 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.

[Signature page follows]

IN WITNESS WHEREOF, the parties hereto have fully executed, sealed and delivered this Amendment to the Franchise Agreement on _____, 20__.

FRANCHISOR:

CREST FOODS, INC.

By:_____

Name:_____

Title:_____

FRANCHISEE:

By:_____

Name:_____

Title:_____

CONTROLLING PRINCIPALS:

*Name:_____

Name:_____

*Denotes individual who is Franchisee's Operating Principal

**AMENDMENT TO CREST FOODS, INC.
FRANCHISE AGREEMENT
FOR THE STATE OF RHODE ISLAND**

The Crest Foods, Inc. Franchise Agreement between _____ (“Franchisee”) and Crest Foods, Inc., a Texas corporation (“Franchisor”), dated _____ (the “Agreement”) is hereby amended by the addition of the following language, which shall be considered an integral part of the Agreement (this “Amendment”):

RHODE ISLAND LAW MODIFICATIONS

1. The Rhode Island Securities Division requires that certain provisions contained in franchise documents be amended to be consistent with Rhode Island law, including the Franchise Investment Act, R.I. Gen. Law. ch. 395 Sec. 19-28.1-1 -19-28.1-34. To the extent that the Agreement contains provisions that are inconsistent with the following, such provisions are hereby amended:

a. If the Agreement requires litigation to be conducted in a forum other than the State of Rhode Island, the requirement is void under Rhode Island Franchise Investment Act Sec. 19-28.1-14.

b. If the Agreement requires that it be governed by a state’s law, other than the State of Rhode Island, to the extent that such law conflicts with Rhode Island Franchise Investment Act it is void under Sec. 19-28.1-14.

c. If the Franchisee is required in the Agreement to execute a release of claims or to acknowledge facts that would negate or remove from judicial review any statement, misrepresentation or action that would violate the Act, or a rule or order under the Act, such release shall exclude claims arising under the Rhode Island Franchise Investment Act, and such acknowledgments shall be void with respect to claims under the Act.

2. 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.

[Signature page follows]

IN WITNESS WHEREOF, the parties hereto have fully executed, sealed and delivered this Amendment to the Franchise Agreement on _____, 20__.

FRANCHISOR:

CREST FOODS, INC.

By:_____

Name:_____

Title:_____

FRANCHISEE:

By:_____

Name:_____

Title:_____

CONTROLLING PRINCIPALS:

*Name:_____

Name:_____

*Denotes individual who is Franchisee's Operating Principal

**AMENDMENT TO CREST FOODS, INC.
FRANCHISE AGREEMENT
FOR THE STATE OF WASHINGTON**

The Crest Foods, Inc. Franchise Agreement between _____ (“Franchisee”) and Crest Foods, Inc., a Texas corporation (“Franchisor”), dated _____ (the “Agreement”) is hereby amended by the addition of the following language, which shall be considered an integral part of the Agreement (this “Amendment”):

WASHINGTON LAW MODIFICATIONS

1. The Director of the Washington Department of Financial Institutions requires that certain provisions contained in franchise documents be amended to be consistent with Washington law, including the Washington Franchise Investment Protection Act, WA Rev. Code §§ 19.100.010 to 19.100.940 (1991). To the extent that the Agreement contains provisions that are inconsistent with the following, such provisions are hereby amended:

a. Washington Franchise Investment Protection Act provides rights to Franchisee concerning nonrenewal and termination of the Agreement. If the Agreement contains a provision that is inconsistent with the Act, the Act will control.

b. If the Franchisee is required in the Agreement to execute a release of claims, such release shall exclude claims arising under the Washington Franchise Investment Protection Act; except when the release is executed under a negotiated settlement after the Agreement is in effect and where the parties are represented by independent counsel. If there are provisions in the Agreement that unreasonably restrict or limit the statute of limitations period for claims brought under the Act, or other rights or remedies under the Act, those provisions may be unenforceable.

c. If the Agreement requires litigation, arbitration, or mediation to be conducted in a forum other than the State of Washington, the requirement may be unenforceable under Washington law. Arbitration involving a franchise purchased in the State of Washington must either be held in the State of Washington or in a place mutually agreed upon at the time of the arbitration, or as determined by the arbitrator.

d. If the Agreement requires that it be governed by a state’s law, other than the State of Washington, and there is a conflict between the law and the Washington Franchise Investment Protection Act, the Washington Franchise Investment Protection Act will control.

2. Each provision of this Amendment shall be effective only to the extent that the jurisdictional requirements of the Washington 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.

[Signature page follows]

IN WITNESS WHEREOF, the parties hereto have fully executed, sealed and delivered this Amendment to the Franchise Agreement on _____, 20__.

FRANCHISOR:

CREST FOODS, INC.

By:_____

Name:_____

Title:_____

FRANCHISEE:

By:_____

Name:_____

Title:_____

CONTROLLING PRINCIPALS:

*Name:_____

Name:_____

*Denotes individual who is Franchisee's Operating Principal

**AMENDMENT TO CREST FOODS, INC.
FRANCHISE AGREEMENT
FOR THE STATE OF WISCONSIN**

The Crest Foods, Inc. Franchise Agreement between _____ (“Franchisee”) and Crest Foods, Inc., a Texas corporation (“Franchisor”), dated _____ (the “Agreement”) is hereby amended by the addition of the following language, which shall be considered an integral part of the Agreement (this “Amendment”):

WISCONSIN LAW MODIFICATIONS

1. The Securities Commissioner of the State of Wisconsin requires that certain provisions contained in franchise documents be amended to be consistent with Wisconsin Fair Dealership Law, Wisconsin Statutes, Chapter 135 (“Fair Dealership Law”). To the extent that the Agreement contains provisions that are inconsistent with the following, such provisions are hereby amended:

a. The Wisconsin Fair Dealership Law, among other things, grants Franchisee the right, in most circumstances, to 90 days’ prior written notice of non-renewal and 60 days within which to remedy any claimed deficiencies. If the Agreement contains a provision that is inconsistent with the Wisconsin Fair Dealership Law, the provisions of the Agreement shall be superseded by the Law’s requirements and shall have no force or effect.

b. The Wisconsin Fair Dealership Law, among other things, grants Franchisee the right, in most circumstances, to 90 days’ prior written notice of termination and 60 days within which to remedy any claimed deficiencies. If the Agreement contains a provision that is inconsistent with the Wisconsin Fair Dealership Law, the provisions of the Agreement shall be superseded by the Law’s requirements and shall have no force or effect.

c. If the Agreement requires that it be governed by a state’s law, other than the State of Wisconsin, to the extent that any provision of the Agreement conflicts with the Wisconsin Fair Dealership Law such provision shall be superseded by the law’s requirements.

2. Each provision of this Amendment shall be effective only to the extent that the jurisdictional requirements of the Wisconsin 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.

[Signature page follows]

IN WITNESS WHEREOF, the parties hereto have fully executed, sealed and delivered this Amendment to the Franchise Agreement on _____, 20__.

FRANCHISOR:

CREST FOODS, INC.

By:_____

Name:_____

Title:_____

FRANCHISEE:

By:_____

Name:_____

Title:_____

CONTROLLING PRINCIPALS:

*Name:_____

Name:_____

*Denotes individual who is Franchisee's Operating Principal

EXHIBIT B-2

CART ADDENDUM TO FRANCHISE AGREEMENT

THIS CART ADDENDUM TO FRANCHISE AGREEMENT (this "Addendum") is dated as of _____, 20__ between Crest Foods, Inc., a Texas corporation ("Franchisor"), and _____ ("Franchisee") and relates to that certain Franchise Agreement (the "Franchise Agreement"), dated as of _____, 20__, by and between Franchisor and Franchisee.

WITNESSETH:

Franchisee desires to operate a satellite cart (the "Cart") in conjunction with the Café operated under the Franchise Agreement.

Franchisor has agreed to permit Franchisee to operate the Cart subject to the terms and conditions contained herein.

1. Supplement to Franchise Agreement

This Addendum supplements, modifies and amends the Franchise Agreement as set forth herein. Initially capitalized terms used herein, which are not separately defined herein, shall have the meaning ascribed to such terms in the Franchise Agreement. In the event of a conflict between the terms of this Addendum and the terms of the Franchise Agreement, the terms of this Addendum shall control. Except as specifically set forth herein, the Franchise Agreement shall not be modified by this Addendum in any respect. This Addendum may be executed in multiple counterparts, each of which when so executed shall be an original, and all of which shall constitute one and the same instrument.

2. Granting Clause

Franchisor grants to Franchisee and Franchisee accepts from Franchisor a license to operate a Cart as an auxiliary to the Cafe, within the Assigned Area (or outside the Assigned Area with the consent of Franchisor), using the Marks and System under the terms of this Addendum. Prior to operation of the Cart in the Assigned Area, Franchisee shall provide to Franchisor a letter of approval or temporary space lease provided by the landlord for the Café. Except as provided below, this Addendum does not grant to Franchisee the right or license to operate the Cart at or from any other location. Franchisee may request the consent of Franchisor to operate the Cart outside of the Assigned Area and shall provide to Franchisor such information and documentation relating to the request as Franchisor may require. Franchisee shall not operate the Cart outside of the Assigned Area until Franchisor's written consent has been obtained. Franchisor may, in its sole and absolute discretion, grant, withhold or place conditions on its consent, or withdraw or modify the conditions on any such consent at any time.

3. References to Cafe

All references in the Franchise Agreement to the Cafe shall be considered to apply to the Cafe and Cart, unless otherwise noted.

4. Satellite Cart Fee

Upon signing this Addendum, Franchisee shall pay Franchisor the sum of \$5,000 as a Satellite Cart Fee.

5. **Term**

The term of this Addendum is coterminous with the Franchise Agreement it modifies.

6. **Supplier; Alterations; Equipment**

Franchisee shall purchase the Cart only from Franchisor's designated supplier. Franchisee shall not make any alterations or changes of any kind to the Cart without Franchisor's prior written consent. Franchisee shall install and maintain the point of sale system and software Franchisor requires for the operation of the Cart and shall follow the procedures related thereto that Franchisor specifies in the Manuals or otherwise in writing.

7. **Operational Requirements**

Franchisee shall operate the Cart in strict conformity with Franchisor's methods, standards and specifications as set forth in the Manuals and as from time to time otherwise prescribed in writing. Without limitation of the foregoing, Franchisee shall offer for sale from the Cart only the menu items, products and services that Franchisor approves in writing for sale from the Cart; discontinue offering for sale from the Cart any menu items, products or services that Franchisor may, in its sole discretion, disapprove in writing at any time; and refrain from deviating from Franchisor's standards and specifications.

8. **Insurance**

Franchisee shall have arranged for appropriate liability and casualty insurance coverage for the Cart, as required by Franchisor and, if applicable, Franchisee's landlord, and have made Franchisor, Nestle and their affiliates and the officers, directors, shareholders, partners, agents, representatives, independent contractors, servants and employees of each of them additional named insureds under the additional or extended insurance coverage. Franchisee shall have given Franchisor a copy of the policy's declarations page evidencing this coverage. Franchisee shall maintain this coverage throughout the term of this Addendum.

9. **Transfer**

Upon transfer of the Café, the Cart must be included in the sale, Franchisee must remodel the Cart to conform to the then-current standards and specifications for Carts in the System, and Franchisee must pay Franchisor a transfer fee for the transfer of the Cart equal to fifty percent (50%) of the currently effective satellite cart fee at the time of transfer. Otherwise, the license conveyed by this Addendum shall expire upon the transfer of the Cafe.

[SIGNATURE PAGE FOLLOWS]

IN WITNESS WHEREOF, the parties hereto have duly executed and delivered this Addendum as of the date first above written.

FRANCHISOR:

CREST FOODS, INC.

By: _____

Name: _____

Title: _____

FRANCHISEE:

By: _____

Name: _____

Title: _____

ACKNOWLEDGED AND AGREED

CONTROLLING PRINCIPALS:

Name:

Name:

EXHIBIT C

DEVELOPMENT AGREEMENT



CREST FOODS, INC. DEVELOPMENT AGREEMENT

Developer: _____

Controlling Principal(s): _____

Date: _____, 2014

Notice Address: _____

Fax: _____

Email: _____

Total Number of Cafes
to be Developed: _____

Initial Development Fee: \$ _____

Initial Franchise Fee:

First Cafe: \$30,000

Second and Third Cafe: \$ _____

Each Additional Cafe: \$ _____

Territory: _____

Development Schedule:

Development Period Number	Expiration Date of Development Period	Minimum Cumulative Number of Cafes that Developer shall have Open and in Operation
1		
2		
3		
4		
5		
6		

Statement of Ownership Interests:

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

Developer's Principal(s)
(other than Controlling
Principals):

Disclosure Law Compliance:

(i) Date of Delivery of Franchise Disclosure Document: _____, 2014

(ii) Date of Delivery of completed copy of this Agreement: _____, 2014

TABLE OF CONTENTS

	Page
Article I. GRANT 2	
1.1 Grant and Territory	2
1.2 Rights in Territory.....	2
1.3 Trademarks	2
1.4 Nestle Development Agreement	2
Article II. FEE 2	
2.1 Development Fee	2
2.2 Franchise Fee	3
2.3 Interest	3
Article III. SCHEDULE AND MANNER FOR EXERCISING DEVELOPMENT RIGHTS	3
3.1 Franchise Agreement	3
3.2 Development Schedule	3
3.3 Extensions	3
3.4 Failure to Comply	4
Article IV. PREREQUISITES TO OBTAINING FRANCHISES	4
4.1 Acknowledgement	4
4.2 Conditions	4
Article V. TERM	5
Article VI. DUTIES OF DEVELOPER	5
6.1 Entity Representations	5
6.2 Operating Principal	7
6.3 Reimbursement of Former Employer	7
6.4 Compliance with Laws	8
Article VII. DEFAULT AND TERMINATION.....	8
7.1 Default and Automatic Termination	8
7.2 Default with No or Limited Right to Cure.....	9
7.3 Default and Right to Cure	10
7.4 Additional Remedies.....	10
7.5 Post-Termination	11
7.6 Franchisor's Rights	11
7.7 Cross Default	11
7.8 No Exclusive Remedy.....	11
Article VIII. TRANSFER OF INTEREST	11
8.1 Transfer by Franchisor	11
8.2 Transfer by Developer	11
8.3 Transfer to Affiliate	13
8.4 Right of First Refusal.....	13
8.5 Death and Permanent Disability	14
8.6 No Release or Waiver	14
8.7 Public Offering	15
8.8 Review of Offering Materials	15
8.9 Transfers by Developer's Principals.....	15
Article IX. COVENANTS	15
9.1 Confidential Information	15
9.2 Noncompetition Covenants.....	16
9.3 Injunctive Relief	18
Article X. RELATIONSHIP OF THE PARTIES AND INDEMNIFICATION	18
10.1 Relationship	18
10.2 Notice to Public	18

10.3	No Authority	18
10.4	Employment Policies	18
10.5	Indemnification	18
10.6	Variations.....	19
Article XI. MISCELLANEOUS		19
11.1	Notice.....	19
11.2	Entire Agreement.....	20
11.3	Amendments	20
11.4	No Waiver.....	20
11.5	Approvals or Consents.....	20
11.6	No Warranties	20
11.7	MEDIATION.....	20
11.8	ARBITRATION	21
11.9	VENUE.....	22
11.10	GOVERNING LAW.....	23
11.11	MUTUAL BENEFIT	23
11.12	DISPUTE RESOLUTION PROGRAM	23
11.13	WAIVER OF CERTAIN DAMAGES	24
11.14	Counterparts.....	24
11.15	Headings	24
11.16	Survival.....	24
11.17	Severability	25
11.18	Construction.....	25
11.19	Remedies.....	25
11.20	Developer's Principals and Controlling Principals.....	25
11.21	Legal Entities	25
11.22	No Third-Party Beneficiaries.....	25
11.23	Terrorist and Money Laundering Activities.....	26
Article XII. ACKNOWLEDGMENTS		26
12.1	Independent Investigation.....	26
12.2	Representations and Warranties.....	26
12.3	Review and Understanding	27
12.4	No Fiduciary Relationship.....	27
12.5	No Side Deals	27
12.6	Receipt of Documents.....	27

ATTACHMENT A - CONTROLLING PRINCIPALS GUARANTY AND COVENANT
ATTACHMENT B - FRANCHISE AGREEMENT
ATTACHMENT C - CONFIDENTIALITY AGREEMENT AND ANCILLARY COVENANTS NOT
TO COMPETE

CREST FOODS, INC.

DEVELOPMENT AGREEMENT

THIS DEVELOPMENT AGREEMENT (this "Agreement") is dated as of the date set forth on the cover page of this Agreement (the "Effective Date") by and between Crest Foods, Inc., a Texas corporation ("Franchisor"), and the person(s) or entity set forth as the Developer on the cover page of this Agreement ("Developer").

WITNESSETH:

Franchisor, as the result of the expenditure of time, skill, effort and money, has developed and owns a unique and distinctive system ("System") relating to the establishment and operation of quick-service bakery cafes ("Bakery Cafes") that feature cookies, desserts, ice cream, confection products, other baked goods, coffees, other beverage items and promotional items and quick-service sandwich and bakery cafes ("Combination Cafes" and, together with Bakery Cafes, "Cafes") that, in addition to certain of the menu items offered by Bakery Cafés, feature sandwiches, soups, and other food items;

Under a Second Amended and Restated Master Product Reference Agreement, a redacted copy of which is attached as Attachment D to the Franchise Agreement, which is attached hereto as Attachment B (the "Master Product Reference Agreement"), Nestle Food Services division of Nestle USA, Inc. and Nestlé Food Services division of Nestlé Canada, Inc. (collectively, "Nestle") has granted Franchisor the right to feature the trademark "Nestle Toll House" prominently on permanent store-front signage with respect to each Cafe;

The distinguishing characteristics of the System include, without limitation, distinctive exterior and interior design, decor, color scheme, and furnishings; proprietary products and ingredients; proprietary recipes and special menu items, uniform standards, specifications, and procedures for operations; quality and uniformity of products and services offered; procedures for inventory, management and financial control; training and assistance; and advertising and promotional programs; all of which may be changed, improved, and further developed by Franchisor from time to time;

Franchisor identifies the System by means of certain trade names, service marks, trademarks, emblems and indicia of origin, including, but not limited to, the marks "Nestle Toll House," "Cafe by Chip," "Brick House Subs" (with respect to the Combination Cafe only), and such other trade names, service marks and trademarks as are now designated (and may hereafter be designated by Franchisor in writing) for use in connection with the System (hereinafter referred to as "Marks");

Franchisor continues to develop, use and control the use of such Marks in order to identify for the public the source of services and products marketed thereunder and under the System, and to represent the System's high standards of quality, appearance and service; and

Developer desires to obtain certain development rights to operate Cafes under the System in the territory described in this Agreement.

NOW, THEREFORE, the parties, in consideration of the mutual undertakings and commitments set forth herein, the receipt and sufficiency of which are hereby acknowledged, agree as follows:

ARTICLE I. GRANT

1.1 Grant and Territory. In reliance on the representations and warranties of Developer and its Controlling Principals (as defined in Section 11.20) hereunder, Franchisor hereby grants to Developer and Developer hereby accepts, pursuant to the terms and conditions of this Agreement, the right and obligation to develop the first Cafe within the geographic area set forth on the cover page of this Agreement (the "Territory"). Developer shall be granted rights to develop additional Cafes in the Territory, up to the total number of Cafes to be developed set forth on the cover page of this Agreement, subject to Developer's full compliance with all conditions precedent to the grant of such rights outlined below, which rights shall be exercised according to Section 3.1 and according to the Development Schedule set forth on the cover page of this Agreement (the "Development Schedule").

1.2 Rights in Territory. Developer acknowledges and understands that the rights granted hereunder are nonexclusive and pertain only to the development of Cafes located in the Territory. Developer acknowledges and agrees that Franchisor may establish or authorize any other person or entity to establish a Cafe within the Territory during the term of this Agreement, and Franchisor, any franchisee and any other authorized person or entity shall have the right, at any time, to advertise and promote the System, and fill customer orders by providing catering and delivery services in the Territory. Developer also acknowledges and agrees that Franchisor and its affiliates may offer and sell (and may authorize others to offer and sell) anywhere, including in the Territory: (i) collateral products under the Marks, at or from any location, such as pre-packaged food products and memorabilia; (ii) food and beverage services under the Marks at or through any other distribution system or food service facility (including Cafes) located within the Territory; and (iii) any products or food and beverage services under any other names and marks.

1.3 Trademarks. This Agreement is not a Franchise Agreement and does not grant to Developer any right or license to operate a Cafe, distribute any goods or services, or any right to use or interest in the Marks.

1.4 Nestle Development Agreement. Pursuant to a Second Amended and Restated Product Distribution Development Agreement among Franchisor and Nestle dated as of March 1, 2006 (the "Nestle Development Agreement"), Nestle has granted Franchisor the exclusive right to feature the Mark "Nestle Toll House" prominently on permanent store-front signage on Cafes that are developed within the United States and Canada. At any time Nestle may establish cafes similar to the Cafés anywhere in the world (other than in the United States and Canada) under the mark "Nestle Toll House," or anywhere in the world (including in the United States and Canada) under any other marks, and may authorize others to do so. Upon termination or expiration of the Nestle Development Agreement, Nestle may establish cafes similar to the Cafés anywhere in the world, including in the Territory, under the mark "Nestle Toll House" or under any other marks, and may authorize others to do so. Nestle may at any time sell food and beverage services under its marks, including "Nestle Toll House," at or through any other distribution system or food service facility in the Territory. Neither Developer nor any of Developer's Principals or Developer's employees shall initiate or maintain contact with any officer, director or employee or agent of Nestle, or any affiliate thereof, except with Franchisor's written permission. The Nestle Development Agreement expires on December 31, 2022.

ARTICLE II. FEE

2.1 Development Fee. As partial consideration for the development rights granted to Developer herein and the rights to be granted to Developer under separate franchise agreements ("Franchise Agreements"), Developer shall pay to Franchisor upon execution of this Agreement a nonrefundable development fee in the amount set forth on the cover page of this Agreement, representing

payment of Five Thousand Dollars (\$5,000) for each Cafe to be developed hereunder. The development fee shall be fully earned by Franchisor upon execution of this Agreement for administrative and other expenses incurred by Franchisor and for the development opportunities lost or deferred as a result of the rights granted to Developer herein.

2.2 Franchise Fee. The initial franchise fee for each Cafe to be developed hereunder is set forth on the cover page of this Agreement. The initial franchise fee shall be paid upon the execution of the applicable Franchise Agreement, in accordance with the terms thereof. The pro rata portion of the development fee allocable to each Cafe paid under Section 2.1 shall be credited against the initial franchise fee due for that Cafe. All franchise fees are deemed earned upon payment thereof.

2.3 Interest. Developer shall not be entitled to withhold payments due Franchisor under this Agreement on grounds of alleged nonperformance by Franchisor hereunder. Any payment not actually received by Franchisor on or before the date due shall be deemed overdue. Time is of the essence with respect to all payments to be made by Developer to Franchisor. All unpaid obligations under this Agreement shall bear interest from the date due until paid at the lesser of (i) eighteen percent (18%) per annum, or (ii) the maximum rate allowed by applicable law. Notwithstanding anything to the contrary contained herein, no provision of this Agreement shall require the payment or permit the collection of interest in excess of the maximum rate allowed by applicable law. If any excess of interest is provided for herein, or shall be adjudicated to be so provided in this Agreement, the provisions of this paragraph shall govern and prevail, and neither Developer nor Developer's Principals shall be obligated to pay the excess amount of such interest. If for any reason interest in excess of the maximum rate allowed by applicable law shall be deemed charged, required or permitted, any such excess shall be applied as a payment and reduction of any other amounts which may be due and owing hereunder, and if no such amounts are due and owing hereunder then such excess shall be repaid to the party that paid such interest.

ARTICLE III. SCHEDULE AND MANNER FOR EXERCISING DEVELOPMENT RIGHTS

3.1 Franchise Agreement. Developer shall exercise the development rights granted hereunder only by entering into a separate Franchise Agreement with Franchisor for each Cafe for which a development right is granted. Franchisor may, in its sole discretion, permit Developer to exercise such development rights through affiliated entities that are either wholly owned subsidiaries of Developer or commonly controlled entities with ownership identical to that of Developer. The Franchise Agreement to be executed for the first Cafe to be developed by Developer under this Agreement shall be executed and delivered to Franchisor concurrently with the execution and delivery of this Agreement and shall be in the form of the Franchise Agreement attached as Attachment B. All subsequent Cafes developed under this Agreement shall be established and operated pursuant to the form of Franchise Agreement then being used by Franchisor for Cafes under the System, and shall be presented together with the franchise disclosure document then being used by Franchisor. These franchise agreements shall also be included in the term "Franchise Agreement" as used in this Agreement. The then-current form of Franchise Agreement may differ from the form attached as Attachment B, provided that the initial franchise fee shall be as set forth in Section 2.2.

3.2 Development Schedule. Acknowledging that time is of the essence, and subject to the requirements of Article IV, Developer shall have open and in operation the minimum, cumulative number of Cafes by the times indicated in accordance with the Development Schedule.

3.3 Extensions

(a) Purchase of Extensions. Developer shall open each Cafe developed hereunder and shall commence business in accordance with the Development Schedule, unless Developer obtains an

extension of the development period, at the expiration of which, Developer was to have had open and in operation a minimum number of Cafes. Developer may, subject to Franchisor's approval, purchase from Franchisor extensions of such development period as may be necessary to complete construction and commence operation of such Cafe. Each extension shall be for an additional ninety (90) day period commencing upon the expiration of the applicable development period, including any previous extensions thereof ("Extension Date"). No more than two (2) extensions of any development period will be permitted. If an extension of a development period is granted by Franchisor, the Opening Date (as defined in the Franchise Agreement) shall be extended to the Extension Date. No extension of any development period shall affect the duration of any other development period or any of Developer's other development obligations. If an extension is requested in the final development period, the term of this Agreement shall be extended to the Extension Date and thereafter, Developer shall have no further rights under this Agreement except as provided in Articles VI and VII hereof.

(b) Procedure. Developer shall notify Franchisor in writing at least sixty (60) days prior to the projected Opening Date for a Cafe that Developer will be unable to complete construction and commence operation of the Cafe by the expiration date of the development period in which such Cafe was to have been opened. In such notice Developer shall request the Franchisor to consider its request for extension and include a description of the reasons for such failure to develop in a timely manner and the expected date of completion of construction and opening, if the extension is granted. At the same time Developer provides Franchisor with such notice, Developer shall pay an extension fee of Five Thousand Dollars (\$5,000). Provided, however, no extension fee shall be charged for any Cafe for which Franchisor has approved a site in accordance with Article II of the Franchise Agreement and Developer has commenced and is continuing construction (as defined in Section 2.6 of the Franchise Agreement).

3.4 Failure to Comply. Developer acknowledges and agrees that the terms of the Development Schedule are reasonable and viable based upon Developer's independent investigation and analysis. Failure by Developer to adhere to the Development Schedule (including any extensions thereof approved by Franchisor in writing) shall constitute a material event of default under this Agreement.

ARTICLE IV. PREREQUISITES TO OBTAINING FRANCHISES

4.1 Acknowledgement. Developer understands and agrees that this Agreement does not confer upon Developer a right or franchise to operate any Cafe but is intended by the parties to set forth the terms and conditions which, if fully satisfied by Developer, shall entitle Developer to obtain the right to operate Cafes within the Territory.

4.2 Conditions. Each of the following conditions and approvals must have occurred or be obtained before the grant of the right by Franchisor to develop each Cafe shall become effective. Developer must meet, in the sole discretion of Franchisor, the "operational," "financial," and "legal" conditions as set forth below (collectively the "Conditions") before such rights shall become effective:

(a) Operational. Developer is in compliance with the Development Schedule and this Agreement. Developer and its affiliates (defined as any entity that is controlled by, controlling or under common control with such other entity) are in compliance with any other development or franchise agreement between Developer and its affiliates and Franchisor and its affiliates. Developer is conducting the operation of its existing Cafes, if any, and is capable of conducting the operation of the proposed Cafe (i) in accordance with the terms and conditions of this Agreement, (ii) in accordance with the provisions of the respective Franchise Agreements, and (iii) in accordance with the standards, specifications, and procedures set forth and described in the Manuals (defined in the Franchise Agreement), as such Manuals may be amended from time to time, or otherwise in writing.

(b) Financial. Developer and the Controlling Principals satisfy Franchisor's then-current financial criteria for developers and controlling principals of Cafes with respect to Developer's operation of its existing Cafes, if any, and the proposed Cafe. Developer and the Controlling Principals have been and are faithfully performing all terms and conditions under each of the existing Franchise Agreements with Franchisor. Developer is not in default, and has not been in default during the twelve (12) months preceding Developer's request for Financial approval, of any monetary obligations owed to Franchisor or its affiliates under any Franchise Agreement or other agreement between Developer and its affiliates and Franchisor or any of its affiliates. Developer acknowledges and agrees that it is vital to Franchisor's interest that each of its franchisees be financially sound to avoid failure of a Cafe and that such failure would adversely affect the reputation and good name of Franchisor and the System.

(c) Legal. Developer has submitted to Franchisor, in a timely manner, all information and documents requested by Franchisor prior to and as a basis for the issuance of individual franchises or pursuant to any right granted to Developer by this Agreement or by any Franchise Agreement between Developer and Franchisor, and has taken such additional actions in connection therewith as may be requested by Franchisor from time to time.

ARTICLE V. TERM

Unless sooner terminated in accordance with this Agreement, the term of this Agreement and all rights granted by Franchisor under this Agreement shall expire on the date on which Developer successfully and in a timely manner has exercised all of the development rights and completed the development obligations under this Agreement in accordance with the Development Schedule (including, if applicable, any extension thereof under Section 3.3).

ARTICLE VI. DUTIES OF DEVELOPER

6.1 Entity Representations. If Developer is a corporation, partnership, limited liability company or other legal entity, Developer and Controlling Principals represent, warrant and covenant that:

(a) Due Formation. Developer is duly organized and validly existing under the state law of its formation;

(b) Qualification. Developer is duly qualified and is authorized to do business in each jurisdiction in which its business activities or the nature of the properties owned by it require such qualification;

(c) Single Purpose. Developer's organizational documents shall at all times provide that the activities of Developer are confined exclusively to the development and operation of Cafes, unless otherwise consented to in writing by Franchisor;

(d) Power and Authority. The execution of this Agreement and the performance of the transactions contemplated hereby are within Developer's power, and have been duly authorized by Developer;

(e) Organizational Documents. Copies of Developer's organizational documents, other governing documents, resolutions or consents of the governing board authorizing entry into and performance of this Agreement, and any certificates, buy-sell agreements or other documents restricting the sale or transfer of equity interests in Developer, and any other documents as may be reasonably required by Franchisor shall have been furnished to Franchisor prior to the execution of this Agreement;

(f) Ownership Interests. The ownership interests in Developer are accurately and completely described on the cover page to this Agreement. Developer shall immediately provide a copy of the updated list of all owners to Franchisor upon the occurrence of any change of ownership and otherwise make its list of owners available to Franchisor upon request;

(g) Restriction on Transfer. If Developer is a corporation, Developer shall maintain stop-transfer instructions against the transfer on its records of any of its equity securities and each stock certificate representing stock of the corporation shall have conspicuously endorsed upon it a statement in a form satisfactory to Franchisor that it is held subject to all restrictions imposed upon assignments by this Agreement; provided, however, that the requirements of this Section shall not apply to the transfer of equity securities of a publicly-held corporation. For purposes of this Agreement, a publicly-held corporation is a corporation registered pursuant to Section 12 of the Securities Exchange Act of 1934, as amended, or a corporation subject to the requirements of Section 15(d) of such Act. If Developer is a partnership or limited liability company, its written partnership or limited liability company agreement shall provide that ownership of an interest in such entity is held subject to all restrictions imposed upon assignments by this Agreement;

(h) Financial Statements. Developer and, at Franchisor's request, each of the Controlling Principals, have provided Franchisor with the most recent financial statements of Developer and such Controlling Principals. Such financial statements present fairly the financial position of Developer and each of the Controlling Principals, as applicable, at the dates indicated therein and with respect to Developer, the results of its operations and its cash flow for the years then ended. Developer shall maintain at all times sufficient working capital to fulfill its obligations under this Agreement. Each of the financial statements mentioned above shall be certified as true, complete and correct and shall have been prepared in conformity with generally accepted accounting principles applicable to the respective periods involved and, except as expressly described in the applicable notes, applied on a consistent basis. No material liabilities, adverse claims, commitments or obligations of any nature exist as of the date of this Agreement, whether accrued, unliquidated, absolute, contingent or otherwise, which are not reflected as liabilities on the financial statements of Developer or the Controlling Principals;

(i) Developer's Principals. If, after the execution of this Agreement, any person ceases to qualify as one of the Developer's Principals (defined in Section 11.20) or if any individual succeeds to or otherwise comes to occupy a position which would, upon designation by Franchisor, qualify him as one of Developer's Principals, Developer shall notify Franchisor within ten (10) days after any such change and, upon designation of such person by Franchisor as one of Developer's Principals or as a Controlling Principal, as the case may be, such person shall execute such documents and instruments (including, as applicable, this Agreement) as may be required by Franchisor to be executed by others in such positions; and

(j) Execution of Documents. Developer's Principals shall each execute and bind themselves to the confidentiality and noncompetition covenants set forth in the Confidentiality Agreement and Ancillary Covenants Not to Compete which forms Attachment C to this Agreement (see Sections 9.1(b) and 9.2(g)). The Controlling Principals shall, jointly and severally, guarantee Developer's performance of all of Developer's obligations, covenants and agreements hereunder pursuant to the terms and conditions of the Controlling Principals Guaranty and Covenant in the form of Attachment A to this Agreement, and shall otherwise bind themselves to the terms of this Agreement as stated herein and in the Controlling Principals Guaranty and Covenant.

(k) Continuing Obligations. Developer and the Controlling Principals acknowledge and agree that the representations, warranties and covenants set forth above in this Section 6.1 are continuing obligations of Developer and the Controlling Principals, as applicable, and that any failure to

comply with such representations, warranties and covenants shall constitute a material event of default under this Agreement. Developer and the Controlling Principals will cooperate with Franchisor in any efforts made by Franchisor to verify compliance with such representations, warranties and covenants.

6.2 Operating Principal.

(a) Designation. Upon the execution of this Agreement, Developer shall designate and retain an individual to serve as the Operating Principal of Developer (the "Operating Principal"). If Developer is an individual, Developer shall be the Operating Principal.

(b) Guaranty. The Operating Principal shall execute the Controlling Principals Guaranty and Covenant in the form of Attachment A to this Agreement as one of the Controlling Principals, and shall be individually, jointly and severally, bound by all obligations of Developer, the Operating Principal and the Controlling Principals hereunder and under the Controlling Principals Guaranty and Covenant.

(c) Designee. The Operating Principal may, at its option, and, subject to the approval of Franchisor, designate an individual to perform the duties and obligations of Operating Principal described herein; provided that Operating Principal shall take all necessary action to ensure that such designee conducts and fulfills all of Operating Principal's obligations in accordance with the terms of this Agreement and Operating Principal shall remain fully responsible for such performance.

(d) Qualifications. The Operating Principal shall, during the entire period he serves as Operating Principal, meet the following qualifications:

(i) The Operating Principal must maintain a direct or indirect ownership interest in the Developer. Except as may otherwise be provided in this Agreement, the Operating Principal's interest in Developer shall be and shall remain free of any pledge, mortgage, hypothecation, lien, charge, encumbrance, voting agreement, proxy, security interest or purchase right or options.

(ii) The Operating Principal (and any such designee) shall meet Franchisor's standards and criteria for such individual, as set forth in the Manuals as defined herein or otherwise in writing by Franchisor, and shall be an individual otherwise acceptable to Franchisor in its sole discretion.

(iii) The Operating Principal (or his designee, if applicable) shall devote substantial full time and best efforts to the supervision and conduct of the business contemplated by this Agreement, and may not engage in any other business activity without the Franchisor's consent.

(e) Replacement. If the Operating Principal or any designee is not able to continue to serve in the capacity of Operating Principal or no longer qualifies to act as such in accordance with this Section, Developer shall promptly notify Franchisor and designate a replacement within thirty (30) days after the Operating Principal or such designee ceases to serve or be so qualified, such replacement being subject to the same qualifications and restrictions listed above. Developer shall provide for interim management of the activities contemplated under this Agreement until such replacement is so designated, such interim management to be conducted in accordance with this Agreement. Any failure to comply with the requirements of this Section shall be deemed a material event of default under this Agreement.

6.3 Reimbursement of Former Employer. Developer and the Controlling Principals understand that compliance by all developers and franchisees operating under the System with Franchisor's training, development and operational requirements is an essential and material element of the System and that Franchisor and developers and franchisees operating under the System consequently

expend substantial time, effort and expense in training management personnel for the development and operation of their respective Cafes. Accordingly, Developer and the Controlling Principals agree that if Developer or any Controlling Principal shall designate or employ in a managerial position any individual who is at the time or was within the preceding ninety (90) days employed in a managerial position by Franchisor or any of its affiliates, including, but not limited to, individuals employed by Franchisor to work in its Cafes, or by any other developer or franchisee operating under the System, but specifically excluding individuals that have relocated their domicile more than fifty (50) miles in the preceding ninety (90) days prior to being offered such managerial position, then such former employer of such individual shall be entitled to be compensated for the reasonable costs and expenses, of whatever nature or kind, incurred by such employer related to training such employee. The parties hereto agree that such expenditures may be uncertain and difficult to ascertain and, therefore, agree that the compensation specified herein reasonably represents such expenditures and is not a penalty. An amount equal to the compensation of such employee for the six (6) month period (or such shorter time, if applicable) immediately prior to the termination of his employment with such former employer shall be paid by Developer or the applicable Controlling Principal, as the case may be, prior to such individual assuming the managerial position, unless otherwise agreed with such former employer. In seeking any individual to serve in such managerial position, Developer and the Controlling Principals shall not discriminate in any manner whatsoever against any individual, to whom the provisions of this Section apply, on the basis of the compensation required to be paid hereunder if Developer or any Controlling Principal designates or employs such individual. The parties hereto expressly acknowledge and agree that no current or former employee of Franchisor, its affiliates, Developer, or of any other entity operating under the System shall be a third party beneficiary of this Agreement or any provision hereof. Notwithstanding the above, solely for purposes of bringing an action to collect payments due under this Section, such former employer shall be a third-party beneficiary of this Section 6.3. Franchisor expressly disclaims any representations and warranties regarding the performance of any employee or former employee of Franchisor, its affiliates or any developer or franchisee operating under the System, who is designated or employed by Developer or any Controlling Principal in any capacity, and Franchisor shall not be liable for any losses, of whatever nature or kind, incurred by Developer or any Controlling Principal in connection therewith.

6.4 Compliance with Laws. Developer shall comply with all requirements of federal, state and local laws, rules, regulations, and orders.

ARTICLE VII. DEFAULT AND TERMINATION

7.1 Default and Automatic Termination. Developer shall be deemed to be in material default under this Agreement and all rights granted herein shall automatically terminate without notice to Developer, if Developer becomes insolvent or makes a general assignment for the benefit of creditors; or if Developer files a voluntary petition under any section or chapter of federal bankruptcy laws or under any similar law or statute of the United States or any state or admits in writing its inability to pay its debts when due; or if Developer is adjudicated bankrupt or insolvent in proceedings filed against Developer under any section or chapter of federal bankruptcy law or any similar law or statute of the United States or any state; or if a bill in equity or other proceeding for the appointment of a receiver of Developer or other custodian for Developer's business or assets is filed and consented to by Developer; or if a receiver or other custodian (permanent or temporary) of Developer's assets or property, or any part thereof, is appointed by any court of competent jurisdiction; or if proceedings for a composition with creditors under any state or federal law are instituted by or against Developer; or if a final judgment against Developer remains unsatisfied or of record for thirty (30) days or longer (unless supersedeas bond is filed); or if Developer is dissolved; or if execution is levied against Developer's business or property; or if suit to foreclose any lien or mortgage against the premises or equipment of any business operated hereunder or under any Franchise Agreement is instituted and not dismissed within thirty (30) days; or if the real or

personal property of any business operated hereunder or under any Franchise Agreement shall be sold after levy by any sheriff, marshal or constable.

7.2 Default with No or Limited Right to Cure. Developer shall be deemed to be in material default and Franchisor may, at its option, terminate this Agreement and all rights granted hereunder, without affording Developer any opportunity to cure the default except as provided below, effective immediately upon written notice to Developer, upon the occurrence of any of the following events of default:

(a) Development Schedule. If Developer fails to comply with the Development Schedule (or any extension thereof approved by Franchisor in writing).

(b) Failure to Execute Franchise Agreement. If Developer fails to execute each Franchise Agreement in accordance with Section 3.1 (or any extension thereof approved by Franchisor in writing).

(c) Conviction. If Developer or any of the Controlling Principals is convicted of, or shall have entered a plea of nolo contendere to, a felony, indictable offense, a crime involving moral turpitude or any other crime or offense that Franchisor believes is reasonably likely to have an adverse effect on the System, the Marks, the goodwill associated therewith or Franchisor's interests therein.

(d) Threat to Public Health. If a threat or danger to public health or safety results from the construction, maintenance or operation of any Cafe developed under this Agreement.

(e) Failure to Maintain Operating Principal. If Developer fails to designate a qualified replacement or successor Operating Principal (or designee appointed by Operating Principal) within the time required under Section 6.2(e).

(f) Breach of Certain Covenants. If Developer or any of the Controlling Principals breaches in any material respect any of the covenants set forth in Article VI or has falsely made any of the representations or warranties set forth in Article VI.

(g) Transfer Without Consent. If Developer or any of the Controlling Principals purports to transfer any rights or obligations under this Agreement or any interest in Developer to any third party without Franchisor's prior written consent or without offering Franchisor a right of first refusal with respect to such transfer, contrary to the terms of Article VIII.

(h) Noncompetition. If Developer or any of the Controlling Principals fails to comply with the covenants in Sections 9.1(a) or 9.2(a) or (b) or if Developer fails to obtain the execution of the covenants required under Section 9.1(b) or 9.2(g) within thirty (30) days following Franchisor's request that Developer obtain the execution of such covenants.

(i) Transfer Upon Death or Disability. If an approved transfer upon death or permanent disability of Developer or any Controlling Principal is not effected within the time period and in the manner prescribed by Section 8.5.

(j) Misuse of Marks. If Developer misuses or makes any unauthorized use of the Marks or otherwise materially impairs the goodwill associated therewith or with the System or Franchisor's rights therein and does not cure such default within twenty-four (24) hours following notice from Franchisor.

(k) Monetary Default. If Developer or any of its affiliates fails, refuses or neglects promptly to pay when due any monetary obligation owing to Franchisor, or any of its affiliates or vendors, under this Agreement, any Franchise Agreement or any other agreement and does not cure such default within five (5) days following notice from Franchisor (or such other cure period specified in such other agreement, unless no cure period is stated or such period is less than five (5) days, in which case the five (5) day cure period shall apply).

(l) Default Under Franchise Agreement. If Developer or any of its affiliates are in default under any Franchise Agreement, Franchisor may provide notice (if applicable) and terminate this Agreement under the same terms that Franchisor may provide notice and terminate the Franchise Agreement.

(m) Contact with Nestle. If Developer or any of Developer's Principals or Developer's employees contact Nestle without written permission from Franchisor.

(n) Multiple Defaults. If Developer and/or the Controlling Principals commit three (3) or more events of default under this Agreement in any 24 month period, whether or not such defaults are of the same or different nature and whether or not such defaults have been cured by Developer after notice by Franchisor.

7.3 Default and Right to Cure. Except as provided in Sections 7.1 and 7.2, upon any default by Developer that is susceptible of being cured, Franchisor may terminate this Agreement by giving written notice of termination stating the nature of such default to Developer at least thirty (30) days prior to the effective date of termination. However, Developer may avoid termination by immediately initiating a remedy to cure such default and curing it to Franchisor's satisfaction within the thirty (30)-day period and by promptly providing proof thereof to Franchisor. If any such default is not cured within the specified time, or such longer period as applicable law may require, subject to Section 7.4, Developer's rights under this Agreement shall terminate without further notice to Developer effective immediately upon the expiration of the thirty (30) day period or such longer period as applicable law may require.

7.4 Additional Remedies.

(a) Exercise of Remedies. Upon default by Developer under Sections 7.2 or 7.3, Franchisor may, in its sole discretion, elect to exercise any one or more of the following in lieu of terminating this Agreement:

- (i) terminate or modify any territorial rights granted to Developer;
- (ii) reduce the area of such territorial rights;
- (iii) reduce the number of Cafes that Developer may establish; and/or
- (iv) pursue any other remedy Franchisor may have at law or in equity.

(b) Continued Development. If Franchisor exercises any additional remedies in this Section, Developer shall continue to develop Cafes in accordance with this Agreement and the Development Schedule, subject to Developer's modified rights and obligations.

(c) No Waiver. Franchisor's exercise of any remedies under this Section shall not, in the event of a default, constitute a waiver by Franchisor to exercise its option to terminate this Agreement at any time with respect to a subsequent event of default of a similar or different nature.

7.5 Post-Termination. Upon the termination or expiration of this Agreement, all rights granted to Developer hereunder shall forthwith terminate and:

(a) Cease Developing. Developer shall have no right to establish or operate any Cafe for which a Franchise Agreement has not been executed by Franchisor and delivered to Developer at the time of termination or expiration.

(b) Confidentiality and Noncompetition. Developer and the Controlling Principals shall comply with the restrictions on confidential information contained in Section 9.1 and the covenants against competition contained in Section 9.2. Any other person required to execute similar covenants pursuant to Sections 9.1(b) or 9.2(g) shall also comply with such covenants.

7.6 Franchisor's Rights. Upon termination or expiration of this Agreement or upon Franchisor's exercise of certain of remedies in Section 7.4, Franchisor shall be entitled to establish, and to license others to establish, Cafes in the Territory or in the portion thereof no longer part of the Territory or pursuant to any other modification of Developer's territorial rights, except as may be otherwise provided under any Franchise Agreement which is then in effect between Franchisor and Developer.

7.7 Cross Default. No default under this Agreement shall constitute a default under any Franchise Agreement between the parties hereto, unless the default is also a default under the terms of such Franchise Agreement.

7.8 No Exclusive Remedy. No right or remedy herein conferred upon or reserved to Franchisor is exclusive of any other right or remedy provided or permitted by law or in equity.

ARTICLE VIII. TRANSFER OF INTEREST

8.1 Transfer by Franchisor. Franchisor shall have the right to transfer or assign this Agreement and all or any part of its rights or obligations herein to any person or legal entity without Developer's consent. Specifically, and without limitation to the foregoing, Developer expressly affirms and agrees that Franchisor and/or Nestle may sell its assets, and may sell or license the Marks or the System to a third party; may offer its securities privately or publicly; may merge, acquire other corporations, or be acquired by another corporation; may undertake a refinancing, recapitalization, leveraged buyout or other economic or financial restructuring; and, with regard to any or all of the above sales, assignments and dispositions, Developer expressly and specifically waives any claims, demands or damages against Franchisor arising from or related to the transfer of the Marks (or any variation thereof) or the System from Franchisor and/or Nestle to any other party. Nothing contained in this Agreement shall require Franchisor to remain in the business of operating or licensing the operation of Cafes or other similar businesses or to offer any services or products, whether or not bearing the Marks, to Developer, if Franchisor assigns its rights in this Agreement.

8.2 Transfer by Developer.

(a) Consent of Franchisor. Developer and the Controlling Principals understand and acknowledge that the rights and duties set forth in this Agreement are personal to Developer and that Franchisor has granted such rights in reliance on the business skill, financial capacity and personal character of Developer and the Controlling Principals and with the expectation that the duties and obligations contained in this Agreement will be performed by Developer and those Controlling Principals signing this Agreement. Accordingly, neither Developer nor any Controlling Principal, nor any successor or assign of Developer or any Controlling Principal, shall sell, assign, transfer, convey, give away, pledge, mortgage or otherwise dispose of or encumber any direct or indirect interest in this Agreement or in

Developer without the prior written consent of Franchisor. Any purported assignment or transfer, by operation of law or otherwise, made in violation of this Agreement shall be null and void and shall constitute a material event of default under this Agreement.

(b) Conditions. If Developer wishes to transfer all or part of its interest in this Agreement or if Developer or a Controlling Principal wishes to transfer any ownership interest in Developer, transferor and the proposed transferee shall apply to Franchisor for its consent. Franchisor shall not unreasonably withhold its consent to a transfer of any interest in Developer or in this Agreement. Franchisor may, however, in its sole discretion, require any or all of the following as conditions of its consent to any such transfer:

(i) Monetary Obligations. All the accrued monetary obligations of Developer and its affiliates and all other outstanding obligations to Franchisor and its affiliates arising under this Agreement or any Franchise Agreement or other agreement shall have been satisfied in a timely manner and Developer shall have satisfied all trade accounts and other debts, of whatever nature or kind, in a timely manner;

(ii) No Default. Developer and its affiliates shall not be in default of any provision of this Agreement, or any Franchise Agreement or other agreement between Developer or any of its affiliates and Franchisor or any of its affiliates; and Developer shall have substantially and timely complied with all the terms and conditions of such agreements during the terms thereof;

(iii) Release. The transferor and its principals (if applicable) shall have executed a general release, in a form satisfactory to Franchisor, of any and all claims, against Franchisor and its affiliates, their respective partners, and the officers, directors, shareholders, partners, agents, representatives, independent contractors, servants and employees of each of them, in their corporate and individual capacities, including, without limitation, claims arising under this Agreement, any Franchise Agreement and any other agreement between Developer or any of its affiliates and Franchisor or any of its affiliates or under federal, state or local laws, rules, and regulations;

(iv) Satisfaction of Criteria. The transferee shall demonstrate to Franchisor's satisfaction that transferee meets the criteria considered by Franchisor when reviewing a prospective developer's application for development rights, including, but not limited to, Franchisor's educational, managerial and business standards, transferee's moral character, business reputation and credit rating, transferee's aptitude and ability to conduct the business contemplated hereunder (as may be evidenced by prior related business experience or otherwise), transferee's financial resources and capital for operation of the business, and the geographic proximity of other territories with respect to which transferee has been granted development rights or of other Cafes operated by transferee, if any;

(v) Written Assumption. The transferee shall enter into a written agreement, in a form prescribed by Franchisor, assuming full, unconditional, joint and several, liability for and agreeing to perform from the date of the transfer, all obligations, covenants and agreements of transferor in this Agreement; and, if transferee is an entity, transferee's owners, shall also execute such agreement as transferee's principals, and guarantee the performance of all such obligations, covenants and agreements;

(vi) New Agreement. The transferee shall execute the standard form development agreement then being offered to new System developers or a revised form of this Agreement, as Franchisor deems appropriate, and such other ancillary agreements as Franchisor may require, which agreements shall supersede this Agreement and its ancillary documents in all respects and the terms of which agreements may differ from the terms of this Agreement; provided, however, that transferee shall not be required to pay any development fee, and if the transferee is an entity, transferee's

owners shall also execute such agreements as transferee's principals, and guarantee the performance of all such obligations, covenants and agreements;

(vii) Liability for Prior Acts. The transferor shall remain liable for all of the obligations to Franchisor in connection with this Agreement incurred prior to the effective date of the transfer and shall execute any and all instruments reasonably requested by Franchisor to evidence such liability;

(viii) Transfer Fee. The transferee shall pay to Franchisor a transfer fee of Fifteen Thousand Dollars (\$15,000) and shall reimburse Franchisor for its reasonable costs and expenses associated with the transfer, including, without limitation, training costs and legal and accounting fees and costs; provided that the transfer fee shall be Thirty Thousand Dollars (\$30,000) if the transfer occurs within one year of the Effective Date; and

(ix) Entity Representations. If the transferee is an entity, the transferee shall provide to Franchisor evidence satisfactory to Franchisor that the representations, warranties and covenants of Section 6.1 have been satisfied and are true and correct on the date of transfer.

(c) Reasonableness. Developer acknowledges and agrees that each condition that must be met by the transferee is reasonable and necessary to ensure such transferee's full performance of the obligations hereunder.

8.3 Transfer to Affiliate. If Developer desires to transfer any interest in this Agreement to an entity formed solely for the convenience of ownership or affiliated with Developer, Franchisor's consent may be conditioned upon any of the requirements in Section 8.2(b), except that the requirements in Sections 8.2(b)(iii), (iv), (vi) and (viii) shall not apply, but Developer shall reimburse Franchisor for its reasonable costs and expenses associated with the transfer, including, without limitation, legal and accounting fees and costs. With respect to a transfer to an entity formed for the convenience of ownership or affiliated with Developer, Developer or the existing holders of an ownership interest in Developer, as applicable, shall be the holders of all ownership interests of such entity, and Developer or each existing holder of an ownership interest in Developer, as applicable, shall have the same proportionate ownership interest in such entity as he had in Developer prior to the transfer.

8.4 Right of First Refusal.

(a) Notice of Offer. If Developer wishes to transfer all or part of its interest in this Agreement or if a Controlling Principal wishes to transfer any ownership interest in Developer, pursuant to any bona fide offer received from a third party to purchase such interest, then such proposed seller shall promptly notify Franchisor in writing of each such offer, and shall provide such information and documentation relating to the offer as Franchisor may require. Franchisor shall have the right and option, exercisable within thirty (30) days after receipt of such written notification and copies of all documentation required by Franchisor describing such offer, to send written notice to the transferor that Franchisor intends to purchase the transferor's interest on the same terms and conditions offered by the third party. If Franchisor elects to purchase the transferor's interest, closing on such purchase must occur within the later of sixty (60) days from the date of notice to the transferor of the election to purchase by Franchisor, sixty (60) days from the date Franchisor receives or obtains all necessary documentation, permits and approvals, or such other date the parties agree upon in writing. Any material change in the terms of any offer prior to closing shall constitute a new offer subject to the same rights of first refusal by Franchisor as in the case of an initial offer. Failure of Franchisor to exercise the option afforded by this Section 8.4 shall not constitute a waiver of any other provision of this Agreement, including all of the requirements of Section 8.2 relating to a proposed transfer.

(b) Non-Cash Consideration. If an offer from a third party provides for payment of consideration other than cash or involves certain intangible benefits, Franchisor may elect to purchase the interest proposed to be sold for the reasonable equivalent in cash. If the parties cannot agree within a reasonable time on the reasonable equivalent in cash of the non-cash part of the offer, then such amount shall be determined by two (2) appraisers, with each party selecting one (1) appraiser, and the average of their determinations shall be final and binding. In the event of such appraisal, each party shall bear its own legal and other costs and shall split the appraisal fees. If Franchisor exercises its right of first refusal herein provided, it shall have the right to set off (i) all fees for any such independent appraiser due from Developer hereunder and (ii) all amounts due from Developer to Franchisor or any of its affiliates.

(c) Default. Failure to comply with the provisions of this Section 8.4 prior to the transfer of any interest in Developer or in this Agreement shall constitute a material event of default under this Agreement.

8.5 Death and Permanent Disability.

(a) Death. Upon the death of Developer (if Developer is a natural person) or any Controlling Principal who is a natural person (the "Deceased"), the executor, administrator or other personal representative of the Deceased shall transfer such interest to a third party in accordance with the conditions described in this Article within twelve (12) months after the death. If no personal representative is designated or appointed or no probate proceedings are instituted with respect to the estate of the Deceased, then the distributee of such interest must be approved by Franchisor. If the distributee is not approved by Franchisor, then the distributee shall transfer such interest to a third party approved by Franchisor within twelve (12) months after the death of the Deceased.

(b) Permanent Disability. Upon the permanent disability of Developer (if Developer is a natural person) or any Controlling Principal who is a natural person, Franchisor may, in its sole discretion, require such interest to be transferred to a third party in accordance with the conditions described in this Article within six (6) months after notice to Developer. "Permanent disability" shall mean any physical, emotional or mental injury, illness or incapacity that would prevent a person from performing the obligations set forth in this Agreement or in the Controlling Principals Guaranty and Covenant attached as Attachment A to this Agreement for at least ninety (90) consecutive days and from which condition recovery within ninety (90) days from the date of determination of disability is unlikely. Permanent disability shall be determined upon examination of the person by a licensed practicing physician selected by Franchisor, upon examination of the person; or if the person refuses to submit to an examination, then such person shall be automatically deemed permanently disabled as of the date of such refusal for the purpose of this Section. The costs of any examination required by this Section shall be paid by Franchisor.

(c) Notice. Upon the death or claim of permanent disability of Developer or any Controlling Principal, Developer or a representative of Developer, must promptly notify Franchisor of such death or claim of permanent disability. Any transfer upon death or permanent disability shall be subject to the same terms and conditions as described in this Article for any inter vivos transfer. If an interest is not transferred upon death or permanent disability as required in this Section, then such failure shall constitute a material event of default under this Agreement.

8.6 No Release or Waiver. Franchisor's consent to a transfer of any interest described herein shall not constitute a release under this Agreement of the transferring party, nor a waiver of any claims Franchisor may have against the transferring party, nor shall it be deemed a waiver of Franchisor's right to demand exact compliance with any of the terms of this Agreement by the transferee.

8.7 Public Offering. Securities in Developer may be offered to the public (a “public offering”) only with the prior written consent of Franchisor, which consent may be withheld in its sole discretion. As a condition of its consent to such offering, Franchisor may, in its sole discretion, require that immediately after such offering that the Controlling Principals retain a controlling interest in Developer. For the purpose of this Agreement, “controlling interest” shall mean that the Controlling Principals, either individually or cumulatively are entitled under the entity’s organizational documents to cast a sufficient number of votes to require such entity to take or omit to take any action that such entity is required to take or omit to take under this Agreement.

8.8 Review of Offering Materials. All materials required for such public offering by federal or state law shall be submitted to Franchisor for a limited review as discussed below prior to being filed with any governmental agency; and any materials (including any private placement memoranda) to be used in any exempt offering or private placement shall be submitted to Franchisor for such review prior to their use. No Developer offering (public or private) shall imply (by use of the Marks or otherwise) that Franchisor is participating in an underwriting, issuance or offering of securities of Developer or Franchisor; and Franchisor’s review of any offering materials shall be limited solely to the subject of the relationship between Developer and Franchisor and its affiliates. Franchisor may, at its option, require Developer’s offering materials to contain a written statement prescribed by Franchisor concerning the limitations described in the preceding sentence. Developer, its Controlling Principals and the other participants in the offering must fully indemnify Franchisor and its affiliates, and the officers, directors, shareholders, partners, agents, representatives, independent contractors, servants and employees of each of them, in connection with the offering. For each proposed public or private offering, Developer shall pay to Franchisor a nonrefundable fee of Ten Thousand Dollars (\$10,000), or such greater amount as is necessary to reimburse Franchisor for its reasonable costs and expenses associated with reviewing the proposed offering materials, including, without limitation, legal and accounting fees. Developer shall give Franchisor written notice at least thirty (30) days prior to the date of commencement of any offering or other transaction covered by this Section.

8.9 Transfers by Developer’s Principals. If any person holding an interest in Developer or this Agreement (other than Developer or a Controlling Principal, which parties shall be subject to the provisions set forth above) transfers such interest, then Developer shall promptly notify Franchisor of such proposed transfer in writing and shall provide such information relative thereto as Franchisor may reasonably request prior to such transfer. Such transferee may not be a competitor of Franchisor. Such transferee will be a Developer’s Principal and as such shall execute a confidentiality agreement and ancillary covenants not to compete in the form then required by Franchisor, which form shall be in substantially the same form attached hereto as Attachment C (see Sections 9.1(b) and 9.2(g)). Franchisor also reserves the right to designate the transferee as one of the Controlling Principals.

ARTICLE IX. COVENANTS

9.1 Confidential Information.

(a) Confidential. Neither Developer nor any Controlling Principals shall, during the term of this Agreement and thereafter, communicate or divulge, or use for the benefit of, any other person or entity, and, following the termination or expiration of this Agreement, they shall not use for their own benefit, any confidential information, knowledge or know-how concerning the methods of development and operation of the Cafes that may be communicated to them or of which they may be apprised under this Agreement. Developer and the Controlling Principals shall disclose such confidential information only to Developer’s employees who must have access to it in connection with their employment with Developer. Any and all information, knowledge, know-how, techniques and any materials used in or related to the System that Franchisor provides to Developer in connection with this Agreement shall be

deemed confidential for the purposes of this Agreement. Neither Developer nor the Controlling Principals shall at any time, without Franchisor's prior written consent, copy, duplicate, record or otherwise reproduce such materials or information, in whole or in part, nor otherwise make the same available to any unauthorized person. The covenant in this Section shall survive the expiration, termination or transfer of this Agreement or any interest herein and shall be perpetually binding upon Developer and each of the Controlling Principals.

(b) Covenants. Developer shall require and obtain execution of covenants similar to those set forth in Section 9.1(a) from all personnel of Developer who have received or will have access to confidential information. Such covenants shall be substantially in the form set forth in Attachment C. All of Developer's Principals not required to sign this Agreement as a Controlling Principal also must execute such covenants.

9.2 Noncompetition Covenants.

(a) In-Term Covenants. Developer and the Controlling Principals specifically acknowledge that, pursuant to this Agreement, Developer and the Controlling Principals will receive valuable training, trade secrets and confidential information that are beyond the present skills and experience of Developer and the Controlling Principals and Developer's managers and employees. Developer and the Controlling Principals acknowledge that such specialized training, trade secrets and confidential information provide a competitive advantage and will be valuable to them in the development and operation of the Cafes and that gaining access to such specialized training, trade secrets and confidential information is, therefore, a primary reason why they are for entering into this Agreement. In consideration for such specialized training, trade secrets, confidential information and rights, Developer and the Controlling Principals covenant that with respect to Developer, during the term of this Agreement (or with respect to each of the Controlling Principals, during the term of this Agreement for so long as such individual or entity satisfies the definition of "Controlling Principals" as described in Section 11.20) except as otherwise approved in writing by Franchisor, neither Developer nor any of the Controlling Principals shall, either directly or indirectly, for themselves, or through, on behalf of or in conjunction with any person or entity:

(i) Divert, or attempt to divert, any business or customer of the business described hereunder to any competitor, by direct or indirect inducement or otherwise, or do or perform, directly or indirectly, any other act injurious or prejudicial to the goodwill associated with the Marks and the System.

(ii) Own, maintain, operate, engage in or have any financial or beneficial interest in (including any interest in a legal entity), advise, assist or make loans to, any business located in the United States, Canada, their territories or commonwealths, or any other country, province, state or geographic area in which Franchisor has used, sought registration of or registered the same or similar Marks or operates or licenses others to operate a business under the same or similar Marks, which business is of a character and concept similar to the Cafe, including, without limitation, a business that offers and sells as a primary menu item any one or more of sandwiches, cookies, ice cream or coffee drinks.

(b) Post-Term Covenants. In consideration for the specialized training, trade secrets, confidential information and rights described in Section 9.2(a), with respect to Developer, and for a continuous uninterrupted period commencing upon the expiration or termination of, or transfer of all of Developer's interest in, this Agreement (or with respect to each of the Controlling Principals, commencing upon the earlier of (i) the expiration or termination of, or transfer of all of Developer's interest in this Agreement or (ii) the time such individual or entity ceases to satisfy the definition of

“Controlling Principals” as described in Section 11.20), and continuing for two (2) years thereafter, except as otherwise approved in writing by Franchisor, neither Developer nor any of the Controlling Principals shall, either directly or indirectly, for themselves or through, on behalf of or in conjunction with any person or entity:

(i) Divert, or attempt to divert, any business or customer of the business described hereunder to any competitor, by direct or indirect inducement or otherwise, or do or perform, directly or indirectly, any other act injurious or prejudicial to the goodwill associated with the Marks and the System.

(ii) Employ, or seek to employ, any person who is at that time or was within the preceding ninety (90) days employed by Franchisor, or any of its affiliates, or by any other developer or franchisee of Franchisor, or otherwise directly or indirectly induce such person to leave that person’s employment; provided, however, that Developer may employ such person in a managerial position with respect to Developer’s operation of a Cafe pursuant to the terms of the Franchise Agreement applicable to such Cafe.

(iii) Own, maintain, operate, engage in or have any financial or beneficial interest in (including any interest in a legal entity), advise, assist or make loans to, any business that is of a character and concept similar to the Cafe, including, without limitation, a business that offers and sells as a primary menu item any one or more of sandwiches, cookies, ice cream or coffee drinks, which business is, or is intended to be, located within the Territory or within a ten (10) mile radius of the location of any Cafe in existence or under construction as of the date (as applicable) of expiration or termination of, or transfer of all of Developer’s interest in, this Agreement or the time such individual or entity ceases to satisfy the definition of Controlling Principals.

(c) Public Company. Sections 9.2(a)(ii) and 9.3(b)(iii) shall not apply to ownership of less than a five percent (5%) beneficial interest in the outstanding equity securities of any publicly-held corporation.

(d) Reasonableness. The parties acknowledge and agree that each of the covenants contained in this Section are reasonable limitations as to time, geographical area, and scope of activity to be restrained and do not impose a greater restraint than is necessary to protect the goodwill or other business interests of Franchisor. The parties agree that each of these covenants shall be construed as independent of any other covenant or provision of this Agreement. If all or any portion of a covenant in this Section is held unreasonable or unenforceable by a court or agency having valid jurisdiction in an unappealed final decision to which Franchisor is a party, Developer and the Controlling Principals expressly agree to be bound by any lesser covenant subsumed within the terms of such covenant that imposes the maximum duty permitted by law, as if the resulting covenant were separately stated in and made a part of this Section.

(e) Reduction in Scope. Developer and the Controlling Principals understand and acknowledge that Franchisor shall have the right, in its sole discretion, to reduce the scope of any covenant set forth in this Section, or any portion thereof, without their consent, effective immediately upon notice to Developer; and Developer and the Controlling Principals agree that they shall immediately comply with any covenant as so modified, which shall be fully enforceable notwithstanding the provisions of Section 11.3.

(f) No Defense. Developer and the Controlling Principals expressly agree that the existence of any claims they may have against Franchisor, whether or not arising from this Agreement, shall not constitute a defense to the enforcement by Franchisor of the covenants in this Section.

(g) Covenants of Managers and Developer's Principals. Developer shall require and obtain execution of covenants similar to those set forth in this Section (including covenants applicable upon the termination of a person's employment with Developer) from all management level personnel of Developer who have received or will have access to confidential information or training from Franchisor. Such covenants shall be substantially in the form set forth in Attachment C. All of Developer's Principals not required to sign this Agreement as a Controlling Principal also must execute such covenants. Notwithstanding the foregoing, Franchisor reserves the right, in its sole discretion, to decrease the period of time or geographic scope of the noncompetition covenant set forth in Attachment C or eliminate such noncompetition covenant altogether for any party that is required to execute such agreement under this Section.

9.3 Injunctive Relief. Failure to comply with the requirements of this Article shall constitute a material event of default under this Agreement. Developer and the Controlling Principals acknowledge that a violation of this Article would result in irreparable injury to Franchisor for which no adequate remedy at law may be available, and Developer and the Controlling Principals accordingly consent to the issuance of an injunction prohibiting any conduct by Developer or the Controlling Principals in violation of the terms of this Article. Developer and the Controlling Principals agree to pay all court costs and reasonable legal fees incurred by Franchisor in connection with the enforcement of this Article, including payment of all costs and expenses for obtaining specific performance of, or on injunction against violation of, the requirements of this Article.

ARTICLE X. RELATIONSHIP OF THE PARTIES AND INDEMNIFICATION

10.1 Relationship. The parties acknowledge and agree that this Agreement does not create a fiduciary relationship between them, that Developer shall be an independent contractor and that nothing in this Agreement is intended to constitute either party an agent, legal representative, subsidiary, joint venturer, partner, employee, joint employer or servant of the other for any purpose.

10.2 Notice to Public. Developer shall hold itself out to the public as an independent contractor conducting its development operations pursuant to development rights granted by Franchisor. Developer agrees to take such action as shall be necessary to that end, including, without limitation, exhibiting a notice of that fact in a conspicuous place in any Cafe established under any Franchise Agreement for the purposes hereunder, the content and form of which Franchisor reserves the right to specify in writing.

10.3 No Authority. Developer understands and agrees that nothing in this Agreement authorizes Developer or any of the Controlling Principals to make any contract, agreement, warranty or representation on Franchisor's behalf, or to incur any debt or other obligation in Franchisor's name and that Franchisor shall in no event assume liability for, or be deemed liable under this Agreement as a result of, any such action, or for any act or omission of Developer or any of the Controlling Principals or any claim or judgment arising therefrom.

10.4 Employment Policies. Franchisor does not exercise any direction or control over the employment policies or employment decisions of Developer. All employees of Developer are solely employees of Developer, not Franchisor. Developer is not Franchisor's agent for any purpose in regard to Developer's employees or otherwise.

10.5 Indemnification. Developer shall and hereby does indemnify and shall defend at its own cost and save harmless Franchisor, Nestle, their affiliates, their officers and employees, and their respective successors and assigns, from and against all losses, costs, liabilities, damages, claims and expenses, of every kind and description, however caused, including allegations of negligence by

Franchisor or Nestle, or their employees and agents, whether such negligence be sole, joint or concurrent, or active or passive, and including reasonable attorneys' fees, directly or indirectly arising out of or resulting from the performance of the development activities contemplated under this Agreement, or the construction or operation of any Café pursuant to a Franchise Agreement, or because of any act or omission of the Developer or anyone associated with, employed by, or affiliated with Developer. Developer shall promptly give written notice to Franchisor of any action, suit, proceeding, claim, demand, inquiry, or investigation related to the foregoing. Franchisor shall in any event have the right, through counsel of its choice at Developer's expense, to control the defense or response to any such action if it could affect the interests of Franchisor, and such undertaking by Franchisor shall not, in any manner or form, diminish Developer's obligations to Franchisor hereunder. Under no circumstances shall Franchisor be required or obligated to seek recovery from third parties or otherwise mitigate its losses in order to maintain a claim under this indemnification and against Developer, and the failure of Franchisor to pursue such recovery or mitigate loss will in no way reduce the amounts recoverable by Franchisor from Developer. Developer acknowledges that this Section clearly and unequivocally meets the requirements of the express negligence rule of the Texas Supreme Court and irrevocably waives any claim to the contrary. The obligations of Developer under this Section shall survive the termination, expiration or transfer of this Agreement, or any interest herein.

10.6 Variations. Developer acknowledges that because complete and detailed uniformity under many varying conditions may not be possible or practical, Franchisor specifically reserves the right and privilege, at its sole discretion and as it may deem in the best interests of all concerned in any given circumstance, to vary standards for any System developer based upon the peculiarities of the particular site or circumstance, business potential, trade area, existing business practices or any other condition that Franchisor deems to be of importance to the successful operation of such developer's business. Developer shall not be entitled to require Franchisor to disclose or grant to Developer a like or similar variation hereunder.

ARTICLE XI. MISCELLANEOUS

11.1 Notice. Any and all notices required or permitted under this Agreement shall be in writing and shall be personally delivered or sent by expedited delivery service or certified or registered mail, return receipt requested, first-class postage prepaid, or sent by prepaid facsimile or email (provided that the sender confirms the facsimile or email by sending an original confirmation copy by certified or registered mail or expedited delivery service within three (3) business days after transmission) to the respective parties at the following address for Franchisor and at the address set forth on the cover page of this Agreement for Developer and Controlling Principals unless and until a different address has been designated by written notice to the other party:

Notices to Franchisor:	Crest Foods, Inc.
	101 West Renner Road
	Suite 240
	Richardson, Texas 75082
	Attention: President
	Facsimile: (214) 239-3091
	Email: president@nestlecafe.com

Any notice shall be deemed to have been given at the time of personal delivery or, in the case of facsimile or email, upon transmission (provided confirmation is sent as described above) or, in the case of expedited delivery service or registered or certified mail, three (3) business days after the date and time of mailing.

11.2 Entire Agreement. This Agreement, the documents referred to herein, and the Attachments hereto, constitute the entire, full and complete agreement between Franchisor and Developer and the Controlling Principals concerning the subject matter hereof and shall supersede all prior related agreements, representations, understandings, negotiations and discussions, whether oral or written, of Franchisor, Developer and the Controlling Principals. Notwithstanding the foregoing, nothing in this Agreement, the documents referred to herein or the Attachments hereto is intended to disclaim the representations made by Franchisor in the Franchise Disclosure Document provided to Developer in connection with this Agreement.

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

11.4 No Waiver. No delay, waiver, omission or forbearance on the part of Franchisor to exercise any right, option, duty or power arising out of any breach or default by Developer or the Controlling Principals under this Agreement shall constitute a waiver by Franchisor to enforce any such right, option, duty or power against Developer or the Controlling Principals, or as to a subsequent breach or default by Developer or the Controlling Principals. Acceptance by Franchisor of any payments due to it hereunder subsequent to the time at which such payments are due shall not be deemed to be a waiver by Franchisor of any preceding breach by Developer or the Controlling Principals of any terms, provisions, covenants or conditions of this Agreement.

11.5 Approvals or Consents. Whenever this Agreement requires the prior approval or consent of Franchisor, Developer shall make a timely written request to Franchisor, and such approval or consent shall be obtained in writing.

11.6 No Warranties. Franchisor makes no warranties or guarantees upon which Developer may rely and assumes no liability or obligation to Developer or any third party to which it would not otherwise be subject, by providing any waiver, approval, advice, consent or suggestion to Developer in connection with this Agreement, or by reason of any neglect, delay or denial of any request therefor.

11.7 MEDIATION. THE PARTIES AGREE TO SUBMIT ANY CLAIM, CONTROVERSY OR DISPUTE ARISING OUT OF OR RELATING TO THIS AGREEMENT (AND ATTACHMENTS) OR THE RELATIONSHIP CREATED BY THIS AGREEMENT TO NON-BINDING MEDIATION PRIOR TO BRINGING SUCH CLAIM, CONTROVERSY OR DISPUTE IN A COURT OR BEFORE ANY OTHER TRIBUNAL. THE MEDIATION SHALL BE CONDUCTED THROUGH EITHER AN INDIVIDUAL MEDIATOR OR A MEDIATOR APPOINTED BY A MEDIATION SERVICES ORGANIZATION OR BODY, EXPERIENCED IN THE MEDIATION OF DISPUTES BETWEEN FRANCHISORS AND DEVELOPERS, AGREED UPON BY THE PARTIES AND, FAILING SUCH AGREEMENT WITHIN A REASONABLE PERIOD OF TIME AFTER EITHER PARTY HAS NOTIFIED THE OTHER OF ITS DESIRE TO SEEK MEDIATION OF ANY CLAIM, CONTROVERSY OR DISPUTE (NOT TO EXCEED FIFTEEN (15) DAYS), BY THE AMERICAN ARBITRATION ASSOCIATION IN ACCORDANCE WITH ITS RULES GOVERNING MEDIATION, AT FRANCHISOR'S CORPORATE HEADQUARTERS IN DALLAS, TEXAS. THE COSTS AND EXPENSES OF MEDIATION, INCLUDING COMPENSATION AND EXPENSES OF THE MEDIATOR (AND EXCEPT FOR THE ATTORNEYS FEES INCURRED BY EITHER PARTY), SHALL BE BORNE BY THE PARTIES EQUALLY. IF THE PARTIES ARE UNABLE TO RESOLVE THE CLAIM, CONTROVERSY OR DISPUTE WITHIN NINETY (90) DAYS AFTER THE MEDIATOR HAS BEEN CHOSEN, THEN THE MATTER SHALL BE SUBMITTED TO ARBITRATION IN ACCORDANCE WITH SECTION 11.8 TO RESOLVE SUCH CLAIM, CONTROVERSY OR DISPUTE UNLESS SUCH TIME PERIOD IS EXTENDED BY WRITTEN

AGREEMENT OF THE PARTIES. NOTWITHSTANDING THE FOREGOING, FRANCHISOR MAY BRING AN ACTION (1) FOR MONIES OWED, (2) FOR INJUNCTIVE OR OTHER EXTRAORDINARY RELIEF, OR (3) INVOLVING THE POSSESSION OR DISPOSITION OF, OR OTHER RELIEF RELATING TO, REAL PROPERTY IN A COURT HAVING JURISDICTION AND IN ACCORDANCE WITH SECTION 11.9, WITHOUT FIRST SUBMITTING SUCH ACTION TO MEDIATION OR ARBITRATION.

11.8 ARBITRATION.

(a) PROCEDURE. EXCEPT AS PROVIDED IN THIS AGREEMENT, FRANCHISOR, DEVELOPER AND THE CONTROLLING PRINCIPALS AGREE THAT ANY CLAIM, CONTROVERSY OR DISPUTE ARISING OUT OF OR RELATING TO THE FRANCHISE, DEVELOPER'S ESTABLISHMENT OR OPERATION OF ANY CAFE UNDER THIS AGREEMENT (AND ANY AMENDMENTS THERETO) INCLUDING, BUT NOT LIMITED TO, ANY CLAIM BY DEVELOPER, OR ANY OF THE CONTROLLING PRINCIPALS, OR PERSONS CLAIMING ON BEHALF OF DEVELOPER OR THE CONTROLLING PRINCIPALS, CONCERNING THE ENTRY INTO, THE PERFORMANCE UNDER OR THE TERMINATION OF THE AGREEMENT, OR ANY OTHER AGREEMENT BETWEEN FRANCHISOR, OR ITS AFFILIATES, AND DEVELOPER, ANY CLAIM AGAINST A PAST OR PRESENT OFFICER, DIRECTOR, EMPLOYEE OR AGENT OF FRANCHISOR, INCLUDING THOSE OCCURRING SUBSEQUENT TO THE TERMINATION OF THIS AGREEMENT, THAT CANNOT BE AMICABLY SETTLED AMONG THE PARTIES OR THROUGH MEDIATION SHALL, EXCEPT AS SPECIFICALLY SET FORTH HEREIN AND IN SECTION 11.9, BE REFERRED TO ARBITRATION. THE ARBITRATION SHALL BE CONDUCTED THROUGH AN ORGANIZATION OR BODY EXPERIENCED IN THE ARBITRATION OF DISPUTES BETWEEN FRANCHISORS AND DEVELOPERS DESIGNATED BY FRANCHISOR. IF FRANCHISOR FAILS TO DESIGNATE AN ORGANIZATION OR BODY WITHIN A REASONABLE TIME AFTER THE DISPUTE HAS BEEN REFERRED FOR ARBITRATION (NOT TO EXCEED FIFTEEN (15) DAYS), ARBITRATION SHALL BE CONDUCTED BY THE AMERICAN ARBITRATION ASSOCIATION IN ACCORDANCE WITH THE RULES OF THE AMERICAN ARBITRATION ASSOCIATION, AS AMENDED, EXCEPT THAT THE ARBITRATOR SHALL APPLY THE FEDERAL RULES OF EVIDENCE DURING THE CONDUCT OF THE HEARING SESSIONS WITH RESPECT TO THE ADMISSIBILITY OF EVIDENCE. IF SUCH RULES ARE IN ANY WAY CONTRARY TO OR IN CONFLICT WITH THIS AGREEMENT, THE TERMS OF THE AGREEMENT SHALL CONTROL. ONLY CLAIMS, CONTROVERSIES OR DISPUTES INVOLVING DEVELOPER AND THE CONTROLLING PRINCIPALS MAY BE BROUGHT HEREUNDER. NO CLAIM FOR OR ON BEHALF OF ANY OTHER DEVELOPER, FRANCHISEE OR SUPPLIER, OR CLASS, REPRESENTATIVE OR ASSOCIATION THEREOF, MAY BE BROUGHT BY DEVELOPER OR THE CONTROLLING PRINCIPALS HEREUNDER.

(b) ARBITRATOR. THE PARTIES SHALL AGREE ON AN ARBITRATOR WITHIN FIFTEEN (15) DAYS OF THE FILING OF ARBITRATION. IF THE PARTIES CANNOT AGREE ON A SINGLE ARBITRATOR, FRANCHISOR AND DEVELOPER (OR CONTROLLING PRINCIPAL, AS APPLICABLE) SHALL EACH SELECT ONE ARBITRATOR. IF THE PARTY UPON WHOM THE DEMAND FOR ARBITRATION IS SERVED FAILS TO SELECT AN ARBITRATOR WITHIN FIFTEEN (15) DAYS AFTER THE RECEIPT OF THE DEMAND FOR ARBITRATION, THEN THE ARBITRATOR SO DESIGNATED BY THE PARTY REQUESTING ARBITRATION SHALL ACT AS THE SOLE ARBITRATOR TO RESOLVE THE CONTROVERSY AT HAND. THE TWO ARBITRATORS DESIGNATED BY THE PARTIES SHALL SELECT A THIRD ARBITRATOR. IF THE TWO ARBITRATORS DESIGNATED BY THE PARTIES FAIL TO SELECT A THIRD ARBITRATOR WITHIN FIFTEEN (15) DAYS, THE THIRD ARBITRATOR

SHALL BE SELECTED BY THE ORGANIZATION AGREED UPON OR THE AMERICAN ARBITRATION ASSOCIATION OR ANY SUCCESSOR THERETO, UPON APPLICATION BY EITHER PARTY. ALL OF THE ARBITRATORS SHALL BE EXPERIENCED IN THE ARBITRATION OF DISPUTES BETWEEN FRANCHISORS AND DEVELOPERS. THE ARBITRATION SHALL TAKE PLACE AT FRANCHISOR'S CORPORATE OFFICES. THE AWARD OF THE ARBITRATORS SHALL BE FINAL AND JUDGMENT UPON THE AWARD RENDERED IN ARBITRATION MAY BE ENTERED IN ANY COURT HAVING JURISDICTION THEREOF. THE COSTS AND EXPENSES OF ARBITRATION MAY BE ENTERED IN ANY COURT HAVING JURISDICTION THEREOF. THE ARBITRATORS SHALL BE REQUIRED TO SUBMIT WRITTEN FINDINGS OF FACT AND CONCLUSIONS OF LAW WITHIN THIRTY (30) BUSINESS DAYS FOLLOWING THE FINAL HEARING SESSION OF THE ARBITRATION. THE COSTS AND EXPENSES OF ARBITRATION, INCLUDING COMPENSATION AND EXPENSES OF THE ARBITRATORS, SHALL BE BORNE BY THE PARTIES AS THE ARBITRATORS DETERMINE.

(c) EXCEPTIONS. NOTWITHSTANDING THE ABOVE, THE FOLLOWING SHALL NOT BE SUBJECT TO ARBITRATION:

(i) DISPUTES AND CONTROVERSIES ARISING FROM THE SHERMAN ACT, THE CLAYTON ACT OR ANY OTHER FEDERAL OR STATE ANTITRUST LAW;

(ii) DISPUTES AND CONTROVERSIES BASED UPON OR ARISING UNDER THE LANHAM ACT, AS NOW OR HEREAFTER AMENDED, RELATING TO THE OWNERSHIP OR VALIDITY OF THE MARKS;

(iii) DISPUTES AND CONTROVERSIES RELATING TO ACTIONS TO OBTAIN POSSESSION OF THE PREMISES OF THE CAFE UNDER LEASE OR SUBLEASE.

(d) SPECIFIC PERFORMANCE. IF FRANCHISOR SHALL DESIRE TO SEEK SPECIFIC PERFORMANCE OR OTHER EXTRAORDINARY RELIEF INCLUDING, BUT NOT LIMITED TO, INJUNCTIVE RELIEF UNDER THIS AGREEMENT, AND ANY AMENDMENTS THERETO, OR TO COLLECT MONIES DUE, THEN ANY SUCH ACTION SHALL NOT BE SUBJECT TO ARBITRATION AND FRANCHISOR SHALL HAVE THE RIGHT TO BRING SUCH ACTION AS DESCRIBED IN SECTION 11.9.

(e) LIMITS ON ARBITRATOR. IN PROCEEDING WITH ARBITRATION AND IN MAKING DETERMINATIONS HEREUNDER, THE ARBITRATORS SHALL NOT EXTEND, MODIFY OR SUSPEND ANY TERMS OF THIS AGREEMENT OR THE REASONABLE STANDARDS OF BUSINESS PERFORMANCE AND OPERATION ESTABLISHED BY FRANCHISOR IN GOOD FAITH. NOTICE OF OR REQUEST TO OR DEMAND FOR ARBITRATION SHALL NOT STAY, POSTPONE OR RESCIND THE EFFECTIVENESS OF ANY TERMINATION OF THIS AGREEMENT. THE ARBITRATORS SHALL APPLY TEXAS LAW AND THE TERMS OF THIS AGREEMENT IN REACHING THEIR DECISION.

11.9 VENUE. WITH RESPECT TO ANY CLAIMS, CONTROVERSIES OR DISPUTES THAT ARE NOT FINALLY RESOLVED THROUGH MEDIATION OR ARBITRATION, OR AS OTHERWISE PROVIDED ABOVE, DEVELOPER AND THE CONTROLLING PRINCIPALS HEREBY IRREVOCABLY SUBMIT THEMSELVES TO THE JURISDICTION OF THE STATE COURTS OF DALLAS COUNTY, TEXAS AND THE FEDERAL DISTRICT COURT FOR THE NORTHERN DISTRICT OF TEXAS, DALLAS DIVISION. DEVELOPER AND THE

CONTROLLING PRINCIPALS HEREBY WAIVE ALL QUESTIONS OF PERSONAL JURISDICTION FOR THE PURPOSE OF CARRYING OUT THIS PROVISION. DEVELOPER AND THE CONTROLLING PRINCIPALS HEREBY AGREE THAT SERVICE OF PROCESS MAY BE MADE UPON ANY OF THEM IN ANY PROCEEDING RELATING TO OR ARISING OUT OF THIS AGREEMENT OR THE RELATIONSHIP CREATED BY THIS AGREEMENT BY ANY MEANS ALLOWED BY TEXAS OR FEDERAL LAW. DEVELOPER AND THE CONTROLLING PRINCIPALS FURTHER AGREE THAT VENUE FOR ANY PROCEEDING RELATING TO OR ARISING OUT OF THIS AGREEMENT SHALL BE DALLAS COUNTY, TEXAS; PROVIDED, HOWEVER, WITH RESPECT TO ANY ACTION (1) FOR MONIES OWED, (2) FOR INJUNCTIVE OR OTHER EXTRAORDINARY RELIEF OR (3) INVOLVING POSSESSION OR DISPOSITION OF, OR OTHER RELIEF RELATING TO, REAL PROPERTY, FRANCHISOR MAY BRING SUCH ACTION IN ANY STATE OR FEDERAL DISTRICT COURT THAT HAS JURISDICTION. THIS AGREEMENT WAS EXECUTED AND ACCEPTED AT FRANCHISOR'S PLACE OF BUSINESS IN DALLAS COUNTY, TEXAS. THE PARTIES ANTICIPATE THAT THE PERFORMANCE OF CERTAIN OF DEVELOPER'S OBLIGATIONS ARISING UNDER THIS AGREEMENT, INCLUDING THE PAYMENT OF CERTAIN MONIES DUE FRANCHISOR AND THE SATISFACTION OF CERTAIN TRAINING REQUIREMENTS OF FRANCHISOR, SHALL OCCUR IN DALLAS COUNTY, TEXAS.

11.10 GOVERNING LAW. EXCEPT TO THE EXTENT GOVERNED BY THE UNITED STATES TRADEMARK ACT OF 1946 (LANHAM ACT, 15 U.S.C. §§1051 ET. SEQ.), THIS AGREEMENT SHALL FOR ALL PURPOSES BE GOVERNED BY AND INTERPRETED AND ENFORCED IN ACCORDANCE WITH THE INTERNAL LAWS OF THE STATE OF TEXAS, EXCEPT THAT ITS CHOICE OF LAW AND CONFLICT OF LAW RULES SHALL NOT APPLY. NOTWITHSTANDING THE ABOVE, DEVELOPER AND THE CONTROLLING PRINCIPALS AGREE THAT THE TEXAS BUSINESS OPPORTUNITY ACT AND THE TEXAS DECEPTIVE TRADE PRACTICE ACT (AND ANY SUCCESSOR LAWS, RULES OR REGULATIONS THERETO) DO NOT APPLY TO THE TRANSACTIONS CONTEMPLATED BY THIS AGREEMENT.

WAIVER OF CONSUMER RIGHTS

I WAIVE MY RIGHTS UNDER THE DECEPTIVE TRADE PRACTICES-CONSUMER PROTECTION ACT, SECTION 17.41 ET SEQ., BUSINESS & COMMERCE CODE, A LAW THAT GIVES CONSUMERS SPECIAL RIGHTS AND PROTECTIONS. AFTER CONSULTATION WITH AN ATTORNEY OF MY OWN SELECTION, I VOLUNTARILY CONSENT TO THIS WAIVER.

11.11 MUTUAL BENEFIT. DEVELOPER, THE CONTROLLING PRINCIPALS AND FRANCHISOR ACKNOWLEDGE THAT THE PARTIES AGREEMENT REGARDING APPLICABLE STATE LAW AND FORUM SET FORTH IN SECTIONS 11.9 AND 11.10 PROVIDE EACH OF THE PARTIES WITH THE MUTUAL BENEFIT OF UNIFORM INTERPRETATION OF THIS AGREEMENT AND ANY DISPUTE ARISING OUT OF THIS AGREEMENT OR THE PARTIES' RELATIONSHIP CREATED BY THIS AGREEMENT. EACH OF DEVELOPER, THE CONTROLLING PRINCIPALS AND FRANCHISOR FURTHER ACKNOWLEDGES THE RECEIPT AND SUFFICIENCY OF MUTUAL CONSIDERATION FOR SUCH BENEFIT AND THAT EACH PARTY'S AGREEMENT REGARDING APPLICABLE STATE LAW AND CHOICE OF FORUM HAVE BEEN NEGOTIATED FOR IN GOOD FAITH AND ARE PART OF THE BENEFIT OF THE BARGAIN REFLECTED BY THIS AGREEMENT.

11.12 DISPUTE RESOLUTION PROGRAM. WITHOUT LIMITING ANY OF THE FOREGOING, FRANCHISOR RESERVES THE RIGHT, AT ANY TIME, TO CREATE A DISPUTE

RESOLUTION PROGRAM AND RELATED SPECIFICATIONS, STANDARDS, PROCEDURES AND RULES FOR THE IMPLEMENTATION THEREOF TO BE ADMINISTERED BY FRANCHISOR OR ITS DESIGNEES FOR THE BENEFIT OF ALL DEVELOPERS AND FRANCHISEES CONDUCTING BUSINESS UNDER THE SYSTEM. THE STANDARDS, SPECIFICATIONS, PROCEDURES AND RULES FOR SUCH DISPUTE RESOLUTION PROGRAM SHALL BE MADE PART OF THE MANUALS AND IF MADE PART OF THE MANUALS, ON EITHER A VOLUNTARY OR MANDATORY BASIS, DEVELOPER SHALL COMPLY WITH ALL SUCH STANDARDS, SPECIFICATIONS, PROCEDURES AND RULES IN SEEKING RESOLUTION OF ANY CLAIMS, CONTROVERSIES OR DISPUTES WITH OR INVOLVING FRANCHISOR OR OTHER DEVELOPERS OR FRANCHISEES, IF APPLICABLE UNDER THE PROGRAM. IF SUCH DISPUTE RESOLUTION PROGRAM IS MADE MANDATORY, THEN DEVELOPER AND FRANCHISOR AGREE TO SUBMIT ANY CLAIMS, CONTROVERSIES OR DISPUTES ARISING OUT OF OR RELATING TO THIS AGREEMENT (AND ATTACHMENTS) OR THE RELATIONSHIP CREATED BY THIS AGREEMENT FOR RESOLUTION IN ACCORDANCE WITH SUCH DISPUTE RESOLUTION PROGRAM PRIOR TO SEEKING RESOLUTION OF SUCH CLAIMS, CONTROVERSIES OR DISPUTES IN THE MANNER DESCRIBED IN SECTIONS 11.7-11.8 (PROVIDED THAT THE PROVISIONS OF SECTION 11.9 CONCERNING FRANCHISOR'S RIGHT TO SEEK RELIEF IN A COURT FOR CERTAIN ACTIONS INCLUDING FOR INJUNCTIVE OR OTHER EXTRAORDINARY RELIEF SHALL NOT BE SUPERSEDED OR AFFECTED BY THIS SECTION) OR IF SUCH CLAIM, CONTROVERSY OR DISPUTE RELATES TO ANOTHER DEVELOPER OR FRANCHISEE, DEVELOPER AGREES TO PARTICIPATE IN THE PROGRAM AND SUBMIT ANY SUCH CLAIMS, CONTROVERSIES OR DISPUTES IN ACCORDANCE WITH THE PROGRAM'S STANDARDS, SPECIFICATIONS, PROCEDURES AND RULES, PRIOR TO SEEKING RESOLUTION OF SUCH CLAIM BY ANY OTHER JUDICIAL OR LEGALLY AVAILABLE MEANS.

11.13 WAIVER OF CERTAIN DAMAGES. EXCEPT WITH RESPECT TO DEVELOPER'S AND EACH CONTROLLING PRINCIPAL'S OBLIGATION TO INDEMNIFY FRANCHISOR PURSUANT TO SECTION 10.5 AND CLAIMS FRANCHISOR BRINGS FOR DEVELOPER'S UNAUTHORIZED USE OF THE MARKS OR UNAUTHORIZED USE OR DISCLOSURE OF ANY CONFIDENTIAL INFORMATION, THE PARTIES WAIVE, TO THE FULLEST EXTENT PERMITTED BY LAW, ANY RIGHT TO OR CLAIM FOR ANY PUNITIVE, EXEMPLARY, INCIDENTAL, INDIRECT, SPECIAL, CONSEQUENTIAL OR OTHER DAMAGES (INCLUDING, WITHOUT LIMITATION, LOSS OF PROFITS) AGAINST THE OTHER AND AGREES THAT IN THE EVENT OF A DISPUTE, EACH PARTY SHALL BE LIMITED TO EQUITABLE RELIEF AND TO RECOVERY OF ANY ACTUAL DAMAGES SUSTAINED BY IT; PROVIDED, HOWEVER THAT FRANCHISOR SHALL HAVE THE RIGHT TO RECOVER LOST PROFITS IN THE EVENT OF A PREMATURE TERMINATION OF THIS AGREEMENT BASED ON DEVELOPER'S MATERIAL DEFAULT.

11.14 Counterparts. This Agreement may be executed in multiple counterparts, each of which when so executed shall be an original, and all of which shall constitute one and the same instrument.

11.15 Headings. The captions used in connection with the sections and subsections of this Agreement are inserted only for purpose of reference. Such captions shall not be deemed to govern, limit, modify or in any other manner affect the scope, meaning or intent of the provisions of this Agreement or any part thereof nor shall such captions otherwise be given any legal effect.

11.16 Survival. Any obligation of Developer or the Controlling Principals that contemplates performance of such obligation after termination or expiration of this Agreement, or the transfer of any

interest of Developer or the Controlling Principals therein, shall be deemed to survive such termination, expiration or transfer.

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

11.18 Construction. All references herein to the masculine, neuter or singular shall be construed to include the masculine, feminine, neuter or plural, where applicable. Without limiting the obligations individually undertaken by the Controlling Principals under this Agreement, all acknowledgments, promises, covenants, agreements and obligations made or undertaken by Developer in this Agreement shall be deemed, jointly and severally, undertaken by all of the Controlling Principals.

11.19 Remedies. All rights and remedies of the parties to this Agreement shall be cumulative and not alternative, in addition to and not exclusive of any other rights or remedies that are provided for herein or that may be available at law or in equity in case of any breach, failure or default or threatened breach, failure or default of any term, provision or condition of this Agreement or any other agreement between Developer or any of its affiliates and Franchisor or any of its affiliates. The rights and remedies of the parties to this Agreement shall be continuing and shall not be exhausted by any one or more uses thereof, and may be exercised at any time or from time to time as often as may be expedient; and any option or election to enforce any such right or remedy may be exercised or taken at any time and from time to time. The expiration, earlier termination or exercise of Franchisor's rights pursuant to Article VII shall not discharge or release Developer or any of the Controlling Principals from any liability or obligation then accrued, or any liability or obligation continuing beyond, or arising out of, the expiration, the earlier termination or the exercise of such rights under this Agreement.

11.20 Developer's Principals and Controlling Principals. The term "Developer's Principals" shall include, collectively and individually, Developer's spouse, if Developer is an individual, all officers and directors of Developer (including the officers and directors of any entity that controls Developer) whom Franchisor designates as Developer's Principals and all holders of an ownership interest in Developer and of any entity directly or indirectly controlling Developer, and any other person or entity controlling, controlled by or under common control with Developer. The initial Developer's Principals shall be listed on the cover page to this Agreement. The term "Controlling Principals" shall include, collectively and individually, any Developer's Principal who has been designated by Franchisor as a Controlling Principal hereunder. The initial Controlling Principals shall be listed on the cover page to this Agreement.

11.21 Legal Entities. Each reference to the organizational documents, equity owners, directors, and officers of a corporation in this Agreement shall be deemed to refer to the functional equivalents of such organizational documents, equity owners, directors, and officers, as applicable, in the case of any other entity.

11.22 No Third-Party Beneficiaries. Except as expressly provided to the contrary herein, nothing in this Agreement is intended, nor shall be deemed, to confer upon any person or legal entity

other than Developer, Franchisor, Franchisor's officers, directors and personnel and such of Developer's and Franchisor's respective successors and assigns as may be contemplated (and, as to Developer, authorized by Article VIII), any rights or remedies under or as a result of this Agreement.

11.23 Terrorist and Money Laundering Activities. Developer and its Controlling Principals represent and warrant to Franchisor (i) that neither Developer nor any Developer's Principals is identified, either by name or an alias, pseudonym or nickname, on the list of "Specially Designated Nationals or "Blocked Persons" (the "SDN List") maintained by the U.S. Treasury Department's Office of Foreign Assets Control ("OFAC") (the list is currently available at <http://www.treasury.gov/resource-center/sanctions/SDN-List/Pages/default.aspx>); (ii) that neither Developer nor any Developer's Principals is directly or indirectly owned or controlled by the government of any country that is subject to a United States sanction administered by OFAC or by any person or entity on the SDN List; (iii) that neither Developer nor any Developer's Principals acts or will act directly or indirectly on behalf of the government of any country, person or entity that is subject to a United States sanction; and (iv) that Developer and Developer's Principals are in full compliance with all laws proscribing money laundering and corrupt practices. Further, Developer and its Controlling Principals represent and warrant that neither Developer nor any Developer's Principals referred to above have violated and agree not to violate any law prohibiting corrupt business practices, money laundering or the aid or support of Persons who conspire to commit acts of terror against any Person or government, including acts prohibited by the USA Patriot Act (text currently available at <http://www.gpo.gov/fdsys/pkg/PLAW-107publ56/pdf/PLAW-107publ56.pdf>), various U.S. Executive Orders, and OFAC Sanctions regulations (text currently at <http://www.treasury.gov/resource-center/sanctions/Programs/Pages/terror.aspx>), or any similar law. The foregoing constitute continuing representations and warranties, and Developer and its Controlling Principals shall immediately notify Franchisor in writing of the occurrence of any event or the development of any circumstance that might render any of the foregoing representations and warranties false, inaccurate or misleading.

ARTICLE XII. ACKNOWLEDGMENTS

12.1 Independent Investigation. Developer and the Controlling Principals acknowledge that they have conducted an independent investigation of the business venture contemplated by this Agreement and recognize that the success of this business venture involves substantial business risks and will largely depend upon the ability of Developer and the Controlling Principals.

12.2 Representations and Warranties. Franchisor expressly disclaims making, and Developer and the Controlling Principals acknowledge that they have not received or relied on, any oral or written representation, warranty, guarantee or promise, express or implied, as to the potential volume, profits or success of the business venture contemplated by this Agreement. Developer and the Controlling Principals confirm and acknowledge that no written or oral agreements, promises, commitments, undertakings, or understandings were made to or with Developer or the Controlling Principals that are not expressly set forth in this Agreement, and duly executed amendment, attachment or addendum to this Agreement and in the Franchise Disclosure Document provided to Developer in connection with this Agreement. Developer and the Controlling Principals confirm and acknowledge that no representation, warranty, guaranty or promise, other than those expressly set forth in this Agreement and in the Franchise Disclosure Document provided to Developer in connection with this Agreement was made by Franchisor or any other person to induce Developer to execute this Agreement. Notwithstanding the foregoing, nothing in this Agreement, the documents referred to herein or the Attachments hereto is intended to disclaim the representations made by Franchisor in the Franchise Disclosure Document provided to Developer in connection with this Agreement.

12.3 Review and Understanding. Developer and the Controlling Principals acknowledge that they have received, read and understand this Agreement and the related Attachments and agreements and that Franchisor has afforded Developer and the Controlling Principals sufficient time and opportunity to consult with advisors selected by them about the potential benefits and risks of entering into this Agreement.

12.4 No Fiduciary Relationship. Developer and the Controlling Principals acknowledge and agree that this Agreement creates an arm's length commercial relationship that cannot and shall not be transformed into a fiduciary or other "special" relationship by course of dealing, by any special indulgences or benefits that Franchisor bestows on Developer, or by inference from a party's conduct.

12.5 No Side Deals. Developer and the Controlling Principals acknowledge and agree that there are no promises, commitments, "side deals," options, rights of first refusal, or other rights or obligations in connection with this Agreement.

12.6 Receipt of Documents. Developer and the Controlling Principals acknowledge that they received (i) a complete copy of this Agreement and all related Attachments and agreements, with all blanks filled in, at least seven (7) calendar days prior to the date on which this Agreement was executed, and (ii) the Franchise Disclosure Document required by the Trade Regulation Rule of the Federal Trade Commission entitled "Disclosure Requirements and Prohibitions Concerning Franchising" at least fourteen (14) calendar days prior to the date on which this Agreement was executed, as further evidenced on the cover page of this Agreement.

[Signature page follows]

IN WITNESS WHEREOF, the parties hereto have duly executed and delivered this Agreement as of the date first above written.

FRANCHISOR:

CREST FOODS, INC.

By: _____

Name: _____

Title: _____

DEVELOPER:

By: _____

Name: _____

Title: _____

CONTROLLING PRINCIPALS GUARANTY AND COVENANT

This Controlling Principals Guaranty and Covenant (this "Guaranty") is given by each of the undersigned (each a "Guarantor") on _____, 20__ to Crest Foods, Inc., a Texas corporation ("Franchisor"), in order to induce Franchisor to enter into that certain Development Agreement dated of even date herewith (the "Development Agreement") with _____ ("Developer").

Guarantor acknowledges that Guarantor has read the terms and conditions of the Development Agreement and acknowledges that the execution of this Guaranty and the undertakings of the Controlling Principals herein and in the Development Agreement are in partial consideration for, and a condition to the granting of, the license granted in the Development Agreement, and that Franchisor would not have granted this license without the execution of this Guaranty by Guarantor.

Guarantor acknowledges that Guarantor is included in the term "Controlling Principals" as described in Section 11.20 of the Development Agreement.

Guarantor hereby individually makes, agrees to be bound by, and agrees to perform, all of the covenants, representations, warranties and agreements of the Controlling Principals set forth in the Development Agreement. Additionally, if Guarantor is designated as the Operating Principal, Guarantor hereby individually makes, agrees to be bound by, and agrees to perform, all of the covenants, representations, warranties and agreements of the Operating Principal set forth in the Development Agreement.

Guarantor does hereby guaranty to Franchisor the prompt payment and performance when due of any and all liabilities and obligations arising under or evidenced by the Development Agreement, any promissory note or other credit instruments, and any other liabilities, obligations and indebtedness of Developer and/or any of its assignees or affiliates to Franchisor and/or any of its assignees or affiliates, of every kind and description, now existing or hereafter incurred or arising, matured or unmatured, direct or indirect, absolute or contingent, due or to become due, and any renewals, consolidations and extensions, including any future advances from Franchisor to Developer (collectively, the "Guaranteed Obligations"). Guarantor shall perform and/or make punctual payment to Franchisor of the Guaranteed Obligations in accordance with the terms of the Development Agreement or other applicable document forthwith upon demand by Franchisor.

This Guaranty is irrevocable and unlimited. This Guaranty is an absolute and unconditional continuing guaranty of payment and performance of the Guaranteed Obligations. This Guaranty shall not be discharged by renewal of any claims guaranteed by this instrument, the suffering of any indulgence to any debtor or extension of time of payment thereof, nor the discharge of Developer by bankruptcy, operation of law or otherwise. Presentment, demand, protest, notice of protest and dishonor, notice of default or nonpayment and diligence in collecting any obligation under any agreement between Developer and Franchisor are each and all waived by Guarantor and/or acknowledged as inapplicable. Franchisor shall not be required to pursue any remedy on said Guaranteed Obligations as a condition of the obligation hereunder of Guarantor. Guarantor waives notice of amendment of any agreement between Developer and Franchisor and notice of demand for payment by Developer. Guarantor further agrees to be bound by any and all amendments and changes to any agreement between Developer and Franchisor.

Guarantor agrees to defend, indemnify and hold Franchisor harmless against any and all losses, damages, liabilities, costs and expenses (including, but not limited to, reasonable attorney's fees, reasonable costs of investigation, court costs, and arbitration fees and expenses) resulting from, consisting of, or arising out of or in connection with any failure by Developer to perform any obligation of Developer under any agreement between Developer and Franchisor.

Guarantor waives any and all notice of the creation, renewal, extension, accrual, modification, amendment, release, or waiver of any of the Guaranteed Obligations and notice of or proof of reliance by Franchisor upon this Guaranty or acceptance of this Guaranty. The Guaranteed Obligations, and any of them, shall conclusively be deemed to have been created, contracted or incurred, or renewed, extended, amended, modified or waived, in reliance upon this Guaranty and all dealings between Franchisor and Guarantor shall likewise be conclusively presumed to have been had or consummated in reliance upon this Guaranty. Franchisor may pursue its rights against Guarantor without first exhausting its remedies against Developer and without joining any other guarantor hereto and no delay on the part of Franchisor in the exercise of any right or remedy shall operate as a waiver of such right or remedy, and no single or partial exercise by Franchisor of any right or remedy shall preclude the further exercise of such right or remedy.

The obligations of Guarantor shall be joint and several to that of any other guarantor that has guaranteed any and or all of the Guaranteed Obligations, and Franchisor may enforce the Guaranteed Obligations against each severally, any two or more jointly, or some severally and some jointly.

Until all of the Guaranteed Obligations have been paid in full and/or performed in full, Guarantor shall not have any right of subrogation, unless expressly given to Guarantor in writing by Franchisor.

No change in the name, objects, share capital, business, membership, directors' powers, organization or management of the Developer shall in any way affect Guarantor in respect of the Guaranteed Obligations either with respect to transactions occurring before or after any such change, it being understood that this Guaranty is to extend to the person(s) or entity(ies) for the time being and from time to time carrying on the business now carried on by the Developer, notwithstanding any change(s) in the name or shareholders of the Developer, and notwithstanding any reorganization or its amalgamation with another or others or the sale or disposal of its business in whole or in part to another or others.

All Franchisor's rights, powers and remedies hereunder and under any other agreement now or at any time hereafter in force between Franchisor and Guarantor shall be cumulative and not alternative and shall be in addition to all rights, powers and remedies given to Franchisor by law.

Should any one or more provisions of this Guaranty be determined to be illegal or unenforceable, all other provisions nevertheless shall remain effective.

This Guaranty shall extend to and inure to the benefit of Franchisor and its successors and assigns and shall be binding on Guarantor and its successors and assigns.

IN WITNESS WHEREOF, Guarantor has signed this Guaranty as of the date set forth above.

GUARANTOR

Printed Name:* _____

Printed Name: _____

* Denotes individual who is Developer's Operating Principal

FRANCHISE AGREEMENT

(See Exhibit B of Franchise Disclosure Document)

**CONFIDENTIALITY AGREEMENT AND
ANCILLARY COVENANTS NOT TO COMPETE**

This Agreement is made and entered into this _____ day of _____, 20__, among Crest Foods, Inc., a Texas corporation (“Franchisor”), _____ (“Developer”) and _____ (“Covenantor”) in connection with a Development Agreement dated _____, 20__ between Franchisor and Developer (the “Development Agreement”). Initially capitalized terms used, but not defined in, this Agreement have the meanings ascribed thereto in the Development Agreement.

RECITALS

Franchisor has the right to use and license the use of a System for the establishment and operation of quick service cafes that primarily feature cookies and other dessert items, and, in certain circumstances, sandwiches, soups and other food items.

The System is identified by certain Marks including, the marks “Nestle Toll House,” “Café By Chip” and “Brick House Subs,” and includes certain Confidential Information which provides economic advantages to Franchisor and licensed users of the System.

Franchisor has granted Developer the limited right to develop Cafés using the System, the Marks and the Confidential Information pursuant to the Development Agreement.

In connection with his or her duties, it will be necessary for Covenantor to have access to some or all of the Confidential Information.

Franchisor and Developer have agreed on the importance of restricting the use, access and dissemination of the Confidential Information, and Developer therefore has agreed to obtain from Covenantor a written agreement protecting the Confidential Information and further protecting the System against unfair competition.

Covenantor acknowledges that receipt of and the right to use the Confidential Information constitutes independent valuable consideration for the representations, promises and covenants made by Covenantor herein.

NOW, THEREFORE, in consideration of the mutual covenants and obligations contained herein, the parties agree as follows:

A. **Confidentiality Agreement**

1. Covenantor shall, at all times, maintain the confidentiality of the Confidential Information and shall use such Confidential Information only in the course of his or her employment by or association with Developer in connection with the development and operation of Nestle Toll House Cafés By Chip and Brick House Sub cafes under the Development Agreement or Franchise Agreements.

2. Covenantor shall not at any time make copies of any documents or compilations containing some or all of the Confidential Information without Franchisor’s express written permission.

3. Covenantor shall not at any time disclose or permit the disclosure of the Confidential Information except to other employees of Developer and only to the limited extent necessary to train or assist other employees of Developer in the development or operation of a Cafe using the System.

4. Covenantor shall surrender any material containing some or all of the Confidential Information to Developer or Franchisor, upon request, or upon termination of employment by Developer.

5. Covenantor shall not at any time, directly or indirectly, do any act or omit to do any act that would or would likely be injurious or prejudicial to the goodwill associated with the System.

6. Covenantor acknowledges that all Manuals are loaned by Franchisor to Developer for limited purposes only and remain the property of Franchisor. Covenantor agrees that no Manuals may be reproduced, in whole or in part, without Franchisor's written consent.

B. Covenants Not to Compete

1. In order to protect the goodwill and unique qualities of the System, and in consideration for the disclosure to Covenantor of the Confidential Information, Covenantor further agrees and covenants as follows:

a. Not to divert, or attempt to divert, directly or indirectly, any business, business opportunity, or customer of the Cafes to any competitor.

b. Not to employ, or seek to employ, any person who is at the time or was within the preceding ninety (90) days employed by Franchisor, or any of its affiliates, or any franchisee or developer of Franchisor, or otherwise directly or indirectly induce such person to leave that person's employment except as may occur in connection with Developer's employment of such person if permitted under the Development Agreement.

*c. Except for the Cafes described in the Development Agreement, not to directly or indirectly, for himself or through, on behalf of, or in conjunction with any person or entity, without the prior written consent of Franchisor, own, maintain, operate, engage in or have any financial or beneficial interest in (including any interest in any legal entity), advise, assist or make loans to, any business in the United States, Canada, their territories or commonwealths, or any other country, province, state or geographic area in which Franchisor has used, sought registration of or registered the same or similar Marks or operates or licenses others to operate a business under the same or similar Marks, which business is of a character and concept similar to the Cafe, including without limitation, a business that offers and sells as a primary menu item, any one or more of sandwiches, cookies, ice cream or coffee drinks.

2. In further consideration for the disclosure to Covenantor of the Confidential Information and to protect the uniqueness of the System, Covenantor agrees and covenants that for one (1) year following the earlier of the expiration or termination of, or transfer of all of Developer's interest in, the Development Agreement or the termination of his association with or employment by Developer, Covenantor will not without the prior written consent of Franchisor:

a. Divert or attempt to divert, directly or indirectly, any business, business opportunity or customer of the Cafes to any competitor.

* May be deleted if Franchisor does not require Developer to obtain the execution of this covenant by Covenantor. See Section 9.2(g) of the Development Agreement.

b. Employ, or seek to employ, any person who is at the time or was within the preceding ninety (90) days employed by Franchisor or any franchisee or developer of Franchisor, or otherwise directly or indirectly induce such persons to leave that person's employment.

*c. Directly or indirectly, for himself or through, on behalf of or in conjunction with any person or entity, own, maintain, operate, engage in or have any financial or beneficial interest in (including any interest in any legal entity), advise, assist or make loans to, any business that is of a character and concept similar to the Cafes, including without limitation, a business that offers and sells as a primary menu item, any one or more of sandwiches, cookies, ice cream or coffee drinks, which business is, or is intended to be located within the Territory, as such term is defined in the Development Agreement, or within a ten (10)-mile radius of the location of any Cafe in existence or under construction at any given time during such period.

C. Miscellaneous

1. Developer shall make all commercially reasonable efforts to ensure that Covenantor acts as required by this Agreement.

2. Covenantor agrees that in the event of a breach of this Agreement, Franchisor would be irreparably injured and be without an adequate remedy at law. Therefore, in the event of such a breach, or threatened or attempted breach of any of the provisions hereof, Franchisor shall be entitled to enforce the provisions of this Agreement and shall be entitled, in addition to any other remedies which are made available to it at law or in equity, including the right to terminate the Development Agreement or any franchise agreement, to a temporary and/or permanent injunction and a decree for the specific performance of the terms of this Agreement, without the necessity of showing actual or threatened harm and without being required to furnish a bond or other security.

3. Covenantor agrees to pay all expenses (including court costs and reasonable attorneys' fees) incurred by Franchisor and Developer in enforcing this Agreement.

4. Any failure by Franchisor or the Developer to object to or take action with respect to any breach of any provision of this Agreement by Covenantor shall not operate or be construed as a waiver of or consent to that breach or any subsequent breach by Covenantor.

5. THIS AGREEMENT SHALL BE GOVERNED BY AND CONSTRUED AND ENFORCED IN ACCORDANCE WITH THE LAWS OF THE STATE OF TEXAS, WITHOUT REFERENCE TO TEXAS CHOICE OF LAW PRINCIPLES. COVENANTOR HEREBY IRREVOCABLY SUBMITS HIMSELF TO THE JURISDICTION OF THE STATE COURTS OF DALLAS COUNTY, TEXAS AND THE FEDERAL DISTRICT COURTS FOR THE NORTHERN DISTRICT OF TEXAS, DALLAS DIVISION. COVENANTOR HEREBY WAIVES ALL QUESTIONS OF PERSONAL JURISDICTION OR VENUE FOR THE PURPOSE OF CARRYING OUT THIS PROVISION. COVENANTOR HEREBY AGREES THAT SERVICE OF PROCESS MAY BE MADE UPON HIM IN ANY PROCEEDING RELATING TO OR ARISING UNDER THIS AGREEMENT OR THE RELATIONSHIP CREATED BY THIS AGREEMENT BY ANY MEANS ALLOWED BY TEXAS OR FEDERAL LAW. COVENANTOR FURTHER AGREES THAT VENUE FOR ANY PROCEEDING RELATING TO OR ARISING OUT OF THIS AGREEMENT SHALL BE DALLAS COUNTY, TEXAS; PROVIDED, HOWEVER, WITH RESPECT TO ANY ACTION WHICH INCLUDES INJUNCTIVE RELIEF OR OTHER EXTRAORDINARY RELIEF, FRANCHISOR OR DEVELOPER MAY BRING SUCH ACTION IN ANY COURT IN ANY STATE WHICH HAS JURISDICTION.

6. The parties acknowledge and agree that each of the covenants contained herein are reasonable limitations as to time, geographical area, and scope of activity to be restrained and do not impose a greater restraint than is necessary to protect the goodwill or other business interests of Franchisor. The parties agree that each of the foregoing covenants shall be construed as independent of any other covenant or provision of this Agreement. If all or any portion of a covenant in this Agreement is held unreasonable or unenforceable by a court or agency having valid jurisdiction in any unappealed final decision to which Franchisor is a party, Covenantor expressly agrees to be bound by any lesser covenant subsumed within the terms of such covenant that imposes the maximum duty permitted by law, as if the resulting covenant were separately stated in and made a part of this Agreement.

7. This Agreement contains the entire agreement of the parties regarding the subject matter hereof. This Agreement may be modified only by a duly authorized writing executed by all parties.

8. All notices and demands required to be given hereunder shall be in writing and shall be sent by personal delivery, expedited delivery service, certified or registered mail, return receipt requested, first-class postage prepaid, facsimile or email (provided that the sender confirms the facsimile or email by sending an original confirmation copy by certified or registered mail or expedited delivery service within three (3) business days after transmission), to the respective parties at the following addresses unless and until a different address has been designated by written notice to the other parties.

If directed to Franchisor, the notice shall be addressed to:

Crest Foods, Inc.
101 West Renner Road
Suite 240
Richardson, Texas 75082
Attention: President
Facsimile: (214) 239-3091
Email: president@nestlecafe.com

If directed to Developer, the notice shall be addressed to:

Attention: _____
Facsimile: _____
Email: _____

If directed to Covenantor, the notice shall be addressed to:

Facsimile: _____
Email: _____

Any notices sent by personal delivery shall be deemed given upon receipt. Any notices given by facsimile or email shall be deemed given upon transmission, provided confirmation is made as provided

above. Any notice sent by expedited delivery service or registered or certified mail shall be deemed given three (3) business days after the time of mailing. Any change in the foregoing addresses shall be effected by giving fifteen (15) days written notice of such change to the other parties. Business day for the purpose of this Agreement excludes Saturday, Sunday and national holidays.

9. The rights and remedies of Franchisor under this Agreement are fully assignable and transferable and shall inure to the benefit of its respective affiliates, successors and assigns. The respective obligations of Developer and Covenantor hereunder may not be assigned by Developer or Covenantor, without the prior written consent of Franchisor.

IN WITNESS WHEREOF, the undersigned have entered into this Agreement as witnessed by their signatures below.

FRANCHISOR:

CREST FOODS, INC.

By: _____
Name: _____
Title: _____

DEVELOPER:

By: _____
Name: _____
Title: _____

COVENANTOR:

Name: _____

EXHIBIT C-1

**STATE AMENDMENTS
TO
DEVELOPMENT AGREEMENT**

**AMENDMENT TO CREST FOODS, INC.
DEVELOPMENT AGREEMENT
FOR THE STATE OF CALIFORNIA**

The Crest Foods, Inc. Development Agreement between _____ (“Developer”) and Crest Foods, Inc., a Texas corporation (“Franchisor”), dated _____ (the “Agreement”) shall be amended by the addition of the following language, which shall be considered an integral part of the Agreement (this “Amendment”):

CALIFORNIA LAW MODIFICATIONS

The California Department of Corporations requires that certain provisions contained in franchise documents be amended to be consistent with California law, including the California Franchise Investment Law, CAL. BUS. & PROF. CODE Section 31000 et seq., and the California Franchise Relations Act, CAL. BUS. & PROF. CODE Section 20000 et seq. To the extent that the Agreement contain provisions that are inconsistent with the following, such provisions are hereby amended:

a. THE 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.).

b. THE AGREEMENT CONTAINS A COVENANT NOT TO COMPETE THAT EXTENDS BEYOND THE TERMINATION OF THE FRANCHISE. THIS PROVISION MAY NOT BE ENFORCEABLE UNDER CALIFORNIA LAW.

c. THE AGREEMENT REQUIRES BINDING ARBITRATION. THE ARBITRATION WILL OCCUR AT THE FRANCHISOR’S HEADQUARTERS WITH THE COSTS BEING BORNE AS THE ARBITRATOR DETERMINES. THIS PROVISION MAY NOT BE ENFORCEABLE UNDER CALIFORNIA LAW.

d. THE AGREEMENT REQUIRES APPLICATION OF THE LAWS OF THE STATE OF TEXAS. THIS PROVISION MAY NOT BE ENFORCEABLE UNDER CALIFORNIA LAW.

e. SECTION 31125 OF THE FRANCHISE INVESTMENT LAW REQUIRES US TO GIVE TO DEVELOPER A DISCLOSURE DOCUMENT APPROVED BY THE COMMISSIONER OF CORPORATIONS BEFORE WE ASK DEVELOPER TO CONSIDER A MATERIAL MODIFICATION OF DEVELOPER’S FRANCHISE AGREEMENT.

f. DEVELOPER MUST SIGN A GENERAL RELEASE OF CLAIMS IF IT RENEWS OR TRANSFERS ITS FRANCHISE. CALIFORNIA CORPORATIONS CODE §31512 VOIDS A WAIVER OF DEVELOPER’S RIGHTS UNDER THE FRANCHISE INVESTMENT LAW (CALIFORNIA CORPORATIONS CODE §§31000 THROUGH 31516). BUSINESS AND PROFESSIONS CODE §20010 VOIDS A WAIVER OF DEVELOPER’S RIGHTS UNDER THE FRANCHISE RELATIONS ACT (BUSINESS AND PROFESSIONS CODE §§20000 THROUGH 20043).

g. CALIFORNIA BUSINESS AND PROFESSIONS CODE SECTIONS 20000 THROUGH 20043 PROVIDE RIGHTS TO DEVELOPER CONCERNING NONRENEWAL AND TERMINATION OF THE AGREEMENT. TO THE EXTENT THE AGREEMENT CONTAINS A PROVISION THAT IS INCONSISTENT WITH THESE LAWS, THESE LAWS WILL CONTROL.

h. THE AGREEMENT REQUIRES LITIGATION AND MEDIATION TO BE CONDUCTED IN TEXAS. THESE PROVISIONS MAY NOT BE ENFORCEABLE UNDER CALIFORNIA LAW.

IN WITNESS WHEREOF, the parties hereto have fully executed, sealed and delivered this Amendment to the Development Agreement on _____, 20__.

FRANCHISOR:

CREST FOODS, INC.

By: _____
Name: _____
Title: _____

DEVELOPER:

By: _____
Name: _____
Title: _____

CONTROLLING PRINCIPALS:

*Name: _____

Name: _____

*Denotes individual who is Developer's Operating Principal

**AMENDMENT TO CREST FOODS, INC.
DEVELOPMENT AGREEMENT
FOR THE STATE OF HAWAII**

The Crest Foods, Inc. Development Agreement between _____ (“Developer”) and Crest Foods, Inc., a Texas corporation (“Franchisor”), dated _____ (the “Agreement”) is hereby amended by the addition of the following language, which shall be considered an integral part of the Agreement (this “Amendment”):

HAWAII LAW MODIFICATIONS

1. The Director of the Hawaii Department of Commerce and Consumer Affairs requires that certain provisions contained in franchise documents be amended to be consistent with Hawaii law, including the Hawaii Franchise Investment Law, Hawaii Revised Statutes, Title 26, Chapter 482E-1 Through 482E-12 (1988). To the extent that the Agreement contains provisions that are inconsistent with the following, such provisions are hereby amended:

a. The Hawaii Franchise Investment Law provides rights to Developer concerning nonrenewal, termination and transfer of the Agreement. If the Agreement contains a provision that is inconsistent with the law, the law will control. Among those rights, the law may require that upon termination or nonrenewal Franchisor purchase for fair market value Licensee’s inventory, supplies, equipment and furnishings purchased from Franchisor or a supplier designated by Franchisor; provided that personalized materials which have no value to Franchisor need not be compensated for. If the non-renewal or termination is for the purpose of converting Developer’s business to one owned and operated by Franchisor, Franchisor may, additionally, be obligated to compensate the Developer for loss of goodwill. Franchisor may deduct all amounts due from Developer and any costs related to the transportation or disposition of items purchased against any payment for those items. If the parties cannot agree on fair market value, fair market value shall be determined in the manner set forth in the Agreement. If the Agreement does not provide for determination of the fair market value of assets for purchase by Franchisor, such amount will be determined by an independent appraiser approved by both parties, and the costs of the appraisal shall be shared equally by the parties.

b. If the Developer is required in the Agreement to execute a release of claims, such release shall exclude claims arising under the Hawaii Franchise Investment Law.

2. Each provision of this Amendment shall be effective only to the extent that the jurisdictional requirements of the Hawaii Franchise Investment 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.

[Signature page follows]

IN WITNESS WHEREOF, the parties hereto have fully executed, sealed and delivered this Amendment to the Development Agreement on _____, 20__.

FRANCHISOR:

CREST FOODS, INC.

By:_____

Name:_____

Title:_____

DEVELOPER:

By:_____

Name:_____

Title:_____

CONTROLLING PRINCIPALS:

*Name:_____

Name:_____

*Denotes individual who is Developer's Operating Principal

**AMENDMENT TO CREST FOODS, INC.
DEVELOPMENT AGREEMENT
FOR THE STATE OF ILLINOIS**

The Crest Foods, Inc. Development Agreement between _____ (“Developer”) and Crest Foods, Inc., a Texas corporation (“Franchisor”), dated _____ (the “Agreement”) shall be amended by the addition of the following language, which shall be considered an integral part of the Agreement (this “Amendment”):

ILLINOIS LAW MODIFICATIONS

1. The Illinois Attorney General’s Office requires that certain provisions contained in franchise documents be amended to be consistent with Illinois law, including the Franchise Disclosure Act of 1987, Ill. Comp. Stat. ch. 815 sec. 705/1 - 705/44 (1994). To the extent that the Agreement contains provisions that are inconsistent with the following, such provisions are hereby amended:

a. Illinois Franchise Disclosure Act Sections 705/19 and 705/20 provide rights to the Developer concerning nonrenewal and termination of the Agreement. If the Agreement contains a provision that is inconsistent with the Act, the Act will control.

b. If the Developer is required in the Agreement to execute a release of claims or to acknowledge facts that would negate or remove from judicial review any statement, misrepresentation or action that would violate the Act, or a rule of order under the Act, such release shall exclude claims arising under the Illinois Franchise Disclosure Act, and such acknowledgments shall be void with respect to claims under the Act.

c. If the Agreement requires litigation to be conducted in a forum other than the State of Illinois, the requirement is void under the Illinois Franchise Disclosure Act.

d. If the franchises to be developed under the Development Agreement are under the jurisdiction of the Illinois Franchise Disclosure Act, the Agreement will be governed by Illinois law.

e. To the extent that Section 12.1 of the Agreement requires Developer to execute a release of claims or to acknowledge facts that would negate or remove from judicial review any statement, misrepresentation or action that would violate the Act, or a rule or order under the Act, such release shall exclude claims arising under the Illinois Franchise Disclosure Act, and such acknowledgments shall be void and are hereby deleted with respect to claims under the Act.

f. Illinois Franchise Disclosure Act Section 705/41 provides that (i) any condition, stipulation, or provision purporting to bind any person acquiring any franchise to waive compliance with any provision of the Act or any other law of the State of Illinois is void and (ii) this section shall not prevent any person from entering into a settlement agreement or executing a general release regarding a potential or actual lawsuit filed under any of the provisions of the Act, nor shall it prevent the arbitration of any claim pursuant to the provisions of Title 9 of the United States Code.

2. Each provision of this Amendment shall be effective only to the extent that the jurisdictional requirements of the Illinois Franchise Disclosure 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.

IN WITNESS WHEREOF, the parties hereto have fully executed, sealed and delivered this Amendment to the Development Agreement on _____, 20__.

FRANCHISOR:

CREST FOODS, INC.

By: _____
Name: _____
Title: _____

DEVELOPER:

By: _____
Name: _____
Title: _____

CONTROLLING PRINCIPALS:

*Name: _____

Name: _____

*Denotes individual who is Developer's Operating Principal

**AMENDMENT TO CREST FOODS, INC.
DEVELOPMENT AGREEMENT
FOR THE STATE OF INDIANA**

The Crest Foods, Inc. Development Agreement between _____ (“Developer”) and Crest Foods, Inc., a Texas corporation (“Franchisor”) dated _____ (the “Agreement”) shall be amended by the addition of the following language, which shall be considered an integral part of the Agreement (this “Amendment”):

INDIANA LAW MODIFICATIONS

1. The Indiana Securities Commissioner requires that certain provisions contained in franchise documents be amended to be consistent with Indiana law, including the Indiana Franchises Act, Ind. Code Ann. §§ 1 - 51 (1994) and the Indiana Deceptive Franchise Practices Act, Ind. Code Ann. § 23-2-2.7 (1985). To the extent that the Agreement contains provisions that are inconsistent with the following, such provisions are hereby amended:

a. The Indiana Deceptive Franchise Practices Act provides rights to Developer concerning nonrenewal and termination of the Agreement. To the extent the Agreement contains a provision that is inconsistent with the Act, the Act will control.

b. If the Developer is required in the Agreement to execute a release of claims or to acknowledge facts that would negate or remove from judicial review any statement, misrepresentation or action that would violate the Act, or a rule or order under the Act, such release shall exclude claims arising under the Indiana Deceptive Franchise Practices Act and the Indiana Franchises Act, and such acknowledgments shall be void with respect to claims under the Acts.

c. If the Agreement contains covenants not to compete upon expiration or termination of the Agreement that are inconsistent with the Indiana Deceptive Franchise Practices Act, the requirements of the Act will control.

d. The Indiana Deceptive Franchise Practices Act provides that substantial modification of the Agreement by Franchisor requires written consent of the Developer. If the Agreement contains provisions that are inconsistent with this requirement, the Act will control.

e. If the Agreement requires litigation/arbitration to be conducted in a forum other than the State of Indiana, the requirement may be unenforceable as a limitation on litigation under the Indiana Deceptive Franchise Practices Act § 23-2-2.7(10).

f. If the Agreement requires that it be governed by a state’s law, other than the State of Indiana, to the extent that such law conflicts with the Indiana Deceptive Franchise Practices Act and the Indiana Franchises Act, the Acts will control.

g. If the Agreement contains a reservation of right to injunctive relief or any specified remedy or limitation of remedies available to either Franchisor or Developer, these provisions may be unenforceable as a limitation on litigation under the Indiana Deceptive Franchise Practices Act § 23-2-2.7(10).

h. If the Agreement requires the Developer to indemnify the Franchisor, such indemnification provision is hereby modified so that in no event will Developer be required to indemnify

Franchisor for any liability caused by the Developer's compliance with or use of procedures or materials provided by the Franchisor or caused by Franchisor's negligence.

i. The Indiana Deceptive Franchise Practices Act provides that the Franchisor may not establish a franchisor-owned outlet engaged in a substantially identical business to that of the Developer within the exclusive territory granted the Developer by the Agreement; or, if no exclusive territory is designated, the Franchisor may not compete unfairly with the Developer within a reasonable area. If the Agreement contains provisions that are inconsistent with this requirement, the Act will control.

j. If the Agreement contains any other provisions that are inconsistent with the requirements of the Indiana Deceptive Franchise Practices Act, the Act will control.

2. Each provision of this Amendment shall be effective only to the extent that the jurisdictional requirements of the Indiana Deceptive Franchise Practices Act and the Indiana Franchises 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.

[Signature page follows]

IN WITNESS WHEREOF, the parties hereto have fully executed, sealed and delivered this Amendment to the Development Agreement on the ____ day of _____, 20__.

FRANCHISOR:

CREST FOODS, INC.

By: _____
Name: _____
Title: _____

DEVELOPER:

By: _____
Name: _____
Title: _____

CONTROLLING PRINCIPALS:

*Name: _____

Name: _____

*Denotes individual who is Developer's Operating Principal

**AMENDMENT TO CREST FOODS, INC.
DEVELOPMENT AGREEMENT
FOR THE STATE OF MARYLAND**

The Crest Foods, Inc. Development Agreement between _____ (“Developer”) and Crest Foods, Inc., a Texas corporation (“Franchisor”), dated _____ (the “Agreement”) shall be amended by the addition of the following language, which shall be considered an integral part of the Agreement (this “Amendment”):

MARYLAND LAW MODIFICATIONS

1. The Maryland Securities Division requires that certain provisions contained in franchise documents be amended to be consistent with Maryland law, including the Maryland Franchise Registration and Disclosure Law, Md. Code Ann., Bus. Reg. §§ 14-201 - 14-233. To the extent that the Agreement contains provisions that are inconsistent with the following, such provisions are hereby amended:

a. The Agreement requires the Developer to execute a release of claims or to acknowledge facts that would negate or remove from judicial review any statement, misrepresentation or action that would violate Maryland law, or a rule or order under Maryland law. Such release shall exclude claims arising under the Maryland Franchise Registration and Disclosure Law, and such acknowledgments shall be void with respect to claims under the Law.

b. The Agreement requires the Developer to execute a general release as a condition to the renewal, sale, assignment or transfer of the Agreement. The general release required as a condition of renewal, sale, assignment or transfer shall not apply to any liability under the Maryland Franchise Registration and Disclosure Law.

c. The Agreement requires litigation to be conducted in a forum other than the State of Maryland. This requirement shall not be interpreted to limit any rights Licensee may have under Sec. 14-216(c)(25) of the Maryland Franchise Registration and Disclosure Law to bring suit in the state of Maryland.

d. Article XII of the Agreement requires prospective developers to disclaim the occurrence and/or acknowledge the non-occurrence of acts that would constitute a violation of the Franchise Law in order to purchase your franchise. Such representations are not intended to nor shall they act as a release, estoppel or waiver of any liability incurred under the Maryland Franchise Registration and Disclosure Law.

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

2. Each provision of this Amendment shall be effective only to the extent that the jurisdictional requirements of the Maryland Franchise Registration and Disclosure 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.

IN WITNESS WHEREOF, the parties hereto have fully executed, sealed and delivered this Amendment to the Development Agreement on the ___ day of _____, 20__.

FRANCHISOR:

CREST FOODS, INC.

By:_____

Name:_____

Title:_____

DEVELOPER:

By:_____

Name:_____

Title:_____

CONTROLLING PRINCIPALS:

*Name:_____

Name:_____

*Denotes individual who is Developer's Operating Principal

**AMENDMENT TO CREST FOODS, INC.
DEVELOPMENT AGREEMENT
FOR THE STATE OF MINNESOTA**

The Crest Foods, Inc. Development Agreement between _____ (“Developer”) and Crest Foods, Inc., a Texas corporation (“Franchisor”), dated _____ (the “Agreement”) shall be amended by the addition of the following language, which shall be considered an integral part of the Agreement (this “Amendment”):

MINNESOTA LAW MODIFICATIONS

1. The Commissioner of Commerce for the State of Minnesota requires that certain provisions contained in franchise documents be amended to be consistent with Minnesota Franchise Act, Minn. Stat. Section 80.01 et seq., and of the Rules and Regulations promulgated under the Act (collectively the “Franchise Act”). To the extent that the Agreement contains provisions that are inconsistent with the following, such provisions are hereby amended:

a. The Minnesota Department of Commerce requires that Franchisor indemnify Minnesota franchisees against liability to third parties resulting from claims that the Developers’ use of the Intellectual Properties infringes trademark rights of the third party. If the Agreement contains a provision that is inconsistent with the Franchise Act, the provisions of the Agreement shall be superseded by the Act’s requirements and shall have no force or effect.

b. Franchise Act, Sec. 80C.14, Subd. 4., requires, except in certain specified cases, that a franchisee be given written notice of a franchisor’s intention not to renew 180 days prior to expiration of the franchise and that the franchisee be given sufficient opportunity to operate the franchise in order to enable the franchisee the opportunity to recover the fair market value of the franchise as a going concern. If the Agreement contains a provision that is inconsistent with such requirement of the Franchise Act, the provisions of the Agreement shall be superseded by the Act’s requirements and shall have no force or effect.

c. Franchise Act, Sec. 80C.14, Subd. 3., requires, except in certain specified cases that a franchisee be given 90 days notice of termination (with 60 days to cure). If the Agreement contains a provision that is inconsistent with such requirement of the Franchise Act, the provisions of the Agreement shall be superseded by the Act’s requirements and shall have no force or effect.

d. If the Agreement requires Developer to execute a release of claims or to acknowledge facts that would negate or remove from judicial review any statement, misrepresentation or action that would violate the Franchise Act, such release shall exclude claims arising under the Franchise Act, and such acknowledgments shall be void with respect to claims under the Act.

e. If the Agreement requires that it be governed by a state’s law, other than the State of Minnesota or arbitration or mediation, those provisions shall not in any way abrogate or reduce any rights of the Developer as provided for in the Franchise Act, including the right to submit matters to the jurisdiction of the courts of Minnesota.

f. If the Agreement requires Developer to sue the Franchisor outside the State of Minnesota, those provisions shall not in any way abrogate or reduce any rights Developer may have as provided for in the Franchise Act, including the right to submit matters to the jurisdiction of the courts of Minnesota.

g. Franchise Act, 80C.17, Subd. 5 requires that an action be commenced pursuant to the Franchise Act within 3 years after the cause of action accrues. If the Agreement contains a provision that is inconsistent with the Franchise Act, the provisions of the Agreement shall be superseded by the Act's requirements and shall have no force or effect.

h. If the Agreement requires payment of a termination penalty or other liquidated damages, such provision shall be null and void and have no force or effect.

2. Each provision of this Amendment 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.

[Signature page follows]

IN WITNESS WHEREOF, the parties hereto have fully executed, sealed and delivered this Amendment to the Development Agreement on the ____ day of _____, 20__.

FRANCHISOR:

CREST FOODS, INC.

By: _____
Name: _____
Title: _____

DEVELOPER:

By: _____
Name: _____
Title: _____

CONTROLLING PRINCIPALS:

*Name: _____

Name: _____

*Denotes individual who is Developer's Operating Principal

**AMENDMENT TO CREST FOODS, INC.
DEVELOPMENT AGREEMENT
FOR THE STATE OF NEW YORK**

The Crest Foods, Inc. Development Agreement between _____ (“Developer”) and Crest Foods, Inc., a Texas corporation (“Franchisor”), dated _____ (the “Agreement”) shall be amended by the addition of the following language, which shall be considered an integral part of the Agreement (this “Amendment”):

NEW YORK LAW MODIFICATIONS

1. The New York Department of Law requires that certain provisions contained in franchise documents be amended to be consistent with New York law, including the General Business Law, Article 33, Sections 680 through 695 (1989). To the extent that the Agreement contains provisions that are inconsistent with the following, such provisions are hereby amended:

a. If the Developer is required in the Agreement to execute a release of claims or to acknowledge facts that would negate or remove from judicial review any statement, misrepresentation or action that would violate the General Business Law, regulation, rule or order under the Law, such release shall exclude claims arising under the New York General Business Law, Article 33, Section 680 through 695 and the regulations promulgated thereunder, and such acknowledgments shall be void. It is the intent of this provision that non-waiver provisions of Sections 687.4 and 687.5 of the General Business Law be satisfied.

b. If the Agreement requires that it be governed by a state’s law, other than the State of New York, the choice of law provision shall not be considered to waive any rights conferred upon the Licensee under the New York General Business Law, Article 33, Sections 680 through 695.

2. Each provision of this Amendment shall be effective only to the extent that the jurisdictional requirements of the New York General Business 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.

[Signature page follows]

IN WITNESS WHEREOF, the parties hereto have fully executed, sealed and delivered this Amendment to the Development Agreement on the ____ day of _____, 20__.

FRANCHISOR:

CREST FOODS, INC.

By: _____
Name: _____
Title: _____

DEVELOPER:

By: _____
Name: _____
Title: _____

CONTROLLING PRINCIPALS:

*Name: _____

Name: _____

*Denotes individual who is Developer's Operating Principal

**AMENDMENT TO CREST FOODS, INC.
DEVELOPMENT AGREEMENT
FOR THE STATE OF NORTH DAKOTA**

The Crest Foods, Inc. Development Agreement between _____ (“Developer”) and Crest Foods, Inc., a Texas corporation (“Franchisor”), dated _____ (the “Agreement”) is hereby amended by the addition of the following language, which shall be considered an integral part of the Agreement (this “Amendment”):

NORTH DAKOTA LAW MODIFICATIONS

1. The North Dakota Securities Commissioner requires that certain provisions contained in franchise documents be amended to be consistent with North Dakota law, including the North Dakota Franchise Investment Law, North Dakota Century Code Annotated Chapter 51-19, Sections 51-19-01 through 51-19-17 (1993). To the extent that the Agreement contains provisions that are inconsistent with the following, such provisions are hereby amended:

a. If the Developer is required in the Agreement to execute a release of claims or to acknowledge facts that would negate or remove from judicial review any statement, misrepresentation or action that would violate the Law, or a rule or order under the Law, such release shall exclude claims arising under the North Dakota Franchise Investment Law, and such acknowledgments shall be void with respect to claims under the Law.

b. Covenants not to compete during the term of and upon termination or expiration of the Agreement are enforceable only under certain conditions according to North Dakota Law. If the Agreement contains a covenant not to compete which is inconsistent with North Dakota Law, the covenant may be unenforceable.

c. If the Agreement requires litigation to be conducted in a forum other than the State of North Dakota, the requirement is void with respect to claims under the North Dakota Franchise Investment Law.

d. If the Agreement requires that it be governed by a state’s law, other than the State of North Dakota, to the extent that such law conflicts with the North Dakota Franchise Investment Law, the North Dakota Franchise Investment Law will control, and, if Developer is a North Dakota resident or entity, to the extent that such law conflicts with North Dakota Law, North Dakota Law will control.

e. If the Agreement requires mediation or arbitration to be conducted in a forum other than the State of North Dakota, the requirement may be unenforceable under the North Dakota Franchise Investment Law. Arbitration involving a franchise purchased in the State of North Dakota must be held either in a location mutually agreed upon prior to the arbitration or if the parties cannot agree on a location, the location will be determined by the arbitrator.

f. If the Agreement requires payment of a termination penalty or liquidated damages, the requirement may be unenforceable under the North Dakota Franchise Investment Law.

g. If the Agreement requires the Developer to consent to a waiver of exemplary and punitive damages, the requirement may be unenforceable under the North Dakota Franchise Investment Law.

h. If the Agreement requires the Developer to pay all costs and expenses of the Franchisor in enforcing the Agreement, such provision is modified so that the prevailing party in any enforcement action is entitled to recover all costs and expenses, including attorney's fees, from the nonprevailing party.

2. 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.

[Signature page follows]

IN WITNESS WHEREOF, the parties hereto have fully executed, sealed and delivered this Amendment to the Development Agreement on the___ day of _____, 20__.

FRANCHISOR:

CREST FOODS, INC.

By:_____
Name:_____
Title:_____

DEVELOPER:

By:_____
Name:_____
Title:_____

CONTROLLING PRINCIPALS:

*Name:_____

Name:_____

*Denotes individual who is Developer's Operating Principal

**AMENDMENT TO CREST FOODS, INC.
DEVELOPMENT AGREEMENT
FOR THE STATE OF RHODE ISLAND**

The Crest Foods, Inc. Development Agreement between _____ (“Developer”) and Crest Foods, Inc., a Texas corporation (“Franchisor”), dated _____ (the “Agreement”) is hereby amended by the addition of the following language, which shall be considered an integral part of the Agreement (this “Amendment”):

RHODE ISLAND LAW MODIFICATIONS

1. The Rhode Island Securities Division requires that certain provisions contained in franchise documents be amended to be consistent with Rhode Island law, including the Franchise Investment Act, R.I. Gen. Law. ch. 395 Sec. 19-28.1-1 -19-28.1-34. To the extent that the Agreement contains provisions that are inconsistent with the following, such provisions are hereby amended:

a. If the Agreement requires litigation to be conducted in a forum other than the State of Rhode Island, the requirement is void under Rhode Island Franchise Investment Act Sec. 19-28.1-14.

b. If the Agreement requires that it be governed by a state’s law, other than the State of Rhode Island, to the extent that such law conflicts with Rhode Island Franchise Investment Act it is void under Sec. 19-28.1-14.

c. If the Developer is required in the Agreement to execute a release of claims or to acknowledge facts that would negate or remove from judicial review any statement, misrepresentation or action that would violate the Act, or a rule or order under the Act, such release shall exclude claims arising under the Rhode Island Franchise Investment Act, and such acknowledgments shall be void with respect to claims under the Act.

2. 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.

[Signature page follows]

IN WITNESS WHEREOF, the parties hereto have fully executed, sealed and delivered this Amendment to the Development Agreement on the ___ day of _____, 20__.

FRANCHISOR:

CREST FOODS, INC.

By: _____
Name: _____
Title: _____

DEVELOPER:

By: _____
Name: _____
Title: _____

CONTROLLING PRINCIPALS:

*Name: _____

Name: _____

*Denotes individual who is Developer's Operating Principal

**AMENDMENT TO CREST FOODS, INC.
DEVELOPMENT AGREEMENT
FOR THE STATE OF WASHINGTON**

The Crest Foods, Inc. Development Agreement between _____ (“Developer”) and Crest Foods, Inc., a Texas corporation (“Franchisor”), dated _____ (the “Agreement”) is hereby amended by the addition of the following language, which shall be considered an integral part of the Agreement (this “Amendment”):

WASHINGTON LAW MODIFICATIONS

1. The Director of the Washington Department of Financial Institutions requires that certain provisions contained in franchise documents be amended to be consistent with Washington law, including the Washington Franchise Investment Protection Act, WA Rev. Code §§ 19.100.010 to 19.100.940 (1991). To the extent that the Agreement contains provisions that are inconsistent with the following, such provisions are hereby amended:

a. Washington Franchise Investment Protection Act provides rights to Developer concerning nonrenewal and termination of the Agreement. If the Agreement contains a provision that is inconsistent with the Act, the Act will control.

b. If the Developer is required in the Agreement to execute a release of claims, such release shall exclude claims arising under the Washington Franchise Investment Protection Act; except when the release is executed under a negotiated settlement after the Agreement is in effect and where the parties are represented by independent counsel. If there are provisions in the Agreement that unreasonably restrict or limit the statute of limitations period for claims brought under the Act, or other rights or remedies under the Act, those provisions may be unenforceable.

c. If the Agreement requires litigation, arbitration, or mediation to be conducted in a forum other than the State of Washington, the requirement may be unenforceable under Washington law. Arbitration involving a franchise purchased in the State of Washington must either be held in the State of Washington or in a place mutually agreed upon at the time of the arbitration, or as determined by the arbitrator.

d. If the Agreement requires that it be governed by a state’s law, other than the State of Washington, and there is a conflict between the law and the Washington Franchise Investment Protection Act, the Washington Franchise Investment Protection Act will control.

2. Each provision of this Amendment shall be effective only to the extent that the jurisdictional requirements of the Washington 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.

[Signature page follows]

IN WITNESS WHEREOF, the parties hereto have fully executed, sealed and delivered this Amendment to the Development Agreement on the ___ day of _____, 20__.

FRANCHISOR:

CREST FOODS, INC.

By: _____
Name: _____
Title: _____

DEVELOPER:

By: _____
Name: _____
Title: _____

CONTROLLING PRINCIPALS:

*Name: _____

Name: _____

*Denotes individual who is Developer's Operating Principal

**AMENDMENT TO CREST FOODS, INC.
DEVELOPMENT AGREEMENT
FOR THE STATE OF WISCONSIN**

The Crest Foods, Inc. Development Agreement between _____ (“Developer”) and Crest Foods, Inc., a Texas corporation (“Franchisor”), dated _____ (the “Agreement”) is hereby amended by the addition of the following language, which shall be considered an integral part of the Agreement (this “Amendment”):

WISCONSIN LAW MODIFICATIONS

1. The Securities Commissioner of the State of Wisconsin requires that certain provisions contained in franchise documents be amended to be consistent with Wisconsin Fair Dealership Law, Wisconsin Statutes, Chapter 135 (“Fair Dealership Law”). To the extent that the Agreement contains provisions that are inconsistent with the following, such provisions are hereby amended:

a. The Wisconsin Fair Dealership Law, among other things, grants Developer the right, in most circumstances, to 90 days’ prior written notice of non-renewal and 60 days within which to remedy any claimed deficiencies. If the Agreement contains a provision that is inconsistent with the Wisconsin Fair Dealership Law, the provisions of the Agreement shall be superseded by the Law’s requirements and shall have no force or effect.

b. The Wisconsin Fair Dealership Law, among other things, grants Developer the right, in most circumstances, to 90 days’ prior written notice of termination and 60 days within which to remedy any claimed deficiencies. If the Agreement contains a provision that is inconsistent with the Wisconsin Fair Dealership Law, the provisions of the Agreement shall be superseded by the Law’s requirements and shall have no force or effect.

c. If the Agreement requires that it be governed by a state’s law, other than the State of Wisconsin, to the extent that any provision of the Agreement conflicts with the Wisconsin Fair Dealership Law such provision shall be superseded by the law’s requirements.

2. Each provision of this Amendment shall be effective only to the extent that the jurisdictional requirements of the Wisconsin 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.

[Signature page follows]

IN WITNESS WHEREOF, the parties hereto have fully executed, sealed and delivered this Amendment to the Development Agreement on the____ day of _____, 20__.

FRANCHISOR:

CREST FOODS, INC.

By:_____

Name:_____

Title:_____

DEVELOPER:

By:_____

Name:_____

Title:_____

CONTROLLING PRINCIPALS:

*Name:_____

Name:_____

*Denotes individual who is Developer's Operating Principal

EXHIBIT D

AREA REPRESENTATIVE AGREEMENT



CREST FOODS, INC. AREA REPRESENTATIVE AGREEMENT

Area Representative: _____

Controlling Principal(s): _____

Date: _____, 2014

Area Representative Fee: \$ _____

Territory: _____

Notice Address: _____

Fax: _____

Email: _____

Statement of Ownership Interests:

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

Area Representative's
Principal(s) (other than
Controlling Principals): _____

Disclosure Law Compliance:

- (i) Date of Delivery of Franchise Disclosure Document: _____, 2014
(ii) Date of Delivery of completed copy of this Agreement: _____, 2014

[Cover page continues on next page]

DEVELOPMENT QUOTA AND PERCENTAGE OF AVERAGE ANNUAL GROSS SALES

Year/Quarter	Minimum # of Cafes Awarded During Such Quarter	Minimum Cumulative # of Cafes Operating as of End of Such Quarter	Percentage of Average Annual Gross Sales as of End of Such Quarter
1/1 st			
1/2 nd			
1/3 rd			
1/4 th			
2/1 st			
2/2 nd			
2/3 rd			
2/4 th			
3/1 st			
3/2 nd			
3/3 rd			
3/4 th			
4/1 st			
4/2 nd			
4/3 rd			
4/4 th			
5/1 st			
5/2 nd			
5/3 rd			
5/4 th			
Each Quarter Thereafter			

The first quarter of the first year begins on the Effective Date and ends on the following March 31st, June 30th, September 30th or December 31st, whichever first occurs.

For example, (a) during the 4th quarter of the 2nd year of this Agreement, at least _____ Cafes must have been awarded and (b) as of the end of such quarter, at least _____ Cafes (cumulative) must be operating. Notwithstanding anything contained in this Agreement to the contrary, franchises will be granted by Franchisor, in Franchisor's sole discretion. It is Area Representative's responsibility to submit applications of Applicants who Area Representative has in good faith approved in accordance with 3.2 of this Agreement, so that the foregoing requirement can be satisfied. Notwithstanding Franchisor's refusal to grant franchises, Area Representative will not be deemed to be in breach of or default of the foregoing obligations provided that it has submitted applications of at least _____ Applicants (who Area Representative has in good faith approved in accordance with Section 3.2 of this Agreement) per each one-year period. If any Café is closed, a replacement Café must be opened for purposes of this calculation.

The "Average Annual Gross Sales" means the average of the annual Gross Sales (as defined in Area Representative's Franchise Agreement) for all Cafes in the United States that were open for business during the entire calendar year, calculated for such calendar year. For example, if the Average Annual Gross Sales was \$400,000 for calendar year 2013, and the percentage as of the end of Area Representative's 4th quarter of the 2nd year of this Agreement (for example, June 1, 2014) is 80%, average annual Gross Sales for all Cafes (excluding Permitted Exceptions) in the Territory must equal or exceed \$320,000.

TABLE OF CONTENTS

	<u>Page</u>
Article I. GRANT.....	2
1.1. Grant	2
1.2. Rights and Limitations to Territory.....	2
1.3. Reservation of Rights to Franchisor.....	2
1.4. Nestle Agreements	2
1.5. Variations	3
Article II. OBLIGATIONS OF AREA REPRESENTATIVE GENERALLY.....	3
2.1. Development Quota and Percentage of Average Café Gross Sales	3
2.2. Standards Compliance.....	3
2.3. Site Selection Assistance	3
2.4. Construction Guidance.....	4
2.5. Financing Assistance.....	4
2.6. Selecting Vendors	4
2.7. Telephone Consultations	4
2.8. Pre-opening Assistance	4
2.9. Opening Assistance.....	4
2.10. Onsite Training	4
2.11. Telephonic and On-Site Consultation	4
2.12. Operating Assistance.....	4
2.13. Communications and Evaluations.....	4
2.14. Solicitation of Vendors	5
2.15. Operating Problems.....	5
2.16. Seminars and Meetings	5
2.17. Advertising Programs	5
2.18. Franchisee Payments.....	5
2.19. Monthly Report.....	5
2.20. Franchisee's Compliance	6
2.21. General Standards	6
2.22. Costs and Expenses	6
2.23. Permitted Exceptions	6
2.24. Email	6
2.25. Failure to Perform	6
2.26. Use of Area Representative's Name	6
2.27. Communications with Employees and Vendors	7
2.28. Operation of Cafes	7
2.29. Internet and Internet Website	7
2.30. Personnel.....	8
2.31. Vehicles.....	8
Article III. PROMOTIONAL OBLIGATIONS OF AREA REPRESENTATIVE	8
3.1. Recruitment of Franchisees.....	8
3.2. Applicants	8
3.3. Approval of Applicants	8
3.4. Standards.....	9
3.5. Nondiscrimination.....	9
Article IV. OBLIGATION OF AREA REPRESENTATIVE TO COMPLY WITH LAW... 	9
4.1. Conditions Precedent to Solicitations	9
4.2. Applicants Residing Outside of Territory	9

4.3. Blackout Periods	9
4.4. Preparation of Disclosure Documents.....	9
4.5. Registrations.....	10
4.6. Solicitation Requirements and Restrictions	10
Article V. AREA REPRESENTATIVE FEE AND OTHER PAYMENTS.....	10
5.1. Area Representative Fee	10
5.2. Late Charge.....	11
5.3. Failure to Pay or Perform.....	11
5.4. Taxes	11
5.5. Interest.....	11
Article VI. COMPENSATION TO AREA REPRESENTATIVE.....	11
6.1. Payments	11
6.2. Payment Conditions	12
6.3. Additional Conditions	13
6.4. Commissions After Termination.....	13
6.5. Refunds or other Payments	13
6.6. Application of Payments	13
6.7. Offset.....	13
6.8. Withholding	13
6.9. Franchisees.....	14
Article VII. FRANCHISOR'S ASSISTANCE	14
7.1. AR Manual.....	14
7.2. Training.....	15
7.3. Operating Assistance.....	15
7.4. Disclosure Documents	15
Article VIII. AREA REPRESENTATIVE'S AGREEMENTS, REPRESENTATIONS, WARRANTIES AND COVENANTS	15
8.1. Entity Representations	15
8.2. Operating Principal	17
8.3. Area Supervisor.....	18
8.4. Training.....	18
8.5. Reimbursement of Former Employer.....	20
8.6. Notification of Actions.....	20
8.7. Compliance with Laws.....	21
8.8. Volume Rebates, Etc.....	21
8.9. No Payments from Franchisees.....	21
Article IX. ADVERTISING	21
9.1. Classified Advertising.....	21
9.2. Approval of Advertising	21
9.3. Internet	21
Article X. MARKS.....	21
10.1. Acknowledgements	21
10.2. Agreements	22
10.3. Infringement.....	22
Article XI. CONFIDENTIALITY AND NONCOMPETITION COVENANTS	23
11.1. Confidential Information.....	23
11.2. Noncompetition Covenants.....	23
11.3. Injunctive Relief.....	25
Article XII. BOOKS AND RECORDS	25
12.1. Books and Records.....	25
12.2. Reports	26

12.3. Review and Inspection	26
12.4. Tax Returns	26
12.5. Release of Information	26
Article XIII. INSURANCE	26
13.1. Insurance Policy	26
13.2. No Limitation	26
13.3. Certificates of Insurance	27
13.4. Noncompliance	27
Article XIV. TRANSFER OF INTEREST	27
14.1. Transfer by Franchisor	27
14.2. Transfer by Area Representative	27
14.3. Transfer to Affiliate	29
14.4. Right of First Refusal	29
14.5. Death and Permanent Disability	30
14.6. No Waiver	31
14.7. Public Offering	31
14.8. Review of Offering Materials	31
14.9. Transfers by Area Representative's Principals	31
14.10. Franchisor's Buy-Back Right	31
Article XV. RELATIONSHIP OF THE PARTIES AND INDEMNIFICATION	32
15.1. Relationship	32
15.2. Notice to Public	32
15.3. No Authority	33
15.4. Employment Policies	33
15.5. Indemnification	33
Article XVI. TERM AND RENEWAL	33
16.1. Initial Term	33
16.2. Renewal	33
16.3. New Development Quota and Percentage of Average Café Gross Sales	34
Article XVII. DEFAULT AND TERMINATION	34
17.1. Default and Automatic Termination	34
17.2. Default with No or Limited Right to Cure	35
17.3. Default and Right to Cure	37
Article XVIII. POST-TERMINATION	37
18.1. Cease Operation	37
18.2. Goodwill	37
18.3. Payment of Fees	37
18.4. Payment of Monetary Obligations	38
18.5. Payment of Damages	38
18.6. Return of AR Manual	38
18.7. Confidentiality and Noncompetition	38
18.8. Advertising Materials	38
Article XIX. MISCELLANEOUS	38
19.1. Notices	38
19.2. Entire Agreement	39
19.3. Amendments	39
19.4. No Waiver	39
19.5. Approvals or Consents	39
19.6. No Warranties	39
19.7. MEDIATION	39
19.8. ARBITRATION	40

19.9. VENUE	41
19.10. GOVERNING LAW	42
19.11. MUTUAL BENEFIT	42
19.12. DISPUTE RESOLUTION PROGRAM	42
19.13. WAIVER OF CERTAIN DAMAGES	43
19.14. Counterparts	43
19.15. Headings	43
19.16. Survival	43
19.17. Severability	44
19.18. Construction	44
19.19. Remedies	44
19.20. Area Representative’s Principals and Controlling Principals	44
19.21. Legal Entities	44
19.22. No Third-Party Beneficiaries	45
19.23. Delegation by Franchisor	45
19.24. Terrorist and Money Laundering Activities	45
Article XX. ACKNOWLEDGMENTS.....	45
20.1. Independent Investigation	45
20.2. Representations and Warranties	45
20.3. Review and Understanding	46
20.4. No Fiduciary Relationship	46
20.5. No Side Deals.....	46
20.6. Receipt of Documents	46
ATTACHMENT A -	CONTROLLING PRINCIPALS GUARANTY AND COVENANT
ATTACHMENT B -	CONFIDENTIALITY AGREEMENT AND ANCILLARY COVENANTS NOT TO COMPETE
ATTACHMENT C -	REDACTED COPY OF SECOND AMENDED AND RESTATED PRODUCT DISTRIBUTION DEVELOPMENT AGREEMENT
ATTACHMENT D -	REDACTED COPY OF SECOND AMENDED AND RESTATED MASTER PRODUCT REFERENCE AGREEMENT

CREST FOODS, INC.
AREA REPRESENTATIVE AGREEMENT

THIS AREA REPRESENTATIVE AGREEMENT (this "Agreement") is dated as of the date set forth on the cover page of this Agreement (the "Effective Date") by and between Crest Foods, Inc., a Texas corporation ("Franchisor"), and the person(s) or entity set forth as the Area Representative on the cover page of this Agreement ("Area Representative").

WITNESSETH:

Franchisor, as the result of the expenditure of time, skill, effort and money, has developed and owns a unique and distinctive system ("System") relating to the establishment and operation of quick-service bakery cafes ("Bakery Cafes") that feature cookies, desserts, ice cream, confection products, other baked goods, coffees, other beverage items and promotional items and quick-service sandwich and bakery cafes ("Combination Cafes" and, together with Bakery Cafes, "Cafes") that, in addition to certain of the menu items offered by Bakery Cafés, feature sandwiches, soups, and other food items;

Under a Second Amended and Restated Product Distribution Development Agreement, a redacted copy of which is attached hereto as Attachment C (the "Product Distribution Development Agreement"), Nestle Food Services division of Nestle USA, Inc. and Nestle Food Services division of Nestle Canada, Inc. (collectively, "Nestle") has granted Franchisor a limited right to develop Cafes in the United States and Canada that will feature the trademark "Nestle Toll House" prominently on permanent store-front signage with respect to each Café, and under a Second Amended and Restated Master Product Reference Agreement, a redacted copy of which is attached hereto as Attachment D (the "Master Product Reference Agreement"), Nestle has granted Franchisor a limited right to feature the trademark "Nestle Toll House" prominently on permanent store-front signage with respect to each Café developed within the United States and Canada;

The distinguishing characteristics of the System include, without limitation, distinctive exterior and interior design, decor, color scheme, and furnishings; proprietary products and ingredients; proprietary recipes and special menu items, uniform standards, specifications, and procedures for operations; quality and uniformity of products and services offered; procedures for inventory, management and financial control; training and assistance; and advertising and promotional programs; all of which may be changed, improved, and further developed by Franchisor from time to time;

Franchisor identifies the System by means of certain trade names, service marks, trademarks, logos, emblems and indicia of origin, including, but not limited to, the marks "Cafe by Chip," "Nestle Toll House," "Brick House Subs" (with respect to the Combination Cafe only) and such other trade names, service marks, and trademarks as are now designated (and may hereafter be designated by Franchisor in writing) for use in connection with the System (hereinafter referred to as "Marks");

Subject to the terms and conditions of this Agreement, Franchisor desires to appoint Area Representative as Franchisor's representative for the development, management, servicing and supervision of persons who execute franchise agreements to develop, own and operate Cafes in the Territory (the "AR Business") (subject to Section 2.23, persons who execute franchise agreements before, on or after the Effective Date, to own and operate Cafes in the Territory, including Area Representative with respect to its Café(s), are referred to as "Franchisees"); and

Area Representative desires to be so appointed.

NOW, THEREFORE, the parties, in consideration of the mutual undertakings and commitments set forth herein, the receipt and sufficiency of which are hereby acknowledged, agree as follows:

ARTICLE I. GRANT

1.1. Grant. Subject to and in accordance with the terms of this Agreement, Franchisor grants to Area Representative, and Area Representative accepts, the right to develop, manage, service and supervise Franchisees within the territory set forth on the cover page to this Agreement (the “Territory”).

1.2. Rights and Limitations to Territory. Subject to Franchisor’s rights under Section 2.1 and Franchisor’s right to terminate this Agreement, Franchisor will not, directly or indirectly, establish and appoint another person as an Area Representative to develop, manage, service and supervise Franchisees within the Territory for the term of this Agreement, except for persons who will develop, manage, service and/or supervise Cafes that qualify as Permitted Exceptions (as defined in Section 2.23); provided, however that Franchisor and its affiliates shall retain such rights in the Territory as described in Section 1.3.

1.3. Reservation of Rights to Franchisor. Area Representative acknowledges that the rights granted by this Agreement are nonexclusive, and Franchisor (and its affiliates and designees) retains the right (without compensation or obligation whatsoever to Area Representative unless specifically set forth) to:

(a) Solicit prospective franchisees and grant franchises to persons who will own and/or operate franchised Cafes located within and outside of the Territory, on the terms and conditions that Franchisor deems appropriate;

(b) Own and/or operate Cafes located within or outside of the Territory;

(c) Market products and/or services under the Marks (or under other trademarks) through other methods of distribution within the Territory; and

(d) Market products and/or services under other trademarks through any methods of distribution.

1.4. Nestle Agreements. Pursuant to a Second Amended and Restated Product Distribution Development Agreement between Franchisor and Nestle dated as of March 1, 2006 (the “Nestle Development Agreement”), Nestle has granted Franchisor the exclusive right to feature the Mark “Nestle Toll House” prominently on permanent store-front signage on Cafes that are developed within the United States and Canada. The Nestle Development Agreement expires on December 31, 2022. Pursuant to a Second Amended and Restated Master Product Reference Agreement, a redacted copy of which is attached hereto as Attachment D (the “Master Product Reference Agreement”), Nestle has granted Franchisor a limited right to feature the trademark “Nestle Toll House” prominently on permanent store-front signage with respect to each Café developed within the United States and Canada. The Master Product Reference Agreement expires on the later of (a) March 1, 2016 and (b) 10 years from the expiration or termination of the Nestle Development Agreement (currently December 31, 2022). Thus, if the Nestle Development Agreement expires on December 31, 2022, the Master Product Reference Agreement will expire on December 31, 2032. At any time Nestle may establish cafes similar to the Café anywhere in the world (other than in the United States or Canada) under the mark “Nestle Toll House,” or anywhere in the world under any other marks, and may authorize others to do so. Upon termination or expiration of the Nestle Development Agreement, Nestle may establish cafes similar to the Café anywhere in the world, including in the Territory, under the mark “Nestle Toll House” or under any other marks, and may authorize others to do so. Nestle may at any time sell food and beverage services under

its marks, including “Nestle Toll House,” at or through any other distribution system or food service facility in the Territory. Neither Area Representative nor any of Area Representative’s Principals or Area Representative’s employees shall initiate or maintain contact with any officer, director or employee or agent of Nestle, or any affiliate thereof, except with Franchisor’s written permission.

1.5. Variations. Area Representative acknowledges that because complete and detailed uniformity under many varying conditions may not be possible or practical, Franchisor specifically reserves the right and privilege, at its sole discretion and as it may deem in the best interests of all concerned in any given circumstance, to vary standards for any System Area Representative based upon the peculiarities of the particular territory or circumstance, business potential, existing business practices or any other condition that Franchisor deems to be of importance to the successful operation of such Area Representative’s business. Area Representative shall not be entitled to require Franchisor to disclose or grant to Area Representative a like or similar variation hereunder.

ARTICLE II. OBLIGATIONS OF AREA REPRESENTATIVE GENERALLY

2.1. Development Quota and Percentage of Average Café Gross Sales. Area Representative must, directly or through an affiliate, own and operate one or more Cafes and must solicit new Franchisees in the Territory and service the Cafes in the Territory in accordance with the development quota on the cover page to this Agreement. Cafes owned and operated by Area Representative will be included in the calculations contemplated by development quota. If, for any reason, Area Representative fails to meet the development quota, or the percentage of average annual gross sales for all Cafes (excluding Permitted Exceptions) in the Territory to average annual gross sales for all Cafes in the United States is less than the specified percentage set forth on the cover page to this Agreement, Franchisor may, in its sole discretion:

- (a) Terminate this Agreement;
- (b) Terminate the territorial rights provided in Section 1.2 and, notwithstanding Section 1.2, Franchisor will be entitled to grant area representative rights within the Territory; or
- (c) Terminate Area Representative’s rights under this Agreement with regard to further development, but require Area Representative to continue to service then-existing Franchisees. In connection therewith, Franchisor will continue to pay Royalties to Area Representative in accordance with Article VI received from then-existing Franchisees.

2.2. Standards Compliance. Area Representative understands the importance of maintaining uniformity among all of the Cafes and the importance of complying with all of Franchisor’s standards and specifications relating to the operation of the Cafe. To protect the reputation and goodwill of Franchisor and to maintain the high standards of operation under the Marks, Area Representative shall conduct its AR Business in accordance with the AR Manual, other written directives that Franchisor may issue to Area Representative from time to time, and any other manuals and materials created or approved for use in conducting the AR Business.

2.3. Site Selection Assistance. Area Representative shall provide assistance to Franchisees with respect to selecting sites for Cafes, in accordance with site selection criteria established by Franchisor from time to time, and the lease of the site, on terms and conditions satisfactory to Franchisor. Area Representative must submit, or assist a Franchisee in submitting, to Franchisor a complete site report (containing such demographic, commercial and other information and photographs as Franchisor may reasonably require) for each site at which such Franchisee proposes to establish and operate a Café and that Area Representative reasonably believes conforms to site selection criteria established by Franchisor.

2.4. Construction Guidance. Area Representative shall provide guidance and assistance to Franchisees with respect to the construction and design of the Café in accordance with Franchisor's design criteria, including initial layout.

2.5. Financing Assistance. To the extent required by Franchisor, Area Representative shall provide assistance in the securing of financing for Franchisees.

2.6. Selecting Vendors. If requested by Franchisor, Area Representative shall assist Franchisor in locating and selecting vendors and suppliers who demonstrate the ability to meet Franchisor's standards and specifications for inventory, equipment, supplies and other products to be used by Franchisees.

2.7. Telephone Consultations. Area Representative shall consult with Franchisees by telephone, at times reasonably requested by Franchisees, with respect to all aspects of starting and operating their Cafes.

2.8. Pre-opening Assistance. Area Representative shall provide Franchisees pre-opening assistance in selecting, installing and operating equipment and selecting, preparing and storing food products, and must ensure that all equipment and pre-opening food products and other items are present and satisfactory.

2.9. Opening Assistance. In connection with the opening of Cafes, Area Representative shall provide on-site pre-opening and opening training, supervision and assistance.

2.10. Onsite Training. Area Representative shall provide Franchisees on-site training at the Franchisees' Cafes as specified by Franchisor.

2.11. Telephonic and On-Site Consultation. After a Café has opened, at the request of a Franchisee, Area Representative shall provide that Franchisee telephonic and on site consultation, at times agreed upon between Area Representative and that Franchisee, at no cost to that Franchisee in the case of telephonic consultation and at the rate then charged by Franchisor in the case of on-site consultation.

2.12. Operating Assistance. Area Representative shall provide to Franchisees the pre-opening and continuing operating assistance described in Franchisees' franchise agreements, franchise disclosure documents, Franchisor's operating manual and Franchisor's policies and procedures, as they may exist from time to time; provided, however, that Franchisor will provide the classroom and Franchisor-based Dallas-based on-the-job training for Franchisees contemplated by Franchisees' franchise agreements.

2.13. Communications and Evaluations. Area Representative shall communicate with each Franchisee who has a Café in the Territory at least once every two weeks and shall conduct at least one field evaluation per calendar month of each Café in the Territory to verify compliance with the terms and conditions of Franchisees' franchise agreements, Franchisor's operating manual and Franchisor's policies and procedures, as they may exist from time to time, and to confirm whether the quality of service and products is being maintained in accordance with Franchisor's requirements, and provide written reports of those evaluations, containing the information required by Franchisor, to Franchisor within 15 days after the end of that month. Area Representative shall promptly notify each Franchisee of any deficiencies, and shall send a copy of that notice to Franchisor. Area Representative acknowledges, however, that Area Representative's evaluations, notices and reports are advisory only, and that Franchisor shall have:

(a) All rights to evaluate and ascertain compliance as if this Agreement were not in effect;

- (b) The sole right to send default notices to Franchisees;
- (c) The sole right to terminate a franchise agreement; and
- (d) The sole right to take any legal action with respect to any breach of, or default under, a franchise agreement.

If Area Representative believes that any Franchisee has breached, or is in default under, its franchise agreement, Area Representative shall promptly provide written notice to Franchisor of all facts relating to that breach or default. If, as a result of receiving that notice, Franchisor elects to investigate that breach or default and/or determines that a breach or default has occurred, Franchisor may, in its sole discretion, take such action as it deems appropriate.

2.14. Solicitation of Vendors. Area Representative shall periodically solicit information from Franchisees' vendors, suppliers and customers to verify compliance with the terms of Franchisees' franchise agreements and to confirm whether Franchisees are in arrears with respect to any of their obligations to those vendors, suppliers or customers, and to confirm the quality and the adequacy of the products and services provided by Franchisees.

2.15. Operating Problems. Franchisor will advise Area Representative with respect to Area Representative's responsibilities under this Agreement, including advice with respect to operating problems detected by Franchisor or Area Representative in the Territory. Area Representative shall use its best efforts to resolve those operating problems in the manner advised by Franchisor, and shall periodically report to Franchisor with respect to the status of those operating problems.

2.16. Seminars and Meetings. Area Representative shall plan, organize and conduct seminars for, and meetings of, Franchisees and provide instruction and assistance to Franchisees, in connection with the introduction of new services and products and marketing and business techniques that Franchisor sponsors or approves for Franchisees.

2.17. Advertising Programs. Area Representative shall assist Franchisor in implementing advertising programs. Franchisor may assess Area Representative a proportionate share of the cost of national advertising campaigns to solicit franchisees.

2.18. Franchisee Payments. Area Representative shall use its best efforts to cause Franchisees to keep payments to Franchisor current and, if requested by Franchisor, assist in the enforcement of Franchisor's rights under Franchisees' franchise agreements and Franchisor's operating manual, policies, procedures and specifications, including the collection of delinquent payments from Franchisees. Area Representative may not modify or amend Franchisor's franchise agreement, operating manual, policies, procedures or specifications without Franchisor's written consent. Area Representative shall pay to Franchisor, or reimburse Franchisor for, at Franchisor's election, one third (1/3) of all costs and expenses (including reasonable attorneys' fees) incurred by Franchisor in connection with the collection of delinquent payments (including royalties) from Franchisees to Franchisor. Area Representative shall make such payment within ten days after Franchisor's written request therefor or invoice thereof.

2.19. Monthly Report. Area Representative shall submit a monthly report to Franchisor on Area Representative's activities (including Area Representative's objectives, progress against objectives, sales, site locating, activity in the market and competition) in the form and containing the information required by Franchisor, as specified from time to time in writing, within 15 days after the end of each month.

2.20. Franchisee's Compliance. Area Representative shall use its best efforts to cause Franchisees to comply with all applicable laws and regulations and to refrain from taking any action that would constitute a breach under the Franchisee's franchise agreement or that would be the basis for a claim or lawsuit by Franchisor.

2.21. General Standards. Franchisor may, from time to time, prescribe reasonable standards of general applicability, specifications and procedures with respect to Area Representative's obligations under this Agreement, with which Area Representative shall comply and which will be incorporated in this Agreement by this reference and made a part of this Agreement.

2.22. Costs and Expenses. Area Representative shall bear all costs and expenses in connection with its responsibilities and obligations under this Agreement.

2.23. Permitted Exceptions. Notwithstanding anything contained in this Agreement to the contrary, unless Franchisor so requests in writing, Area Representative will have no authority or responsibility as an Area Representative, and will not receive any payments, with respect to Cafes owned or operated (i) by a franchisee who Franchisor believes intends to own or operate 10 or more Cafes in accordance with an understanding or agreement with Franchisor that provides for regional or national establishment of Cafes by that franchisee, (ii) by a master concessionaire or Cafes located in other unique or non-traditional marketplaces (in Franchisor's sole discretion), such as kiosks, carts, cafeterias, convenience stores, stadiums, entertainment pavilions, amusement parks, sports or entertainment venues, airports, train stations, travel plazas, toll roads, military bases, prisons, hospitals, hotels, casinos and high school and college campuses, or (iii) by Franchisor or its affiliates (collectively, "Permitted Exceptions"). If Franchisor requests Area Representative to manage, service and/or supervise Cafes that qualify as Permitted Exceptions, (x) Area Representative shall have such authority and responsibility with respect to those Cafes as Franchisor may designate, (y) Area Representative shall receive such percentage of the Royalties with respect to those Cafes as Franchisor may designate and (z) the owners of those Cafes will be deemed to be "Franchisees" for purposes of this Agreement to the extent designated by Franchisor.

2.24. Email. Area Representative shall maintain an email address for purposes of communicating with Franchisor, Franchisees and other persons. Area Representative shall inform Franchisor and Franchisees of its email address promptly upon the signing of this Agreement and if Area Representative's email address is changed. Area Representative shall check and respond to his email on a daily basis (except for weekends); provided, however, that the timeliness of Area Representative's email review and responses must be consistent with reasonable business practices and must not cause Franchisor, other Area Representatives or franchisees to be unable to communicate with Area Representative in a timely manner.

2.25. Failure to Perform. Notwithstanding anything contained in this Agreement to the contrary, if Franchisor reasonably believes that Area Representative is failing to perform any of its obligations under this Agreement, Franchisor may perform any or all of Area Representative's obligations under this Agreement. Area Representative must promptly pay, or reimburse Franchisor for, any and all costs and expenses incurred by Franchisor in connection therewith, including a per diem charge, at Franchisor's then-current rates, for the time spent by Franchisor's representatives in connection with their travel and performance.

2.26. Use of Area Representative's Name. Franchisor is entitled to use the name, likeness and voice of Area Representative and Area Representative's Principals and Area Representative's employees for purposes of promoting the Franchise, Franchisor and its products, including all photos and audio and video recordings of Area Representative and Area Representative's Principals and Area Representative's employees, and Area Representative hereby irrevocably consents thereto. Area Representative acknowledges that Franchisor shall own all right, title and interest, to the extent allowed by law, in all

rights of integrity, disclosure and publication and any other rights that may be known as or referred to as “moral rights,” “artist’s rights,” “publicity rights” or the like associated with such photos and audio and video recordings, and Area Representative hereby waives any such rights and assigns and transfers unto Franchisor the full and exclusive right, title, and interest to such publicity rights. At Franchisor’s request, Area Representative shall obtain from any or all of Area Representative’s Principals and Area Representative’s employees written consent, in such form as Franchisor may request.

2.27. Communications with Employees and Vendors. Franchisor or its representatives or agents may meet and communicate with, and solicit information from, Area Representative’s past and present employees, vendors, customers, franchisees and other persons to verify compliance with the terms of this Agreement, to confirm whether Area Representative is performing its obligations to those employees, vendors, customers, franchisees and other persons, and for any other purpose related to this Agreement and the relationship between the parties, and Area Representative shall assist and cooperate with Franchisor and its representatives in that regard.

2.28. Operation of Cafes. If Franchisor requests Area Representative to operate a Café within the Territory that is in breach of its franchise agreement or that Franchisor has acquired, Area Representative shall operate that Cafe, in good faith and in the same manner that Area Representative operates its own Cafes. Franchisor shall pay to Area Representative a per diem fee, a percentage of gross sales fee or a fee based upon such other formula as Franchisor designates.

2.29. Internet and Internet Website.

(a) Area Representative shall have and maintain adequate hardware and software in order to access the Internet at the bit speed required by Franchisor from time to time. Area Representative shall maintain an e-mail account with an Internet service provider acceptable to Franchisor. Area Representative shall read the electronic mail for the AR Business on a daily basis and shall accept and acknowledge receipt of all electronic mail sent by Franchisor. Area Representative shall not establish any website or other listing on the Internet except as provided herein.

(b) Franchisor has established an Internet Website that provides information about the System and the products and services offered by Cafes. Franchisor has sole discretion and control over the Website (including timing, design, contents and continuation).

(c) Franchisor may (but is not required to) include at the Website an interior page containing information about Area Representative. If Franchisor includes such information on the Website, Franchisor may require Area Representative to prepare all or a portion of the page, at Area Representative’s expense, using a template that Franchisor provides. All such information will be subject to Franchisor’s approval prior to posting.

(d) Area Representative shall obtain and maintain continuous access to Franchisor’s internet website in a manner that shall enable Area Representative to download required information (without regard to size) and to otherwise interact with Franchisor, Franchisees and other persons, in such manner as Franchisor may specify.

(e) Franchisor has established an Intranet through which Franchisor and its Area Representatives, franchisees and developers can communicate by e-mail or similar electronic means. Area Representative shall use the facilities of the Intranet in strict compliance with the standards, protocols and restrictions that Franchisor includes in the AR Manual (including, without limitation, standards, protocols and restrictions relating to the encryption of confidential information and prohibitions against the transmission of libelous, derogatory or defamatory statements).

(f) Franchisor or Nestle has sole discretion and control over any profiles using or relating to the Marks, or that display the Marks, that are maintained on social media, networking or other websites or outlets, including without limitation Facebook, LinkedIn, Twitter, Instagram and Pinterest. Franchisor may (but need not) establish guidelines pursuant to which Area Representative may establish profiles or otherwise establish a presence on such social media, networking or other websites or outlets. In that event, Area Representative shall comply with the standards, protocols and restrictions that Franchisor imposes from time to time on such use and shall supply Franchisor with any login and password information related to such use.

2.30. Personnel. Area Representative shall hire or otherwise engage such qualified personnel to enable Area Representative to fulfill its obligations under this Agreement. Area Representative shall not employ any person who Franchisor, in its sole discretion, has determined to be unfit to represent Franchisor in the marketing of franchises or in the furnishing of services to Franchisees.

2.31. Vehicles. Any vehicle used by Area Representative in connection with the operation of the AR Business shall meet Franchisor's image and other standards. Area Representative shall place such signs and decor items on the vehicle as Franchisor requires and shall at all times keep such vehicle clean and in good working order. Area Representative shall not permit anyone to operate a vehicle used in connection with the AR Business who is under the age of eighteen (18) years or who does not possess a valid driver's license. Area Representative shall require each such person who operates a vehicle used in connection with the AR Business to comply with all laws, regulations and rules of the road and to use due care and caution in the operation and maintenance of motor vehicles. Except as noted above, Franchisor does not set forth any standards or exercise control over any motor vehicle utilized by Area Representative.

ARTICLE III. PROMOTIONAL OBLIGATIONS OF AREA REPRESENTATIVE.

3.1. Recruitment of Franchisees. Area Representative shall advertise for, recruit and screen prospective Franchisees within the Territory.

3.2. Applicants. Area Representative shall review and screen all prospective Franchisees and their applications to confirm that they are persons of good character, who have adequate financial resources and who meet Franchisor's then-current criteria for Franchisees. Area Representative shall submit the application of each prospective Franchisee who it has approved (an "Applicant") to Franchisor, together with all information with respect to Applicant then customarily required by Franchisor concerning applicants, and such other material information that Area Representative possesses regarding Applicant. In addition, if Applicant desires that the franchise agreement contain a specific site at which the Café will be located, Area Representative shall submit, or assist Franchisee in submitting, to Franchisor a complete site report (containing such demographic, commercial and other information and photographs as Franchisor may reasonably require) for each site at which Franchisee proposes to establish and operate the Café and which Area Representative reasonably believes conforms to site selection criteria established by Franchisor from time to time.

3.3. Approval of Applicants. Franchisor will use its best efforts to approve or disapprove Applicants within 30 days after the later of (i) Franchisor's receipt of Applicant's complete application and other requested information materials and (ii) Franchisor's personal interview of Applicant, if Franchisor so requests. If Franchisor, in its sole discretion, determines that Applicant possesses sufficient financial and managerial capability and satisfies Franchisor's other criteria for applicants at that time, Franchisor will offer Applicant a franchise for the operation of a Café. The grant of the Franchise will be evidenced by the signing by Franchisor and Applicant of the then-current franchise agreement and will be subject to all of its terms. If Applicant fails to sign a franchise agreement and pay Franchisor the initial franchise fee within 30 days after receipt of the franchise agreement, Applicant will again be subject to

Franchisor's approval process provided in this Article III and Area Representative shall pay Franchisor the legal fees and costs incurred by Franchisor in preparing the franchise agreement and ancillary documents for such Applicant. Notwithstanding anything contained in this Agreement to the contrary, Franchisor is not obligated to consider any Applicant during any period during which Area Representative is not in compliance with this Agreement or any franchise agreement signed by it or its affiliates (an "Area Representative Franchise Agreement").

3.4. Standards. Area Representative shall at all times give prompt, courteous and efficient service to prospective Franchisees and Franchisees. Area Representative shall, in all dealings with prospective Franchisees and Franchisees, adhere to the highest standards of honesty, integrity, fair dealing and ethical conduct. Area Representative shall refrain from any business or advertising practice that may be injurious to Franchisor, the goodwill associated with the Marks or the System. In addition, Area Representative shall not in any manner disparage Franchisor, its employees and representatives, its products, the Marks or the System.

3.5. Nondiscrimination. Area Representative shall not, in bad faith, prefer any Franchisee or prospective Franchisee over any other.

ARTICLE IV. OBLIGATION OF AREA REPRESENTATIVE TO COMPLY WITH LAW

4.1. Conditions Precedent to Solicitations. Area Representative shall not, and shall cause its employees and representatives not to, solicit prospective Franchisees until Franchisor has provided Area Representative:

(a) Written notice of Franchisor's compliance with all laws and regulations (and, if Franchisor so elects, all voluntary codes of conduct) applicable to the offering and sale of franchises in or from the Territory; and

(b) Requisite disclosure and contractual documents.

4.2. Applicants Residing Outside of Territory. If a prospective Franchisee resides or conducts business outside of the Territory, but intends to operate the Café within the Territory, Area Representative shall so inform Franchisor. Area Representative shall not, and shall cause its employees and representatives not to, solicit that prospective Franchisee until Franchisor has provided Area Representative:

(a) Written notice of Franchisor's compliance with all laws and regulations (and, if Franchisor so elects, all voluntary codes of conduct) applicable to the offering and sale of franchises to that prospective Franchisee; and

(b) Requisite disclosure and contractual documents.

4.3. Blackout Periods. Area Representative shall not, and shall cause its employees and representatives not to, solicit prospective Franchisees at any time that Franchisor has provided Area Representative written notice that the requisite disclosure and contractual documents are not then in compliance with applicable laws and regulations (and, if Franchisor so elects, all voluntary codes of conduct).

4.4. Preparation of Disclosure Documents. At Franchisor's request, Area Representative shall promptly:

(a) Provide all information reasonably requested by Franchisor in order to prepare all requisite disclosure and contractual documents required in connection with this Agreement or Area Representative's operations under this Agreement;

(b) Promptly complete and sign all documents required by Franchisor for the purpose of registering the offering and sale of franchises in accordance with this Agreement; and

(c) Have prepared and provide to Franchisor financial statements with respect to Area Representative and its business, in the form and for the periods as Franchisor may reasonably request in connection with compliance with applicable laws and regulations (and, if Franchisor so elects, all voluntary codes of conduct).

4.5. Registrations. If Franchisor determines that Area Representative's operations under this Agreement require the preparation, amendment, registration or filing of any information or documents, that information and documents will be prepared, amended, registered or filed by Franchisor or its designee. The costs and expenses of that preparation, amendment, registration or filing, and any additional costs and expenses incurred by Franchisor in connection with the Territory, shall be borne by Area Representative and the other Area Representatives within the master territory, as determined by Franchisor, in which Area Representative's Territory is located, on a proportionate basis determined by Franchisor. At Franchisor's request, Area Representative shall pay promptly Franchisor, or its designee, at Franchisor's election, the proportionate amount of those costs and expenses or shall promptly reimburse Franchisor therefor.

4.6. Solicitation Requirements and Restrictions. In connection with the offering and sale of franchises under this Agreement, Area Representative shall:

(a) Provide prospective Franchisees Franchisor's then-current disclosure documents in accordance with applicable laws and regulations (and, if Franchisor so elects, all voluntary codes of conduct);

(b) Print or duplicate Franchisor's then-current disclosure documents only in compliance with the standards and requirements of Franchisor as set forth in the AR Manual;

(c) Provide only information that is contained in or consistent with Franchisor's then-current disclosure documents;

(d) Not provide any oral or written representations, warranties, claims or other information with respect to the historical or anticipated revenues, expenses or profits of Cafés, unless Franchisor so requires or permits in writing;

(e) Not make any oral or written representations, warranties or agreements to or with any prospective Franchisee other than those contained in Franchisor's then-current disclosure document, unless Franchisor so requires or permits in writing; and

(f) Comply with all laws and regulations (and, if Franchisor so elects, all voluntary codes of conduct) in connection with the offering and sale of franchises.

ARTICLE V. AREA REPRESENTATIVE FEE AND OTHER PAYMENTS

5.1. Area Representative Fee. In consideration of the rights granted to Area Representative contained in this Agreement, Area Representative shall pay to Franchisor an amount (the "Area Representative Fee") equal to the sum of:

(a) The product of (x) \$.05 times (y) the number of people residing (year-round or seasonally) within the Territory at the time this Agreement is signed by the parties, as determined in accordance with the most recent edition or announcement of the source designated by Franchisor from time to time (subject to adjustment, in Franchisor's discretion, with respect to seasonal and other population increases) (the "Population-based Fee"); and

(b) 33-1/3% of the aggregate Royalties (as defined below) projected by Franchisor (in its sole discretion) to be paid under Existing Franchise Agreements (as defined below) during the three-year period beginning on the Effective Date.

For purposes of this Agreement, the term "Royalties" means the payments from Franchisees designated by Franchisor as royalty fees and equal to a percentage (as designated by Franchisor in the applicable franchise agreement) of gross sales from all products and services sold at the Café, and the term "Existing Franchise Agreements" means all franchise agreements executed prior to the Effective Date for Cafes (excluding Permitted Exceptions) located or to be located within the Territory.

The Area Representative Fee will be payable in cash or by cashiers' or certified check upon the signing of this Agreement by Franchisor and Area Representative. The Area Representative Fee will be fully earned by Franchisor upon the signing of this Agreement and will be nonrefundable. The total amount of the Area Representative Fee shall be set forth on the cover page of this Agreement.

5.2. Late Charge. If Area Representative fails to deliver or provide to Franchisor any statement, report or other document or information required to be delivered (for example, certificates of insurance, financial statements and evaluation and activity reports), by the applicable deadline, Area Representative shall be assessed a \$100 late charge per week, or part thereof (until that statement, document or other information has been delivered or provided), which amount may be increased by Franchisor from time to time.

5.3. Failure to Pay or Perform. If Area Representative fails to pay any amount it is required to pay, or perform any obligation it is required to perform, pursuant to this Agreement, Franchisor may, but will not be obligated to, pay such amount and/or take any action necessary to cure the default. In this event, Area Representative shall immediately pay to Franchisor the amount so paid by Franchisor or the amount expended by Franchisor to cure such default. This right will accrue whether or not Franchisor terminates this Agreement

5.4. Taxes. Area Representative must pay to Franchisor an amount equal to any sales, gross receipts or similar taxes assessed against, or payable by, Franchisor and calculated on the Area Representative Fee or other payments required to be paid pursuant to this Agreement, unless the tax is an income tax or an optional alternative to an income tax otherwise payable by Franchisor. Such amount will be due and payable within 10 days after receipt of Franchisor's invoice.

5.5. Interest. Any amounts payable by Area Representative to Franchisor or its affiliates that are not paid when due will bear interest at the rate of 18% per annum (or, if less, the highest amount permitted by law).

ARTICLE VI. COMPENSATION TO AREA REPRESENTATIVE

6.1. Payments. In consideration of the performance by Area Representative of its responsibilities and obligations under this Agreement, Franchisor shall pay to Area Representative:

(a) Initial Franchise Fee Split. 33-1/3% of the initial franchise fee paid (and actually collected by Franchisor) by any Franchisee (including Area Representative) to Franchisor during the term

of this Agreement, less 33-1/3% of the legal fees and costs incurred by Franchisor in preparing the related franchise agreement and ancillary documents, and less 33-1/3% of any referral or similar fees incurred by Franchisor related to such franchise agreement. Franchisor shall pay such amount to Area Representative (i) 50% on or before the 25th day of the month after the date Franchisee's signed franchise agreement (and all documentation and other materials required by Franchisor, in its sole discretion, in connection therewith) was delivered to Franchisor, provided that Franchisor has approved that person as a Franchisee; and (ii) 50% on or before the 25th day of the month after the date upon which Franchisee's Café opened to the public for business, provided that Franchisor has received all documentation and other materials required by Franchisor, in its sole discretion, in connection therewith.

(b) Development Fee Split. 33-1/3% of the development fee paid (and actually collected by Franchisor) by any Franchisee (including Area Representative) to Franchisor during the term of this Agreement (such amount to be prorated if not all of the Cafes to be developed are located within the Territory), less 33-1/3% of the legal fees and costs incurred by Franchisor in preparing the related development agreement and ancillary documents, and less 33-1/3% of any referral or similar fees incurred by Franchisor related to such development agreement. Franchisor shall pay such amount to Area Representative on or before the 25th day of the month after the date Franchisee's signed development agreement (and all documentation and other materials required by Franchisor, in its sole discretion, in connection therewith) was delivered to Franchisor, provided that Franchisor has approved that person as a Franchisee, provided that Franchisor has received all documentation and other materials required by Franchisor, in its sole discretion, in connection therewith.

(c) Royalty Split. 33-1/3% of all Royalties received (and actually collected by Franchisor) during the term of this Agreement by Franchisor from Franchisees (including Area Representative). Franchisor shall pay such amount to Area Representative on or before the 25th day after the end of the Statement Period (as defined in the Area Representative Franchise Agreement) in which Franchisor received those Royalties from Franchisees.

(d) Transfer Fee Split. 33-1/3% of all transfer fees received (and actually collected by Franchisor) during the term of this Agreement by Franchisor from Franchisees (including Area Representative), less 33-1/3% of the legal fees and costs incurred by Franchisor in preparing the related transfer agreement and ancillary documents. Franchisor shall pay such amount to Area Representative on or before the 25th day of the month after the date on which Franchisor received those transfer fees from Franchisees.

6.2. Payment Conditions. Notwithstanding anything contained in this Agreement to the contrary, Franchisor shall have no obligation to pay Area Representative any amounts pursuant to this Article VI (and none of such amounts shall accrue):

(a) Unless and until Franchisor receives from the applicable Franchisee the full amount that Franchisor is entitled to receive with respect thereto;

(b) With respect to any period during which Area Representative or its affiliates does not then directly own and operate a Cafe;

(c) With respect to any period during which Area Representative or its affiliate is in breach of, or default under, its obligations under this Agreement or any Area Representative Franchise Agreement;

(d) With respect to Permitted Exceptions (except as set forth in Section 2.23) or Cafes located in the Territory owned or operated by Franchisor or its affiliates in accordance with Section 1.3; or

(e) With respect to any month with respect to any Café with respect to which Area Representative failed to conduct any of the monthly evaluations, or deliver to Franchisor any of the monthly reports, required under Section 2.19.

6.3. Additional Conditions. Notwithstanding anything contained in this Agreement to the contrary, Franchisor shall have no obligation to pay Area Representative any amounts pursuant to this Article VI (and none of such amounts shall accrue), and Area Representative shall have no authority under this Agreement, or responsibility to act as an Area Representative with respect to Franchisees, until and unless:

(a) Area Representative or its affiliate owns and operates at least one Café; and

(b) Area Representative is licensed or registered, or maintains a permit, as necessary, in connection with Area Representative's activities under this Agreement.

6.4. Commissions After Termination. All payments under this Article VI shall immediately and permanently cease after expiration or termination of this Agreement, although Area Representative shall receive all amounts that have accrued to Area Representative as of the effective date of expiration or termination.

6.5. Refunds or other Payments. If Franchisor is required (whether by contract or by a court or arbitrator decision or order), or agrees to in its sole discretion, refund all or a part of a Franchisee's initial franchise fee, development fee, transfer fee or Royalty, Area Representative shall promptly pay Franchisor 33-1/3% of the amount of the refunded initial franchise fee, development fee, transfer fee or Royalty. If Franchisor or any of its affiliates, in its sole discretion, agrees to pay any person any amount or if a court or arbitrator determines that Franchisor or any of its affiliates must pay any person any amount, of if Franchisor or any of its affiliates otherwise suffers a loss or damages in connection with a Franchisee, Area Representative shall promptly pay to Franchisor 33-1/3% of the amount of that payment, loss or damages. The provisions of Section 15.5 shall supersede the terms of this Section.

6.6. Application of Payments. Franchisor's payments to Area Representative shall be based on amounts actually collected from Franchisees, not on payments accrued, due or owing. Franchisor may apply in its sole discretion any payments received from a Franchisee for any past due indebtedness of that Franchisee for royalty fees, advertising contributions, purchases from Franchisor or its affiliates, interest, or any other indebtedness of that Franchisee to Franchisor or its affiliates. To the extent that such payments are applied to a Franchisee's overdue royalty fees, Area Representative shall be entitled to its prorata share of any such payments, less its prorata share of the costs of collection.

6.7. Offset. Notwithstanding anything contained in this Agreement to the contrary, Franchisor may offset any funds owed by Area Representative or its affiliates to Franchisor or its affiliates pursuant to this Agreement, or any other agreement between Franchisor or its affiliates and Area Representative or its affiliates, against any funds owed to Area Representative by Franchisor pursuant to this Article VI or otherwise.

6.8. Withholding. Notwithstanding anything contained in this Agreement to the contrary, if Franchisor's receipt (or the payer's payment to Franchisor) of any initial franchise fees, development fees or Royalties, development fees or other amounts are subject to withholding or other taxes or payments, the amount to which Area Representative is entitled pursuant to this Article VI shall be reduced in an amount proportionate to the amount that that withholding or other tax bears to the payment to which Franchisor is entitled. In addition, all amounts payable to Area Representative pursuant to this Agreement shall be subject to all withholding or other taxes or payments applicable to the payment of those amounts. All amounts payable to Franchisor pursuant to this Agreement are net of taxes or similar payments (other

than income taxes) payable by, or on behalf of, Franchisor in connection with such payments. All amounts payable to Area Representative pursuant to this Agreement shall be calculated after taking into account amounts, if any, payable as taxes or similar payments (other than income taxes) payable by, or on behalf of, Franchisor in connection with such payments.

6.9. Franchisees. The term “Franchisees” shall, for purposes of this Agreement, include persons who have entered into franchise agreements for Cafes located within the Territory (or who have entered into development agreements for Cafes to be located within the Territory) prior to the Effective Date. However, Area Representative shall not receive any payment with respect to those Franchisees’ initial franchise fees or development fees (including initial franchise fees for franchise agreements executed after the Effective Date pursuant to development agreements executed on or before the Effective Date), and the terms of this Agreement shall be subject to the terms of any franchise agreements or development agreements between Franchisor and those Franchisees. The term “Franchisees” shall not include Franchisor or its affiliates with respect to Cafes operated by them in the Territory, unless Franchisor designates them as “Franchisees.”

ARTICLE VII. FRANCHISOR’S ASSISTANCE

7.1. AR Manual.

(a) Loan of AR Manual. Franchisor shall loan to Area Representative a copy of the Area Representative Manual (the “AR Manual”) to assist the Area Representative and its employees in conducting the AR Business. Franchisor may prescribe mandatory and suggested standards and operating procedures for Area Representatives in the AR Manual. Area Representative shall conduct its AR Business in accordance with the AR Manual, other written directives that Franchisor may issue to Area Representative from time to time whether or not such directives are included in the AR Manual, and any other manuals and materials created or approved for use in the operation of the AR Business. The AR Manual may be in hard copy or they may be made available to Area Representative in digital, electronic or computerized form or in some other form now existing or hereafter developed that would allow Area Representative to view the contents thereof.

(b) Confidential. Area Representative and the Controlling Principals shall at all times treat the AR Manual, any written directives of Franchisor, and any other manuals and materials, and the information contained therein, as confidential and shall maintain such information as trade secret and confidential in accordance with this Agreement. Area Representative and the Controlling Principals shall divulge and make such materials available only to such of Area Representative’s employees as must have access to it in order to conduct the AR Business. Area Representative and the Controlling Principals shall not at any time copy, duplicate, record or otherwise reproduce these materials, in whole or in part, or otherwise make the same available to any person other than those authorized above.

(c) Property of Franchisor. The AR Manual, written directives, other manuals and materials and any other confidential communications provided or approved by Franchisor shall at all times remain the sole property of Franchisor. Area Representative shall maintain the AR Manual at all times in a safe and secure location, shall take all reasonable measures to prevent unauthorized access thereto, whether any attempted unauthorized access takes the form of physical access or access via computer or telecommunications networks or otherwise and shall report the theft or loss of the AR Manual, or any portion thereof, immediately to Franchisor. At a minimum, Area Representative shall, in the case of computer and telecommunications networks, use the latest available firewall and similar technology to prevent unauthorized access. Area Representative shall return the AR Manual to Franchisor immediately upon request or upon termination or expiration of this Agreement.

(d) Material Provisions of this Agreement. The AR Manual, any written directives, and any other manuals and materials issued by Franchisor and any modifications to such materials shall constitute material provisions of this Agreement as if fully set forth within its text.

(e) Revisions. Franchisor may from time to time revise the contents of the AR Manual and other manuals and materials created or approved for use in the AR Business. Area Representative shall comply with each new or changed standard. Area Representative shall at all times ensure that the AR Manual is kept current and up to date. In the event of any dispute as to the contents of the AR Manual, the terms of the master copy of the AR Manual maintained by Franchisor at Franchisor's corporate office shall control. Area Representative shall remove and return to Franchisor all pages of the AR Manual that have been replaced or updated by Franchisor.

(f) Replacement Fee. Franchisor will charge a replacement fee of One Thousand Dollars (\$1,000) for any replacement AR Manual requested by Area Representative.

7.2. Training. Franchisor shall provide the initial training program for Area Representative's Operating Principal and other personnel and other training programs and seminars in accordance with the provisions of Section 8.4.

7.3. Operating Assistance. Franchisor shall make available the following services during the term of this Agreement:

(a) Upon the reasonable request of Area Representative, telephone consultation regarding advice related to franchise sales, Franchisee support, and assistance; and

(b) Access to franchise sales advertising and promotional materials developed by Franchisor, the reasonable cost of which may be passed on to Area Representative at Franchisor's option.

7.4. Disclosure Documents. Franchisor shall provide to Area Representative, free of charge, physical or electronic copies of requisite disclosure and contractual documents, brochures, advertising formats and related materials.

ARTICLE VIII. AREA REPRESENTATIVE'S AGREEMENTS, REPRESENTATIONS, WARRANTIES AND COVENANTS

8.1. Entity Representations. If Area Representative is a corporation, partnership, limited liability company, or other legal entity, Area Representative and the Controlling Principals represent, warrant and covenant that:

(a) Due Formation. Area Representative is duly organized and validly existing under the state law of its formation;

(b) Qualification. Area Representative is duly qualified and is authorized to do business in each jurisdiction in which its business activities or the nature of the properties owned by it require such qualification;

(c) Single Purpose. Area Representative's organizational documents shall at all times provide that the activities of Area Representative are confined exclusively to the operation of the AR Business and Cafes, unless otherwise consented to in writing by Franchisor;

(d) Power and Authority. The execution of this Agreement and the consummation of the transactions contemplated hereby are within Area Representative's power and have been duly authorized by Area Representative;

(e) Organizational Documents. Copies of Area Representative's organizational documents, other governing documents, resolutions or consents of the governing board authorizing entry into and performance of this Agreement, and any certificates, buy-sell agreements or other documents restricting the sale or transfer of equity interests in Area Representative, and any other documents as may be reasonably required by Franchisor shall be furnished to Franchisor prior to the execution of this Agreement;

(f) Ownership Interests. The ownership interests in Area Representative are accurately and completely described on the cover page to this Agreement. Area Representative shall immediately provide a copy of the updated list of all owners to Franchisor upon the occurrence of any change of ownership and otherwise make its list of owners available to Franchisor upon request;

(g) Restriction on Transfer. If Area Representative is a corporation, Area Representative shall maintain stop-transfer instructions against the transfer on its records of any of its equity securities and each stock certificate representing stock of the corporation shall have conspicuously endorsed upon it a statement in a form satisfactory to Franchisor that it is held subject to all restrictions imposed upon assignments by this Agreement; provided, however, that the requirements of this Section shall not apply to the transfer of equity securities of a publicly-held corporation. For purposes of this Agreement, a publicly-held corporation is a corporation registered pursuant to Section 12 of the Securities Exchange Act of 1934, as amended, or a corporation subject to the requirements of Section 15(d) of such Act. If Area Representative is a partnership or limited liability company, its written partnership or limited liability company agreement shall provide that ownership of an interest in such entity is held subject to all restrictions imposed upon assignments by this Agreement;

(h) Financial Statements. Area Representative and, at Franchisor's request, each of the Controlling Principals, have provided Franchisor with the most recent financial statements of Area Representative and such Controlling Principals. Such financial statements present fairly the financial position of Area Representative and each of the Controlling Principals, as applicable, at the dates indicated therein and with respect to Area Representative, the results of its operations and its cash flow for the years then ended. Area Representative shall maintain at all times sufficient working capital to fulfill its obligations under this Agreement. Each of the financial statements mentioned above shall be certified as true, complete and correct and shall have been prepared in conformity with generally accepted accounting principles applicable to the respective periods involved and, except as expressly described in the applicable notes, applied on a consistent basis. No material liabilities, adverse claims, commitments or obligations of any nature exist as of the date of this Agreement, whether accrued, unliquidated, absolute, contingent or otherwise, that are not reflected as liabilities on the financial statements of Area Representative or the Controlling Principals;

(i) Area Representative's Principals. If, after the execution of this Agreement, any person ceases to qualify as one of Area Representative's Principals (as defined in Section 19.20) or if any individual succeeds to or otherwise comes to occupy a position that would, upon designation by Franchisor, qualify him as one of Area Representative's Principals, Area Representative shall notify Franchisor within ten (10) days after any such change and, upon designation of such person by Franchisor as one of Area Representative's Principals or as a Controlling Principal, as the case may be, such person shall execute such documents and instruments (including, as applicable, this Agreement) as may be required by Franchisor to be executed by others in such positions;

(j) Execution of Documents. Area Representative's Principals shall each execute and bind themselves to the confidentiality and noncompetition covenants set forth in the Confidentiality Agreement and Ancillary Covenants Not to Compete in the form of Attachment B to this Agreement (see Sections 11.1(b) and 11.2(g)). The Controlling Principals shall, jointly and severally, guarantee Area Representative's performance of all of Area Representative's obligations, covenants and agreements hereunder pursuant to the terms and conditions of the Controlling Principals Guaranty and Covenant in the form of Attachment A to this Agreement, and shall otherwise bind themselves to the terms of this Agreement as stated herein and in the Controlling Principals Guaranty and Covenant; and

(k) Continuing Obligations. Area Representative and the Controlling Principals acknowledge and agree that the representations, warranties and covenants set forth in this Section are continuing obligations of Area Representative and the Controlling Principals, as applicable, and that any failure to comply with such representations, warranties and covenants shall constitute a material event of default under this Agreement. Area Representative and the Controlling Principals shall cooperate with Franchisor in any efforts made by Franchisor to verify compliance with such representations, warranties and covenants.

8.2. Operating Principal.

(a) Designation. Upon the execution of this Agreement, Area Representative shall designate and retain an individual to serve as the Operating Principal (the "Operating Principal"). If Area Representative is an individual, Area Representative shall be the Operating Principal.

(b) Guaranty. The Operating Principal shall execute the Controlling Principals Guaranty and Covenant in the form of Attachment A to this Agreement as one of the Controlling Principals, and shall be individually, jointly and severally, bound by all obligations of Area Representative, the Operating Principal and the Controlling Principals hereunder and under the Controlling Principals Guaranty and Covenant.

(c) Designee. The Operating Principal may, at its option, and, subject to the approval of Franchisor, designate an individual to perform the duties and obligations of Operating Principal described herein; provided that Operating Principal shall take all necessary action to ensure that such designee conducts and fulfills all of Operating Principal's obligations in accordance with the terms of this Agreement and Operating Principal shall remain fully responsible for such performance.

(d) Qualifications. The Operating Principal shall, during the entire period he serves as Operating Principal, meet the following qualifications:

(i) The Operating Principal must maintain a direct or indirect ownership interest in Area Representative. Except as may otherwise be provided in this Agreement, the Operating Principal's interest in Area Representative shall be and shall remain free of any pledge, mortgage, hypothecation, lien, charge, encumbrance, voting agreement, proxy, security interest or purchase right or options.

(ii) The Operating Principal (and any such designee) shall meet Franchisor's standards and criteria for such individual, as set forth in the AR Manual or otherwise in writing by Franchisor, and shall be an individual otherwise acceptable to Franchisor in its sole discretion.

(iii) The Operating Principal (or his designee, if applicable) shall devote substantial full time and best efforts to the operation of the AR Business and any Cafes owned by Area Representative or its affiliates, and may not engage in any other business activity without the Franchisor's consent.

(iv) The Operating Principal (or his designee, if applicable) shall satisfy the training requirements set forth in Section 8.4.

(e) Replacement. If the Operating Principal is not able to continue to serve in the capacity of Operating Principal or no longer qualifies to act as such in accordance with this Section, Area Representative shall promptly notify Franchisor and designate a replacement within thirty (30) days after the Operating Principal ceases to serve or be so qualified, such replacement being subject to the same qualifications and restrictions listed above. Area Representative shall provide for interim management of the activities contemplated under this Agreement until such replacement is so designated, such interim management to be conducted in accordance with this Agreement. Any failure to comply with the requirements of this Section shall be deemed a material event of default under this Agreement.

8.3. Area Supervisor.

(a) Designation. Once there are at least fifteen Cafes in the Territory, Area Representative shall designate and retain an area supervisor (the "Area Supervisor") to supervise the operations of such Cafes.

(b) Qualifications. The Area Supervisor shall, during the entire period he serves as Area Supervisor, meet the following qualifications:

(i) The Area Supervisor shall meet Franchisor's standards and criteria for such individual, as set forth in the AR Manual or otherwise in writing by Franchisor, and shall be an individual otherwise acceptable to Franchisor in its sole discretion.

(ii) The Area Supervisor shall devote full time and best efforts to the supervision of the Cafés in the Territory, and may not engage in any other business activity without the Franchisor's consent.

(iii) The Area Supervisor shall satisfy the training requirements set forth in Section 8.4.

(c) Replacement. If the Area Supervisor is not able to continue to serve in such capacity or no longer qualifies to act as such in accordance with this Section, Franchisee shall promptly notify Franchisor and designate a replacement within thirty (30) days after the Area Supervisor ceases to serve, such replacement being subject to the same qualifications listed above (including completing all training and obtaining all certifications required by Franchisor. Franchisee shall provide for interim supervision of the Cafes in the Territory until such replacement is so designated, such interim supervision to be conducted in accordance with the terms of this Agreement. Any failure to comply with the requirements of this Section shall be deemed a material event of default under this agreement. If Franchisee fails to have a replacement Area Supervisor satisfactorily complete Franchisor's training or certified as meeting such requirements, in lieu of termination, Franchisor may charge Franchisee an additional support fee until such General Manager is properly trained or certified in accordance with Franchisor's requirements.

8.4. Training. Area Representative agrees that it is necessary to the continued operation of the System that Area Representative's Operating Principal and certain other personnel receive such training as Franchisor may require, and accordingly agrees as follows:

(a) Initial Training. Not later than sixty (60) days after the Effective Date, Area Representative's Operating Principal and Area Supervisor (if applicable) shall attend and complete, to Franchisor's satisfaction, Franchisor's initial Area Representative training program. Prior to attending

our initial Area Representative training program, the Operating Principal, Area Supervisor or other personnel must have satisfactorily completed the initial training program applicable to new Franchisees. Training of such persons shall be conducted by Franchisor or its designee at such location designated by Franchisor. Franchisor shall provide instructors and training materials for the initial training of the initial Operating Principal and one additional personnel at no charge to Area Representative; provided that Franchisor shall have the right to charge a reasonable fee for such training of any additional personnel. In addition, as part of the initial training program, the Operating Principal or other personnel must participate in a designated number of Café openings and evaluation sessions at multiple locations designated by Franchisor; such training is anticipated to take between three and four weeks (eight-to-twelve hours per day, including travel time between Cafes), scheduled at various times and in various locations. The Operating Principal may request additional training during the initial training program, to be provided at no additional charge, if the Operating Principal does not feel completely trained in the operation of the AR Business. However, if the Operating Principal satisfactorily completes Franchisor's initial training program, and does not inform Franchisor in writing at the end of the initial training program that the Operating Principal does not feel completely trained, then the Operating Principal shall be deemed to have been trained sufficiently to operate the AR Business.

(b) Replacement Training. Franchisor shall determine, in its sole discretion, whether the Operating Principal or Area Supervisor has satisfactorily completed initial training. If the Operating Principal or Area Supervisor does not satisfactorily complete the initial training program, or if Franchisor in its reasonable business judgment based upon the performance of the Operating Principal or Area Supervisor, determines that the Operating Principal or Area Supervisor cannot satisfactorily complete the training program, Area Representative shall designate a replacement to satisfactorily complete such training. Any Operating Principal or Area Supervisor subsequently designated by Area Representative shall also receive and complete such initial training. Franchisor reserves the right to charge a reasonable fee for any initial training provided by Franchisor to any replacement or successor Operating Principal or Area Supervisor. Area Representative shall be responsible for any and all expenses incurred by Area Representative or Area Representative's Operating Principal, Area Supervisor and other personnel in connection with any initial training program, including, without limitation, costs of travel, lodging, meals and wages.

(c) Additional Training. Area Representative's Operating Principal, Area Supervisor and other personnel as Franchisor shall designate shall attend such additional training programs and seminars as Franchisor may offer from time to time, if Franchisor requires such attendance. However, the frequency of those required programs and seminars will not exceed 21 days per calendar year. For all such programs and seminars, Franchisor will provide the instructors and training materials. However, Franchisor reserves the right to impose a reasonable fee for such additional training programs and seminars. Area Representative shall be responsible for any and all expenses incurred by Area Representative or its Operating Principal, Area Supervisor and other personnel in connection with such additional programs and seminars, including, without limitation, costs of travel, lodging, meals, and wages. Franchisor may impose a charge for Area Representative's Operating Principal's, Area Supervisor's or other personnel's failure to attend such programs and seminars.

(d) Annual Meetings and Conference Calls. Area Representative's Operating Principal must attend, at Area Representative's expense, all annual and other meetings and conference calls of franchisees and/or Area Representatives that Franchisor determines are mandatory for all franchisees and/or Area Representatives, or groups of franchisees and/or Area Representatives, as designated by Franchisor, such as Area Representatives within a particular geographic region. Franchisor reserves the right to impose a reasonable fee for such meetings. Franchisor may impose a charge for Area Representative's Operating Principal's failure to attend such meetings and conference calls.

(e) International Franchise Association Annual Franchise Convention. Area Representative's Operating Principal must attend, at Area Representative's expense, the International Franchise Association's annual franchise convention. Franchisor may impose a charge for Area Representative's Operating Principal's failure to attend such meeting.

8.5. Reimbursement of Former Employer. Area Representative and the Controlling Principals understand that compliance by all Area Representatives, franchisees and developers operating under the System with Franchisor's training, development and operational requirements is an essential and material element of the System and that Franchisor and franchisees and developers operating under the System consequently expend substantial time, effort and expense in training management personnel for the development and operation of their respective Cafes. Accordingly, Area Representative and the Controlling Principals agree that if Area Representative or any Controlling Principal shall designate as Area Supervisor or employ in a managerial position any individual who is at the time or was within the preceding ninety (90) days employed in a managerial or supervisory position by Franchisor or any of its affiliates, including, but not limited to, individuals employed to work in Cafes operated by Franchisor or any affiliate or by any other Area Representative, franchisee or developer, but specifically excluding individuals that have relocated their domicile more than fifty (50) miles in the preceding ninety (90) days prior to being offered such managerial position, then such former employer of such individual shall be entitled to be compensated for the reasonable costs and expenses, of whatever nature or kind, incurred by such employer in connection with the training of such employee. The parties hereto agree that such expenditures may be uncertain and difficult to ascertain and therefore agree that the compensation specified herein reasonably represents such expenditures and is not a penalty. An amount equal to the compensation of such employee for the six (6) month period (or such shorter time, if applicable) immediately prior to the termination of his employment with such former employer shall be paid by Area Representative prior to such individual assuming the position of Area Supervisor or other managerial position unless otherwise agreed with the former employer. In seeking any individual to serve as Area Supervisor or other managerial position, Area Representative and the Controlling Principals shall not discriminate in any manner whatsoever against any individual to whom the provisions of this Section apply, on the basis of the compensation required to be paid hereunder, if Area Representative or any Controlling Principal designates or employs such individual. The parties hereto expressly acknowledge and agree that no current or former employee of Franchisor, its affiliates, Area Representative, or of any other entity operating under the System shall be a third party beneficiary of this Agreement or any provision hereof. Notwithstanding the above, solely for purposes of bringing an action to collect payments due under this Section, such former employer shall be a third-party beneficiary of this Section. Franchisor expressly disclaims any representations and warranties regarding the performance of any employee or former employee of Franchisor, its affiliates or any franchisee or developer under the System, who is designated as Area Representative's Area Supervisor or employed by Area Representative or any of the Controlling Principals in any capacity, and Franchisor shall not be liable for any losses, of whatever nature or kind, incurred by Area Representative or any Controlling Principal in connection therewith.

8.6. Notification of Actions. Area Representative shall notify Franchisor in writing within five (5) days of the commencement of any action, suit, proceeding or investigation, or the issuance of any order, writ, injunction, award or decree against:

(a) Area Representative that may adversely affect the operations or financial condition of Area Representative or its business;

(b) Any Franchisee, of which Area Representative is aware, that may adversely affect the operations or financial condition of that Franchisee or its business or

(c) Area Representative or any officer, director, employee, shareholder, partner, member, affiliate or agent of Area Representative that arises out of or relates to the AR Business.

8.7. Compliance with Laws. Area Representative shall become aware of and comply with all federal, state and local laws, rules and regulations (and, if Franchisor so elects, all voluntary codes of conduct) and shall timely obtain any and all permits, certificates or licenses necessary for the full and proper conduct of the AR Business.

8.8. Volume Rebates, Etc. Area Representative shall not solicit or receive any kickback, rebate, discount or other remuneration from any vendor or supplier to Franchisees or from any other person with whom Franchisees do business. If any cash rebates, volume discounts, concessions, advertising allowances, or discount bonuses (collectively "Discounts"), whether by way of cash, kind or credit, are received by Franchisor from any manufacturer or supplier designated by Franchisor, whether or not on account of purchases made (i) by Franchisor for its own account or for Franchisee's account, or franchisees generally, or (ii) by Area Representative or franchisees directly for their own account, Franchisor shall be entitled to retain the whole of the amount or any part of such Discounts.

8.9. No Payments from Franchisees. Area Representative shall not receive any payment from Franchisees or prospective Franchisees, other than payments payable to Franchisor that are promptly forwarded by Area Representative to Franchisor.

ARTICLE IX. ADVERTISING

9.1. Classified Advertising. Area Representative shall list its business telephone numbers in the white pages and in an online or other trademark or other business listings distributed in the Territory.

9.2. Approval of Advertising. All advertising and promotion by Area Representative in any medium shall be conducted in a professional manner and shall conform to the standards and requirements of Franchisor as set forth in the AR Manual or otherwise. Area Representative shall submit to Franchisor for its approval samples of all advertising and promotional plans and materials and public relations programs that Area Representative desires to use, including, without limitation, any materials in digital, electronic or computerized form, or in any form of media now or hereafter developed (e.g., materials to be made available through a computer or telecommunications network such as the Internet), that have not been either provided or previously approved by Franchisor. Franchisor shall approve or disapprove such plans and materials within fifteen (15) business days of Franchisor's receipt thereof. Area Representative shall not use such unapproved plans or materials until they have been approved by Franchisor, and shall promptly discontinue use of any advertising or promotional plans or materials, whether or not previously approved, upon notice from Franchisor.

9.3. Internet. Area Representative shall not market franchises, advertise or use the Marks in any manner on the Internet, World Wide Web or via other means of advertising through telecommunication, or establish any website listing on the Internet or World Wide Web, without the express written consent of Franchisor.

ARTICLE X. MARKS

10.1. Acknowledgements. Area Representative expressly understands and acknowledges that:

(a) No License. Area Representative has no interest whatsoever in or to the Marks and that it is not granted any right to use Marks by this Agreement, other than as authorized by Franchisor in writing.

(b) Ownership. Societe des Produits Nestle S.A. ("SPN") is the record owner of the Mark "Nestle Toll House." Franchisor is the record owner of the Marks "Cafe by Chip" and "Brick House Subs." As between Franchisor and Area Representative, Franchisor, Nestle or SPN is the owner of all right, title and interest in and to the Marks and the goodwill associated with and symbolized by them.

(c) No Interference. Neither Area Representative nor any Controlling Principal shall take any action that would prejudice or interfere with the validity of Franchisor's, Nestlé's or SPN's rights with respect to the Marks. Nothing in this Agreement shall give the Area Representative any right, title, or interest in or to any of the Marks or any of Franchisor's, Nestlé's or SPN's service marks, trademarks, trade names, trade dress, logos, copyrights or proprietary materials.

(d) Goodwill. Area Representative understands and agrees that any and all goodwill arising from Area Representative's use of the Marks and the System shall inure solely and exclusively to Franchisor's, Nestlé's, and SPN's benefit, and upon expiration or termination of this Agreement, no monetary amount shall be assigned as attributable to any goodwill associated with Area Representative's use of the Marks.

(e) Validity. Area Representative shall not contest the validity of or Franchisor's, Nestlé's, or SPN's interest in the Marks or assist others to contest the validity of or Franchisor's, Nestlé's or SPN's interest in the Marks.

(f) Infringement. Area Representative acknowledges that any unauthorized use of the Marks shall constitute an infringement of Franchisor's, Nestlé's or SPN's rights in the Marks and a material event of default hereunder. Area Representative shall provide Franchisor, Nestle and SPN with all assignments, affidavits, documents, information and assistance Franchisor, Nestle or SPN reasonably requests to fully vest in Franchisor, Nestle or SPN all such rights, title and interest in and to the Marks, including all such items as are reasonably requested by Franchisor, Nestle or SPN to register, maintain and enforce such rights in the Marks.

(g) Substitution. Franchisor reserves the right to substitute different Marks for use in identifying the System and the Cafes if the current Marks no longer can be used by Franchisor, or if Franchisor, in its sole discretion, determines that substitution of different Marks will be beneficial to the System. In such event, Franchisor may require Area Representative, at Area Representative's expense, to discontinue or modify Area Representative's use of any of the Marks or to use one or more additional or substitute Marks.

10.2. Agreements. Area Representative shall not use any Mark (a) with any prefix, suffix, or other modifying words, terms, designs or symbols, (b) in connection with any unauthorized services or products, (c) as part of its corporate or other legal name, (d) as part of any domain name or electronic address maintained on the Internet, the World Wide Web, or any other similar proprietary or common carrier electronic delivery system, or (e) in any other manner not expressly authorized by Franchisor in writing.

10.3. Infringement. Area Representative shall notify Franchisor immediately by telephone and thereafter in writing of any apparent infringement of any Mark, of any claim by any person of any rights in any Mark, and Area Representative and the Controlling Principals shall not communicate with any person other than Franchisor or any designated affiliate thereof, their counsel and Area Representative's counsel in connection with any such infringement, challenge or claim. Franchisor shall have complete discretion to take such action as it deems appropriate in connection with the foregoing, and the right to control exclusively, or to delegate control to any of its affiliates of, any settlement, litigation or Patent and Trademark Office or other proceeding arising out of any such alleged infringement, challenge or claim or otherwise relating to any Mark. Area Representative agrees to execute any and all instruments and

documents, render such assistance, and do such acts or things as may, in the opinion of Franchisor, reasonably be necessary or advisable to protect and maintain the interests of Franchisor or any other person or entity in any litigation or other proceeding or to otherwise protect and maintain the interests of Franchisor or any other interested party in the Marks.

ARTICLE XI. CONFIDENTIALITY AND NONCOMPETITION COVENANTS

11.1. Confidential Information.

(a) Confidential. Neither Area Representative nor any Controlling Principal shall, during the term of this Agreement and thereafter, communicate or divulge to, or use for the benefit of, any other person or entity, and, following the expiration or termination of this Agreement, they shall not use for their own benefit, any confidential information, knowledge or know-how concerning the methods of operation of the AR Business that may be communicated to them or of which they may be apprised in connection with the operation of the AR Business under the terms of this Agreement (“Confidential Information”). Area Representative and the Controlling Principals shall divulge such Confidential Information only to Area Representative’s employees who must have access to it in order to operate the AR Business. Any and all information, knowledge, know-how, techniques and any materials used in or related to the System that Franchisor provides to Area Representative in connection with this Agreement shall be deemed Confidential Information for purposes of this Agreement. Neither Area Representative nor the Controlling Principals shall at any time, without Franchisor’s prior written consent, copy, duplicate, record or otherwise reproduce such Confidential Information, in whole or in part, nor otherwise make the same available to any unauthorized person. The covenant in this Section shall survive the expiration, termination or transfer of this Agreement or any interest herein and shall be perpetually binding upon Area Representative and each of the Controlling Principals.

(b) Covenants. Area Representative shall require and obtain the execution of covenants similar to those set forth in Section 11.1(a) from its Area Supervisor and all other personnel of Area Representative who have received or will have access to Confidential Information. Such covenants shall be substantially in the form set forth in Attachment B. All of Area Representative’s Principals not required to sign this Agreement as a Controlling Principal also must execute such covenants.

11.2. Noncompetition Covenants.

(a) In-Term Covenants. Area Representative and the Controlling Principals specifically acknowledge that, pursuant to this Agreement, Area Representative and the Controlling Principals will receive valuable training, trade secrets and Confidential Information, including, without limitation, information regarding the operational, sales, promotional and marketing methods and techniques of Franchisor and the System that are beyond the present skills and experience of Area Representative and the Controlling Principals and Area Representative’s managers and employees. Area Representative and the Controlling Principals acknowledge that such specialized training, trade secrets and Confidential Information provide a competitive advantage and will be valuable to them in the development and operation of the AR Business, and that gaining access to such specialized training, trade secrets and Confidential Information is, therefore, a primary reason why they are entering into this Agreement. In consideration for such specialized training, trade secrets, Confidential Information and rights, Area Representative and the Controlling Principals covenant that with respect to Area Representative, during the term of this Agreement (or with respect to each of the Controlling Principals, during the term of this Agreement for so long as such individual or entity satisfies the definition of “Controlling Principals” as described in Section 19.20), except as otherwise approved in writing by Franchisor, neither Area Representative nor any of the Controlling Principals shall, either directly or indirectly, for themselves or through, on behalf of or in conjunction with any person or entity:

(i) Divert, or attempt to divert, any business, business opportunity or customer related to the AR Business or Franchisor's business or any other System Area Representative's or franchisee's business to any competitor, by direct or indirect inducement or otherwise, or do or perform, directly or indirectly, any other act injurious or prejudicial to the goodwill associated with the Marks and the System.

(ii) Own, maintain, operate, engage in, or have any financial or beneficial interest in (including any interest in a legal entity), advise, assist or make loans to, any business located within the United States, Canada, their territories or commonwealths, or any other country, province, state or geographic area in which Franchisor has used, sought registration of or registered the same or similar Marks or operates or licenses others to operate a business under the same or similar Marks, which business is of a character and concept similar to the Cafes, including without limitation, a business that offers and sells as a primary menu item, any one or more of sandwiches, cookies, ice cream or coffee drinks.

(b) Post-Term Covenants. In consideration for the specialized training, trade secrets, Confidential Information and rights described in Section 11.2(a), Area Representative and Controlling Principals covenant that with respect to Area Representative, and for a continuous uninterrupted period commencing upon the expiration or termination of, or transfer of all of Area Representative's interest in, this Agreement (or, with respect to each of the Controlling Principals, commencing upon the earlier of: (1) the expiration or termination of, or transfer of all of Area Representative's interest in, this Agreement or (2) the time such individual or entity ceases to satisfy the definition of "Controlling Principals" as described in Section 19.20) and continuing for two years thereafter, except as otherwise approved in writing by Franchisor, neither Area Representative nor any of the Controlling Principals shall, directly or indirectly, for themselves, or through, on behalf of or in conjunction with any person or entity:

(i) Divert, or attempt to divert, any business, business opportunity or customer related to the AR Business or Franchisor's business or any other System Area Representative's or franchisee's business to any competitor, by direct or indirect inducement or otherwise, or do or perform, directly or indirectly, any other act injurious or prejudicial to the goodwill associated with the Marks and the System.

(ii) Employ, or seek to employ, any person who is at that time or was within the preceding ninety (90) days employed by Franchisor, any of its affiliates or by any other Area Representative, franchisee or developer of Franchisor, or otherwise directly or indirectly induce such person to leave that person's employment, except as may be permitted under any existing development agreement or franchise agreement between Franchisor and Area Representative.

(iii) Own, maintain, operate, engage in, or have any financial or beneficial interest in (including any interest in a legal entity), advise, assist or make loans to, any business that is of a character and concept similar to the Cafes, including without limitation, a business that offers and sells as a primary menu item, any one or more of sandwiches, cookies, ice cream or coffee drinks, which business is, or is intended to be, located within the Territory or within a ten (10)-mile radius of the location of any Cafe in existence or under construction as of the date (as applicable) of expiration or termination of, or transfer of all of Area Representative's interest in, this Agreement or the time such individual or entity ceases to satisfy the definition of Controlling Principals.

(c) Public Company. Section 11.2(a)(ii) and (b)(iii) shall not apply to ownership of less than a five percent (5%) beneficial interest in the outstanding equity securities of any publicly-held corporation.

(d) Reasonableness. The parties acknowledge and agree that each of the covenants contained in this Section are reasonable limitations as to time, geographical area, and scope of activity to be restrained and do not impose a greater restraint than is necessary to protect the goodwill or other business interests of Franchisor. The parties agree that each of these covenants shall be construed as independent of any other covenant or provision of this Agreement. If all or any portion of a covenant in this Section is held unreasonable or unenforceable by a court or agency having valid jurisdiction in an unappealed final decision to which Franchisor is a party, Area Representative and the Controlling Principals expressly agree to be bound by any lesser covenant subsumed within the terms of such covenant that imposes the maximum duty permitted by law, as if the resulting covenant were separately stated in and made a part of this Section.

(e) Reduction of Scope. Area Representative and the Controlling Principals understand and acknowledge that Franchisor shall have the right, in its sole discretion, to reduce the scope of any covenant set forth in this Section, or any portion thereof, without their consent, effective immediately upon notice to Area Representative; and Area Representative and the Controlling Principals agree that they shall comply forthwith with any covenant as so modified, which shall be fully enforceable notwithstanding the provisions of Section 19.3.

(f) No Defense. Area Representative and the Controlling Principals expressly agree that the existence of any claims they may have against Franchisor, whether or not arising from this Agreement, shall not constitute a defense to the enforcement by Franchisor of the covenants in this Section.

(g) Covenants of Managers and Area Representative's Principals. Area Representative shall require and obtain execution of covenants similar to those set forth in this Section (including covenants applicable upon the termination of a person's employment with Area Representative) from its Area Supervisor and all other management level personnel who have received or will have access to training from Franchisor. Such covenants shall be substantially in the form set forth in Attachment B. All of Area Representative's Principals not required to sign this Agreement as a Controlling Principal also must execute such covenants. Notwithstanding the foregoing, Franchisor reserves the right, in its sole discretion, to decrease the period of time or geographic scope of the noncompetition covenant set forth in Attachment B or eliminate such noncompetition covenant altogether for any party that is required to execute such agreement under this Section.

11.3. Injunctive Relief. Failure to comply with the requirements of this Article shall constitute a material event of default under this Agreement. Area Representative and the Controlling Principals acknowledge that a violation of the terms of this Article would result in irreparable injury to Franchisor for which no adequate remedy at law may be available, and Area Representative and the Controlling Principals accordingly consent to the issuance of an injunction prohibiting any conduct by Area Representative or the Controlling Principals in violation of the terms of this Article. Area Representative and the Controlling Principals agree to pay all court costs and reasonable attorneys' fees incurred by Franchisor in connection with the enforcement of this Article, including payment of all costs and expenses for obtaining specific performance of, or an injunction against violation of, the requirements of this Article.

ARTICLE XII. BOOKS AND RECORDS

12.1. Books and Records. Area Representative shall maintain during the term of this Agreement, and shall preserve for at least two (2) 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 Franchisor from time to time in the Manual or otherwise in writing.

12.2. Reports. In addition to the reports required under Article II, Area Representative shall comply with the following reporting obligations:

(a) Annual Statements. Area Representative shall, at its expense, provide to Franchisor a complete annual financial statement (which may be unaudited) for Area Representative prepared by an independent certified public accountant satisfactory to Franchisor, within ninety (90) days after the end of each fiscal year of Area Representative during the term hereof, showing the results of operations of Area Representative during such fiscal year; Franchisor reserves the right to require the financial statements described above to be audited by an independent Certified Public Accountant; and

(b) Additional Reports. Area Representative shall provide to Franchisor, for review or auditing, such other forms, reports, records, information and data as Franchisor may reasonably designate, in the form and at the times and places reasonably required by Franchisor, upon request and as specified from time to time in writing.

12.3. Review and Inspection. Franchisor or its designees shall have the right at all reasonable times to review, audit, examine and copy any or all of the books and records of Area Representative as Franchisor may require. Area Representative shall make such books and records available to Franchisor or its designees immediately upon request.

12.4. Tax Returns. Area Representative shall provide to Franchisor a copy of all tax filings sent to federal, state and local tax authorities within ten (10) business days after such filing has been made with the appropriate taxing authority.

12.5. Release of Information. Area Representative hereby authorizes (and agrees to execute any other documents deemed necessary to effect such authorization) all banks, financial institutions, businesses, suppliers, manufacturers, contractors, vendors and other persons or entities with which Area Representative does business to disclose to Franchisor any requested financial information in their possession relating to Area Representative or the AR Business. Area Representative authorizes Franchisor to disclose data from Area Representative's reports, if Franchisor determines, in its sole discretion, that such disclosure is necessary or advisable, which disclosure may include disclosure to prospective or existing franchisees or other third parties.

ARTICLE XIII. INSURANCE

13.1. Insurance Policy. At all times Area Representative shall maintain in full force and effect insurance for the AR Business of the types, in the amounts, and with such terms and conditions as Franchisor may from time to time prescribe in the AR Manual or otherwise. All required insurance policies shall name Franchisor, Nestle and their affiliates and the officers, directors, shareholders, partners, agents, representatives, independent contractors, servants and employees of each of them, as additional insureds, and shall include a waiver of subrogation in favor of the additional insureds. All such insurance policies shall provide that any interest of the additional insureds therein shall not be affected by any breach by Area Representative of any policy provisions. All public liability and property damage policies shall contain a provision that the additional insureds, although named as insureds, shall nevertheless be entitled to recover under such policies on any loss occasioned to them by reason of the negligence of Area Representative or its servants, agents or employees.

13.2. No Limitation. Area Representative's obligation to obtain and maintain the foregoing policy or policies in the amounts specified shall not be limited in any way by reason of any insurance that may be maintained by Franchisor or Nestle, nor shall Area Representative's performance of that obligation relieve it of liability under the indemnity provisions set forth in this Agreement.

13.3. Certificates of Insurance. Upon execution of this Agreement, and thereafter thirty (30) days prior to the expiration of any such policy, Area Representative shall deliver to Franchisor Certificates of Insurance evidencing the existence and continuation of proper coverage with limits not less than those required hereunder. In addition, if requested by Franchisor, Area Representative shall deliver to Franchisor a copy of the insurance policy or policies required hereunder. Further, all insurance policies required hereunder shall expressly provide that no less than thirty (30) days' prior written notice shall be given to Franchisor in the event of a material alteration to or cancellation of the policies.

13.4. Noncompliance. Noncompliance with these insurance provisions shall be deemed a material breach of this Agreement, and in the event of any lapse in insurance coverage, Franchisor shall have the right to demand that Area Representative cease operation of its AR Business until the required coverage is reinstated or, in the alternative, to procure such insurance and to charge same to Area Representative, which charges, together with a reasonable fee for Franchisor's expenses in so acting, shall be payable by Area Representative immediately upon notice. The foregoing remedies shall be in addition to any other remedies Franchisor may have at law or in equity.

ARTICLE XIV. TRANSFER OF INTEREST

14.1. Transfer by Franchisor. Franchisor shall have the right to transfer or assign this Agreement and all or any part of its rights or obligations herein to any person or legal entity without Area Representative's consent. Specifically, and without limitation to the foregoing, Area Representative agrees that Franchisor may sell its assets, and may sell or license the Marks or the System to a third party; may offer its securities privately or publicly; may merge, acquire other corporations or be acquired by another corporation; may undertake a refinancing, recapitalization, leveraged buyout or other economic or financial restructuring; and with regard to any or all of the above sales, assignments and dispositions, Area Representative expressly and specifically waives any claims, demands, or damages against Franchisor arising from or related to the transfer of the Marks (or any variation thereof) or the System from Franchisor to any other party.

14.2. Transfer by Area Representative.

(a) Consent of Franchisor. Area Representative and the Controlling Principals understand and acknowledge that the rights and duties set forth in this Agreement are personal to Area Representative, and that Franchisor has granted rights under this Agreement in reliance on the business skill, financial capacity and personal character of Area Representative and the Controlling Principals and with the expectation that the duties and obligations contained in this Agreement will be performed by Area Representative and those Controlling Principals signing this Agreement. Accordingly, neither Area Representative nor any Controlling Principal, nor any successor or assign of Area Representative or any Controlling Principal, shall sell, assign, transfer, convey, give away, pledge, mortgage or otherwise encumber any direct or indirect interest in this Agreement or in Area Representative without the prior written consent of Franchisor. Any purported assignment or transfer, by operation of law or otherwise, made in violation of this Agreement shall be null and void and shall constitute a material event of default under this Agreement.

(b) Conditions. If Area Representative wishes to transfer all or part of its interest in this Agreement or if a Controlling Principal wishes to transfer any ownership interest in Area Representative, transferor and the proposed transferee shall apply to Franchisor for its consent. Franchisor shall not unreasonably withhold its consent to a transfer of any interest in Area Representative or in this Agreement. Franchisor may, however, in its sole discretion, require any or all of the following as conditions of its consent to any such transfer:

(i) Monetary Obligations. All of the accrued monetary obligations of Area Representative and its affiliates and all other outstanding obligations to Franchisor and its affiliates arising under this Agreement, any Area Representative Franchise Agreement, or any other agreement shall have been satisfied in a timely manner and Area Representative shall have satisfied all trade accounts and other debts, of whatever nature or kind, in a timely manner;

(ii) No Default. Area Representative and its affiliates shall not be in default of any provision of this Agreement, any Area Representative Franchise Agreement, or any other agreement between Area Representative or any of its affiliates and Franchisor or any of its affiliates, and Area Representative shall have substantially and timely complied with all the terms and conditions of such agreements during the terms thereof;

(iii) Release. The transferor and its principals (if applicable) shall have executed a general release, in a form satisfactory to Franchisor, of any and all claims against Franchisor, its affiliates, their respective partners and the officers, directors, shareholders, partners, agents, representatives, independent contractors, servants and employees of each of them, in their corporate and individual capacities, including, without limitation, claims arising under this Agreement, any Area Representative Franchise Agreement, and federal, state and local laws, rules and regulations;

(iv) Satisfaction of Criteria. The transferee shall demonstrate to Franchisor's satisfaction that transferee meets the criteria considered by Franchisor when reviewing a prospective Area Representative's application, including, but not limited to, Franchisor's educational, managerial and business standards; transferee's moral character, business reputation and credit rating; transferee's aptitude and ability to satisfy an Area Representative's obligations (as may be evidenced by prior related business experience or otherwise); transferee's financial resources and capital for satisfying Area Representative's obligations; and the geographic proximity and number of Cafes owned or operated by transferee;

(v) Written Assumption. The transferee shall enter into a written agreement, in a form satisfactory to Franchisor, assuming full, unconditional, joint and several liability for, and agreeing to perform from the date of the transfer, all obligations, covenants and agreements of the transferor contained in this Agreement; and, if transferee is an entity, transferee's owners shall execute such agreement as transferee's principals and guarantee the performance of all such obligations, covenants and agreements;

(vi) New Agreement. If requested by Franchisor, the transferee shall execute, for a term ending on the expiration date of this Agreement and with such renewal terms as may be provided by this Agreement, the standard form Area Representative Agreement then being offered to new System area representatives and other ancillary agreements as Franchisor may require, which agreements shall supersede this Agreement and its ancillary documents in all respects and the terms of which agreements may differ from the terms of this Agreement, including, without limitation, a different initial franchise fee, development fee or royalty split; provided, however, that the transferee shall not be required to pay any initial Area Representative fee; and, if transferee is an entity, transferee's owners shall execute such agreement as transferee's principals and guarantee the performance of all such obligations, covenants and agreements;

(vii) Liability for Prior Acts. The transferor shall remain liable for all of the obligations to Franchisor in connection with this Agreement incurred prior to the effective date of the transfer and shall execute any and all instruments reasonably requested by Franchisor to evidence such liability;

(viii) Training. At the transferee's expense, the transferee, the transferee's operating principal, area supervisor (as applicable) and/or any other applicable personnel shall complete any training programs then in effect for System Area Representatives on such terms and conditions as Franchisor may reasonably require;

(ix) Transfer Fee. The transferee shall pay to Franchisor a transfer fee equal to the greater of (A) ten percent (10%) of the gross sales price or other consideration to be received or realized by the transferor in connection with the transfer and (B) Fifty Thousand Dollars (\$50,000); and

(x) Entity Representations. If the transferee is an entity, the transferee shall provide to Franchisor evidence satisfactory to Franchisor that the representations, warranties and covenants of Section 8.1 have been satisfied and are true and correct on the date of transfer.

(c) Reasonableness. Area Representative acknowledges and agrees that each condition that must be met by the transferee is reasonable and necessary to assure such transferee's full performance of the obligations hereunder.

(d) Security Interest. Area Representative shall not grant a security interest in any of Area Representative's assets without Franchisor's prior written consent, which shall not be unreasonably withheld. In connection therewith, the secured party will be required by Franchisor to agree that in the event of any default by Area Representative under any documents related to the security interest, Franchisor shall have the right and option to be substituted as obligor to the secured party and to cure any default of Area Representative.

14.3. Transfer to Affiliate. If Area Representative desires to transfer any interest in this Agreement to an entity formed solely for the convenience of ownership or affiliated with Area Representative, Franchisor's consent may be conditioned upon any of the requirements in Section 14.2(b), except that the requirements in Sections 14.2(b)(iii), (iv), (vi), (viii) and (ix) shall not apply, but Area Representative shall reimburse Franchisor for its reasonable costs and expenses associated with the transfer, including, without limitation, legal and accounting fees and costs. With respect to a transfer to an entity formed for the convenience of ownership or affiliated with Area Representative, Area Representative or the existing holders of an ownership interest in Area Representative, as applicable, shall be the holders of all ownership interests of such entity, and Area Representative or each existing holder of an ownership interest in Area Representative, as applicable, shall have the same proportionate ownership interest in such entity as he had in Area Representative prior to the transfer.

14.4. Right of First Refusal.

(a) Notice of Offer. If Area Representative wishes to transfer all or part of its interest in this Agreement or if a Controlling Principal wishes to transfer any ownership interest in Area Representative, pursuant to any bona fide offer received from a third party to purchase such interest, then such proposed seller shall promptly notify Franchisor in writing of each such offer, and shall provide such information and documentation relating to the offer as Franchisor may require. Franchisor shall have the right and option, exercisable within thirty (30) days after receipt of such written notification and copies of all documentation required by Franchisor describing such offer, to send written notice to the seller that Franchisor intends to purchase the seller's interest on the same terms and conditions offered by the third party. If Franchisor elects to purchase the seller's interest, closing on such purchase must occur within the later of sixty (60) days from the date of notice to the seller of the election to purchase by Franchisor, sixty (60) days from the date Franchisor receives or obtains all necessary documentation, permits and approvals, or such other date as the parties agree upon in writing. Any material change in the terms of any offer prior to closing shall constitute a new offer subject to the same right of first refusal by

Franchisor as in the case of an initial offer. Failure of Franchisor to exercise the option afforded by this Section shall not constitute a waiver of any other provision of this Agreement, including all of the requirements of Section 14.2, with respect to a proposed transfer.

(b) Non-Cash Consideration. If an offer from a third party provides for payment of consideration other than cash or involves certain intangible benefits, Franchisor may elect to purchase the interest proposed to be sold for the reasonable cash equivalent. If the parties cannot agree within a reasonable time on the reasonable cash equivalent of the non-cash part of the offer, then such amount shall be determined by two (2) appraisers, with each party selecting one (1) appraiser, and the average of their determinations shall be final and binding. In the event of such appraisal, each party shall bear its own legal and other costs and shall split the appraisal fees. If Franchisor exercises its right of first refusal herein provided, it shall have the right to set off against any payment therefor (i) all fees for any such independent appraiser due from Area Representative hereunder and (ii) all amounts due from Area Representative to Franchisor or any of its affiliates.

(c) Default. Failure to comply with the provisions of this Section prior to the transfer of any interest in Area Representative or this Agreement shall constitute a material event of default under this Agreement.

14.5. Death and Permanent Disability.

(a) Death. Upon the death of Area Representative (if Area Representative is a natural person) or any Controlling Principal who is a natural person (the "Deceased"), the executor, administrator or other personal representative of the Deceased shall transfer such interest to a third party in accordance with the conditions described in this Article within twelve (12) months after the death. If no personal representative is designated or appointed or no probate proceedings are instituted with respect to the estate of the Deceased, then the distributee of such interest must be approved by Franchisor. If the distributee is not approved by Franchisor, then the distributee shall transfer such interest to a third party approved by Franchisor within twelve (12) months after the death of the Deceased.

(b) Permanent Disability. Upon the permanent disability of Area Representative (if Area Representative is a natural person) or any Controlling Principal who is a natural person, Franchisor may, in its sole discretion, require such interest to be transferred to a third party in accordance with the conditions described in this Article within six (6) months after notice to Area Representative. "Permanent disability" shall mean any physical, emotional or mental injury, illness or incapacity that would prevent a person from performing the obligations set forth in this Agreement or in the Controlling Principals Guaranty and Covenant attached as Attachment A to this Agreement for at least ninety (90) consecutive days and from which condition recovery within ninety (90) days from the date of determination of disability is unlikely. Permanent disability shall be determined by a licensed practicing physician selected by Franchisor, upon examination of the person; or if the person refuses to submit to an examination, then such person automatically shall be deemed permanently disabled as of the date of such refusal for the purpose of this Section. The costs of any examination required by this Section shall be paid by Franchisor.

(c) Notice. Upon the death or claim of permanent disability of Area Representative or any Controlling Principal, Area Representative or a representative of Area Representative must notify Franchisor of such death or claim of permanent disability within five (5) days of its occurrence. Any transfer upon death or permanent disability shall be subject to the same terms and conditions as described in this Article for any inter vivos transfer. If an interest is not transferred upon death or permanent disability as required in this Section, then such failure shall constitute a material event of default under this Agreement.

14.6. No Waiver. Franchisor's consent to a transfer of any interest described herein shall not constitute a waiver of any claims that Franchisor may have against the transferring party, nor shall it be deemed a waiver of Franchisor's right to demand exact compliance with any of the terms of this Agreement by the transferee.

14.7. Public Offering. Securities in Area Representative may be offered to the public (a "public offering") only with the prior written consent of Franchisor, which consent may be withheld in its sole discretion. As a condition of its consent to such offering, Franchisor may, in its sole discretion, require that immediately after such offering that the Controlling Principals retain a controlling interest in Area Representative. For the purpose of this Agreement, "controlling interest" shall mean that the Controlling Principals, either individually or cumulatively, are entitled, under the entity's organizational documents to cast a sufficient number of votes to require such entity to take or omit to take any action that such entity is required to take or omit to take under this Agreement.

14.8. Review of Offering Materials. All materials required for a public offering by federal or state law shall be submitted to Franchisor for a limited review as discussed below prior to being filed with any governmental agency; and any materials (including any private placement memoranda) to be used in any exempt offering or private placement shall be submitted to Franchisor for such review prior to their use. No Area Representative offering (public or private) shall imply (by use of the Marks or otherwise) that Franchisor is participating in an underwriting, issuance or offering of securities of Area Representative or Franchisor, and Franchisor's review of any offering materials shall be limited solely to the subject of the relationship between Area Representative and Franchisor and its affiliates. Franchisor may, at its option, require Area Representative's offering materials to contain a written statement prescribed by Franchisor concerning the limitations described in the preceding sentence. Area Representative, its Controlling Principals and the other participants in the offering must fully indemnify Franchisor and its affiliates, and the officers, directors, shareholders, partners, agents, representatives, independent contractors, servants and employees of each of them, in connection with the offering. For each proposed public or private offering, Area Representative shall pay to Franchisor a non-refundable fee of Ten Thousand Dollars (\$10,000), or such greater amount as is necessary to reimburse Franchisor for its reasonable costs and expenses associated with reviewing the proposed offering, including, without limitation, legal and accounting fees. Area Representative shall give Franchisor written notice at least thirty (30) days prior to the date of commencement of any offering or other transaction covered by this Section.

14.9. Transfers by Area Representative's Principals. If any person holding an interest in Area Representative or this Agreement (other than Area Representative or a Controlling Principal, which parties shall be subject to the provisions set forth above) transfers such interest, then Area Representative shall promptly notify Franchisor of such proposed transfer in writing and shall provide such information relative thereto as Franchisor may reasonably request prior to such transfer. Such transferee may not be a competitor of Franchisor. Such transferee will be an Area Representative's Principal and as such will have to execute a confidentiality agreement and ancillary covenants not to compete in the form then required by Franchisor, which form shall be in substantially the form attached hereto as Attachment B (see Sections 11.1(b) and 11.2(g)). Franchisor also reserves the right to designate the transferee as one of the Controlling Principals.

14.10. Franchisor's Buy-Back Right.

(a) Buy-Back Right. Franchisor has the right to repurchase from Area Representative the rights granted to Area Representative under this Agreement (the "Buy-Back Right") at any time after the earlier of (i) the three (3) year anniversary of the Effective Date and (ii) the date on which fifty percent of the total number of Cafes in Area Representative's development quota under this Agreement (set forth on the cover page) have opened for business. If Franchisor desires to exercise the

Buy-Back Right, Franchisor shall notify Area Representative in writing. The closing date to complete the exercise of the Buy-Back Right (the "Closing Date") shall be thirty days after the date of Franchisor's notice.

(b) Purchase Price. The purchase price payable for Area Representative's rights under this Agreement (the "Buy-Back Purchase Price") shall be equal to the value of those rights, which shall be calculated according to the formula described below as of five (5) business days before the Closing Date (the "Valuation Date"). The Buy-Back Purchase Price shall be equal to the sum of the numbers calculated in subparagraphs (i) and (ii) below:

(i) \$15,000 multiplied by the number of Cafes (excluding Permitted Exceptions) actually open in the Territory, plus \$7,000 multiplied by the number of Cafes (excluding Permitted Exceptions) scheduled to be opened in the Territory within six months after the Valuation Date for which Franchise Agreements and leases have been signed, plus \$1,000 multiplied by the number of Cafes (excluding Permitted Exceptions) scheduled to be opened in the Territory for which Franchise Agreements have been signed within twelve months of the Valuation Date but for which leases have not yet been signed; and

(ii) The difference between (A) the product of \$.05 multiplied by the number of people residing (year-round or seasonally) within the Territory, as determined in accordance with the most recent edition or announcement of the source designated by Franchisor from time to time and (B) the product of the total number of signed Franchise Agreements as of the Valuation Date for Cafes (excluding Permitted Exceptions) both actually opened and to be opened in the Territory multiplied by \$2,500.

(c) Payment. Franchisor shall pay Area Representative one-third (1/3) of the Buy-Back Purchase Price in cash on the Closing Date. The remaining portion of the Buy-Back Purchase Price shall be payable in three equal annual installments of principal and interest, commencing on the first anniversary of the Closing Date. The applicable per annum rate of interest shall be the prime rate of interest as published in the Wall Street Journal as of the Closing Date. Franchisor may set off against the Buy-Back Purchase Price, and reduce the Buy-Back Purchase Price by, any and all amounts that Area Representative or its affiliates then owe to Franchisor or its affiliates. Area Representative shall make, in the document prepared to complete Franchisor's exercise of the Buy-Back Right, all customary representations and warranties given by the seller of the assets of a business. Area Representative shall also execute a general release, in form satisfactory to Franchisor, of any and all claims against Franchisor and its affiliates, and the officers, directors, shareholders, partners, agents, representatives, independent contractors, servants and employees of each of them, in their corporate and individual capacities.

ARTICLE XV. RELATIONSHIP OF THE PARTIES AND INDEMNIFICATION

15.1. Relationship. The parties acknowledge and agree that this Agreement does not create a fiduciary relationship between them, that Area Representative shall be an independent contractor, and that nothing in this Agreement is intended to constitute either party an agent, legal representative, subsidiary, joint venturer, partner, employee, joint employer or servant of the other for any purpose.

15.2. Notice to Public. Area Representative shall hold itself out to the public as an independent contractor conducting its business operations pursuant to the rights granted by Franchisor. Area Representative agrees to take such action as shall be necessary to that end, including, without limitation, exhibiting a notice of that fact in a conspicuous place on any office premises established for the purposes hereunder or on any vehicle used in Area Representative's business and on all letterhead, business cards, forms, and as further described in the AR Manual. Franchisor reserves the right to specify in writing the content and form of such notice.

15.3. No Authority. Area Representative understands and agrees that nothing in this Agreement authorizes Area Representative or any of the Controlling Principals to make any contract, agreement, warranty or representation on Franchisor's behalf (including, without limitation, any franchise agreement), or to incur any debt or other obligation in Franchisor's name, and that Franchisor shall in no event assume liability for, or be deemed liable under this Agreement as a result of, any such action, or for any act or omission of Area Representative or any of the Controlling Principals or any claim or judgment arising therefrom.

15.4. Employment Policies. Franchisor does not exercise any direction or control over the employment policies or employment decisions of Area Representative. All employees of Area Representative are solely employees of Area Representative, not Franchisor.

15.5. Indemnification. Area Representative shall and hereby does indemnify and shall defend at its own cost and save harmless Franchisor, Nestle, their affiliates, their officers and employees, and their respective successors and assigns, from and against all losses, costs, liabilities, damages, claims and expenses, of every kind and description, however caused, including allegations of negligence by Franchisor or Nestle, or their employees and agents, whether such negligence be sole, joint or concurrent, or active or passive, and including reasonable attorneys' fees, directly or indirectly arising out of or resulting from the operation of Area Representative's business, including the operation of any motor vehicle, or of any other business conducted by or in connection with Area Representative's business, or because of any act or omission of the Area Representative or anyone associated with, employed by, or affiliated with Area Representative. Area Representative shall promptly give written notice to Franchisor of any action, suit, proceeding, claim, demand, inquiry, or investigation related to the foregoing. Franchisor shall in any event have the right, through counsel of its choice at Area Representative's expense, to control the defense or response to any such action if it could affect the interests of Franchisor, and such undertaking by Franchisor shall not, in any manner or form, diminish Area Representative's obligations to Franchisor hereunder. Under no circumstances shall Franchisor be required or obligated to seek recovery from third parties or otherwise mitigate its losses in order to maintain a claim under this indemnification and against Area Representative, and the failure of Franchisor to pursue such recovery or mitigate loss will in no way reduce the amounts recoverable by Franchisor from Area Representative. Area Representative acknowledges that this Section clearly and unequivocally meets the requirements of the express negligence rule of the Texas Supreme Court and irrevocably waives any claim to the contrary. The obligations of Area Representative under this Section shall survive the termination, expiration or transfer of this Agreement, or any interest herein.

ARTICLE XVI. TERM AND RENEWAL

16.1. Initial Term. Unless sooner terminated as provided in Article XVII, the term of this Agreement shall begin on the Effective Date and shall expire ten (10) years from the Effective Date.

16.2. Renewal. Area Representative may, at its option, renew the rights under this Agreement for two (2) additional consecutive terms of five (5) years each (or such lesser number as are remaining under Area Representative's Area Representative agreement), subject to any or all of the following conditions that must, in Franchisor's discretion, be met prior to and at the time of renewal:

(a) Notice. Area Representative shall give Franchisor written notice of Area Representative's election to renew not less than one (1) year (but not more than eighteen (18) months) prior to the end of the initial term or first renewal term, as applicable;

(b) No Defaults. Area Representative shall not be in default of any provision of this Agreement, or any Area Representative Franchise Agreement; and Area Representative shall have

substantially and timely complied with all the terms and conditions of such agreements during the terms thereof;

(c) Renewal Area Representative Agreement. Area Representative and/or Controlling Principals, as applicable, shall execute Franchisor's then-current form of area representative agreement, including attachments, then being signed by new Area Representatives, provided, however, the term shall be five years and Area Representative shall pay to Franchisor, in lieu of an Area Representative fee, a renewal fee representing 10% of the then-current Population-based Fee, which agreement shall supersede this Agreement in all respects, and Area Representative shall be subject to the terms of that Area Representative Agreement;

(d) Release. Area Representative and the Controlling Principals shall execute a general release of any and all claims against Franchisor and its affiliates, and the officers, directors, shareholders, partners, agents, representatives, independent contractors, servants and employees of each of them, in their corporate and individual capacities, including, without limitation, claims arising under this Agreement, any Area Representative Franchise Agreement or under federal, state or local laws, rules, regulations or orders, in the form that Franchisor may require;

(e) Qualification and Training. Area Representative shall, at its expense, attend such training programs or refresher courses as Franchisor may request; and

(f) Development Quota. Area Representative has agreed on a new development quota and percentage of average Café gross sales for the additional term in accordance with Section 16.3.

If any of the above requirements have not been satisfied, the term of this Agreement will not be renewed and will expire at the end of the then-current term. The parties agree that Franchisor's refusal to renew if any of the above requirements has not been satisfied constitutes "good cause."

16.3. New Development Quota and Percentage of Average Café Gross Sales. Area Representative's rights under this Agreement may be renewed only if Area Representative and Franchisor have agreed on a new development quota and percentage of average Café gross sales for the renewal term at least ninety (90) days prior to expiration of the initial term or first renewal term, as applicable. If Area Representative and Franchisor do not agree on a new development quota and percentage of average Café gross sales for the renewal term within this timeframe, Area Representative may not renew its rights under this Agreement.

ARTICLE XVII. DEFAULT AND TERMINATION

17.1. Default and Automatic Termination. Area Representative shall be deemed to be in material default under this Agreement, and all rights granted herein shall automatically terminate without notice to Area Representative, if Area Representative shall become insolvent or makes a general assignment for the benefit of creditors; or if Area Representative files a voluntary petition under any section or chapter of federal bankruptcy law or under any similar law or statute of the United States or any state thereof, or admits in writing its inability to pay its debts when due; or if Area Representative is adjudicated a bankrupt or insolvent in proceedings filed against Area Representative under any section or chapter of federal bankruptcy laws or under any similar law or statute of the United States or any state; or if a bill in equity or other proceeding for the appointment of a receiver of Area Representative or other custodian for Area Representative's business or assets is filed and consented to by Area Representative; or if a receiver or other custodian (permanent or temporary) of Area Representative's assets or property, or any part thereof, is appointed by any court of competent jurisdiction; or if proceedings for a composition with creditors under any state or federal law should be instituted by or against Area Representative; or if a final judgment remains unsatisfied or of record for thirty (30) days or longer

(unless supersedeas bond is filed); or if Area Representative is dissolved; or if execution is levied against Area Representative's business or property.

17.2. Default with No or Limited Right to Cure. Area Representative shall be deemed to be in material default and Franchisor may, at its option, terminate this Agreement and all rights granted hereunder, without affording Area Representative any opportunity to cure the default, effective immediately upon notice to Area Representative, upon the occurrence of any of the following events, which are deemed to be terminations for "good cause."

(a) Training. If Area Representative (or, if Area Representative is an entity, a Controlling Principal) fails to satisfactorily complete the Area Representative Training Program and the franchisee training program, in the sole discretion of Franchisor, within 60 days after the Effective Date.

(b) Failure to Meet Development Quota or Percentage of Average Café Gross Sales. If Area Representative fails to meet the development quota set forth in Section 2.1 and on the cover page to this Agreement, or if the percentage of average annual gross sales for all Cafes (excluding Permitted Exceptions) in the Territory to average annual gross sales for all Cafes in the United States is less than the specified percentage set forth in Section 2.1 and on the cover page to this Agreement, and that failure has not been cured within 30 days after Franchisor provides Area Representative written notice of that failure.

(c) Licensing and Registration. If Area Representative fails to promptly cooperate with Franchisor in connection with obtaining any licensing, registration or permit necessary in connection with Area Representative's activities under this Agreement, or if Area Representative loses, or fails to maintain, any licensing, registration or permit necessary in connection with Area Representative's activities under this Agreement, unless, within thirty (30) days of such failure or loss, Area Representative has obtained or regained that licensing, registration or permit.

(d) Failure to Provide Information. If Area Representative fails to deliver to Franchisor, within 10 days after the Effective Date, (and thereafter, within 10 days after Franchisor's request), information and documents requested by Franchisor in connection with updating or supplementing the Franchisor's Franchise Disclosure Document with respect to Area Representative.

(e) Termination of Multiple Franchise Agreements. If more than 10% or three (whichever is greater) of the franchise agreements executed by Franchisees (other than Area Representative Franchise Agreements) are terminated.

(f) Conviction. If Area Representative or any of the Controlling Principals is convicted of, or has entered a plea of nolo contendere to, a felony or indictable offense, a crime involving moral turpitude, or any other crime or offense that Franchisor believes may adversely effect the System, the Marks, the goodwill associated therewith, or Franchisor's interests therein.

(g) Health and Safety. If Area Representative or any Controlling Principal violates any health, safety or sanitation law, rule, regulation or ordinance and fails to begin to correct such noncompliance or violation within 72 hours after Franchisor has provided notice of such noncompliance or violation to Area Representative.

(h) Failure to Maintain Operating Principal or Area Supervisor. If Area Representative fails to designate a qualified replacement or successor Operating Principal or Area Supervisor within the time required under Sections 8.2(e) and 8.3(c), respectively.

(i) Transfer Without Consent. If Area Representative or any of the Controlling Principals purports to transfer any rights or obligations under this Agreement or any interest in Area

Representative to any third party without Franchisor's prior written consent or without offering Franchisor a right of first refusal with respect to such transfer, contrary to the terms of Article XIV.

(j) Monetary Default. If Area Representative or any of its affiliates fails, refuses, or neglects promptly to pay when due any monetary obligation owing to Franchisor, or any of its affiliates or vendors, under this Agreement, any Area Representative Franchise Agreement, or any other agreement, and does not cure such default within five (5) days following notice from Franchisor (or such other cure period specified in such other agreement, unless no cure period is stated or such period is less than five (5) days, in which case the five (5) day cure period shall apply).

(k) Noncompetition. If Area Representative or any of the Controlling Principals fails to comply with the in-term covenants in Section 11.2 or Area Representative fails to obtain execution of the covenants and related agreements required under Section 11.2(g) within thirty (30) days after being requested to do so by Franchisor.

(l) Confidential Information. If, contrary to the terms of Section 11.1(a), Area Representative or any of the Controlling Principals discloses or divulges any Confidential Information provided to Area Representative or the Controlling Principals by Franchisor, or fails to obtain execution of covenants and related agreements required under Section 11.1(b) within thirty (30) days after being requested to do so by Franchisor.

(m) Transfer Upon Death or Disability. If an approved transfer upon death or permanent disability of Area Representative or any Controlling Principal is not effected within the time period and in the manner prescribed by Section 14.5.

(n) False Books. If Area Representative knowingly maintains false books or records, or submits any false reports to Franchisor.

(o) Breach of Certain Covenants. If Area Representative or any of the Controlling Principals breaches in any material respect any of the covenants set forth in Section 8.1 or has falsely made any of the representations or warranties set forth in Section 8.1.

(p) Failure to Maintain Insurance. If Area Representative fails to procure and maintain such insurance policies as required by Article XIII and Area Representative fails to cure such default within seven (7) days following notice from Franchisor.

(q) Fraud or Conduct Affecting the Marks. If Area Representative or any of the Controlling Principals commits fraud in connection with the purchase of the rights under this Agreement or otherwise conducts its business in a manner or engages in conduct that, in the sole judgment of Franchisor, may impair the goodwill or reputation of Franchisor, the System or the Marks.

(r) Violation of Law. If Area Representative or any of the Controlling Principals engages in any conduct that violates any law, regulation or ordinance or commits an act of moral turpitude.

(s) Misuse of Marks. If Area Representative misuses or makes any unauthorized use of the Marks, fails to follow Franchisor's directions and guidelines concerning use of the Marks, or otherwise materially impairs the goodwill associated therewith or with the System or Franchisor's rights therein; and does not cure such default within twenty-four (24) hours following notice from Franchisor.

(t) Cross Default. If Area Representative or any of its affiliates are in default under any Area Representative Franchise Agreement and does not cure such default within the time period provided in such Area Representative Franchise Agreement.

(u) Contact with Nestle. If Area Representative or any of and Area Representative's Principals and Area Representative's employees contact Nestle without written permission from Franchisor.

(v) Multiple Defaults. If Area Representative and/or the Controlling Principals commit three (3) or more events of default under this Agreement, or any other agreement between Area Representative or any of its affiliates and Franchisor or any of its affiliates, in any 24 month period, whether or not such defaults are of the same or different nature and whether or not such defaults have been cured by Area Representative after notice by Franchisor.

17.3. Default and Right to Cure. Except as provided in Sections 17.1 and 17.2 of this Agreement, upon any default by Area Representative that is susceptible of being cured, Franchisor may terminate this Agreement by giving written notice of termination stating the nature of such default to Area Representative at least thirty (30) days prior to the effective date of termination. However, Area Representative may avoid termination by immediately initiating a remedy to cure such default and curing it to Franchisor's satisfaction within the thirty (30)-day period and by promptly providing proof thereof to Franchisor. If any such default is not cured within the specified time, or such longer period as applicable law may require, this Agreement shall terminate without further notice to Area Representative effective immediately upon the expiration of the thirty (30)-day period or such longer period as applicable law may require. Defaults that are susceptible of cure hereunder may include, but are not limited to, the following illustrative events:

(a) If Area Representative fails to comply with any of the requirements imposed by this Agreement, as it may from time to time be amended or reasonably be supplemented by Franchisor, or fails to carry out the terms of this Agreement in good faith.

(b) If Area Representative fails to maintain or observe any of the standards, specifications or procedures prescribed by Franchisor in this Agreement or otherwise in writing.

(c) If Area Representative fails, refuses, or neglects to obtain Franchisor's prior written approval or consent as required by this Agreement.

ARTICLE XVIII. POST-TERMINATION

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

18.1. Cease Operation. Area Representative shall immediately cease to operate as an Area Representative under this Agreement, shall immediately refrain from marketing franchises and acting on Franchisor's behalf in connection with its communications with Franchisees and all other persons, and shall not thereafter, directly or indirectly, represent to the public or hold itself out as a present or former Area Representative of Franchisor.

18.2. Goodwill. All goodwill associated with Area Representative's operations is, and will be, the property of Franchisor, and Area Representative will receive no payment therefor.

18.3. Payment of Fees. Area Representative will receive no further payments pursuant to Article VI.

18.4. Payment of Monetary Obligations. Area Representative and its Controlling Principals shall promptly pay all sums owing to Franchisor and its affiliates from Area Representative or its affiliates. Such sums shall include all damages, costs and expenses, including reasonable attorneys' fees, incurred by Franchisor as a result of any default by Area Representative.

18.5. Payment of Damages. Area Representative and the Controlling Principals shall pay to Franchisor all damages, costs and expenses, including reasonable attorneys' fees, incurred by Franchisor in connection with obtaining any remedy available to Franchisor for any violation of this Agreement and, subsequent to the termination or expiration of this Agreement, in obtaining injunctive or other relief for the enforcement of any provisions of this Article.

18.6. Return of AR Manual. Area Representative shall immediately deliver to Franchisor the AR Manual, training materials, and all records, files, instructions, correspondence, and other materials related to the AR Business or Cafes in the Territory, and all copies thereof (all of which are acknowledged to be Franchisor's property), and shall retain no copy or record of any of the foregoing, except Area Representative's copy of this Agreement and of any correspondence between the parties and any other documents that Area Representative reasonably needs for compliance with any provision of law.

18.7. Confidentiality and Noncompetition. Area Representative and the Controlling Principals shall comply with the restrictions on Confidential Information contained in Article XI and shall also comply with the non-competition covenants contained in Article XI. Any other person required to execute similar covenants pursuant to Article XI shall also comply with such covenants.

18.8. Advertising Materials. Area Representative shall also immediately furnish Franchisor an itemized list of all advertising and sales promotion materials bearing the Marks or any of Franchisor's distinctive markings, designs, labels, or other marks thereon, under Area Representative's control. Franchisor shall have the right to inspect these materials. Franchisor shall have the option, exercisable within thirty (30) days after such inspection, to purchase any or all of the materials at Area Representative's cost, or to require Area Representative to destroy and properly dispose of such materials. Materials not purchased by Franchisor shall not be utilized by Area Representative or any other party for any purpose unless authorized in writing by Franchisor.

ARTICLE XIX. MISCELLANEOUS

19.1. Notices. Any and all notices required or permitted under this Agreement shall be in writing and shall be personally delivered or sent by expedited delivery service or certified or registered mail, return receipt requested, first-class postage prepaid, or sent by prepaid facsimile or email (provided that the sender confirms the facsimile or email by sending an original confirmation copy by certified or registered mail or expedited delivery service within three (3) business days after transmission) to the respective parties at the following address for Franchisor and at the address set forth on the cover page of this Agreement for Area Representative and Controlling Principals unless and until a different address has been designated by written notice to the other party:

Notices to Franchisor: Crest Foods, Inc.
101 West Renner Road
Suite 240
Richardson, Texas 75082
Attention: President
Facsimile: (214) 239-3091
Email: president@nestlecafe.com

Any notice shall be deemed to have been given at the time of personal delivery or, in the case of facsimile or email, upon transmission (provided confirmation is sent as described above) or, in the case of expedited delivery service or registered or certified mail, three (3) business days after the date and time of mailing.

19.2. Entire Agreement. This Agreement, the documents referred to herein, and the Attachments hereto, constitute the entire, full and complete agreement between Franchisor and Area Representative and the Controlling Principals concerning the subject matter hereof and shall supersede all prior related agreements, representations, understandings, negotiations and discussions, whether oral or written, of Franchisor, Area Representative and the Controlling Principals. Notwithstanding the foregoing, nothing in this Agreement, the documents referred to herein or the Attachments hereto is intended to disclaim the representations made by Franchisor in the Franchise Disclosure Document provided to Area Representative in connection with this Agreement.

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

19.4. No Waiver. No delay, waiver, omission or forbearance on the part of Franchisor to exercise any right, option, duty or power arising out of any breach or default by Area Representative or the Controlling Principals under this Agreement shall constitute a waiver by Franchisor to enforce any such right, option, duty or power against Area Representative or the Controlling Principals, or as to a subsequent breach or default by Area Representative or the Controlling Principals. Acceptance by Franchisor of any payments due to it hereunder subsequent to the time at which such payments are due shall not be deemed to be a waiver by Franchisor of any preceding breach by Area Representative or the Controlling Principals of any terms, provisions, covenants or conditions of this Agreement.

19.5. Approvals or Consents. Whenever this Agreement requires the prior approval or consent of Franchisor, Area Representative shall make a timely written request to Franchisor, and such approval or consent shall be obtained in writing.

19.6. No Warranties. Franchisor makes no warranties or guarantees upon which Area Representative may rely and assumes no liability or obligation to Area Representative or any third party to which it would not otherwise be subject, by providing any waiver, approval, advice, consent or suggestion to Area Representative in connection with this Agreement, or by reason of any neglect, delay or denial of any request therefor.

19.7. MEDIATION. THE PARTIES AGREE TO SUBMIT ANY CLAIM, CONTROVERSY OR DISPUTE ARISING OUT OF OR RELATING TO THIS AGREEMENT (AND ATTACHMENTS) OR THE RELATIONSHIP CREATED BY THIS AGREEMENT TO NON-BINDING MEDIATION PRIOR TO BRINGING SUCH CLAIM, CONTROVERSY OR DISPUTE IN A COURT OR BEFORE ANY OTHER TRIBUNAL. THE MEDIATION SHALL BE CONDUCTED THROUGH EITHER AN INDIVIDUAL MEDIATOR OR A MEDIATOR APPOINTED BY A MEDIATION SERVICES ORGANIZATION OR BODY, EXPERIENCED IN THE MEDIATION OF DISPUTES BETWEEN FRANCHISORS AND AREA REPRESENTATIVES, AGREED UPON BY THE PARTIES AND, FAILING SUCH AGREEMENT WITHIN A REASONABLE PERIOD OF TIME AFTER EITHER PARTY HAS NOTIFIED THE OTHER OF ITS DESIRE TO SEEK MEDIATION OF ANY CLAIM, CONTROVERSY OR DISPUTE (NOT TO EXCEED FIFTEEN (15) DAYS), BY THE AMERICAN ARBITRATION ASSOCIATION IN ACCORDANCE WITH ITS RULES GOVERNING MEDIATION, AT FRANCHISOR'S CORPORATE HEADQUARTERS IN DALLAS, TEXAS. THE COSTS AND EXPENSES OF MEDIATION, INCLUDING COMPENSATION AND EXPENSES OF THE MEDIATOR (AND EXCEPT FOR THE ATTORNEYS FEES INCURRED BY EITHER PARTY),

SHALL BE BORNE BY THE PARTIES EQUALLY. IF THE PARTIES ARE UNABLE TO RESOLVE THE CLAIM, CONTROVERSY OR DISPUTE WITHIN NINETY (90) DAYS AFTER THE MEDIATOR HAS BEEN CHOSEN, THEN THE MATTER SHALL BE SUBMITTED TO ARBITRATION IN ACCORDANCE WITH SECTION 19.8 TO RESOLVE SUCH CLAIM, CONTROVERSY OR DISPUTE UNLESS SUCH TIME PERIOD IS EXTENDED BY WRITTEN AGREEMENT OF THE PARTIES. NOTWITHSTANDING THE FOREGOING, FRANCHISOR MAY BRING AN ACTION (1) FOR MONIES OWED, (2) FOR INJUNCTIVE OR OTHER EXTRAORDINARY RELIEF, OR (3) INVOLVING THE POSSESSION OR DISPOSITION OF, OR OTHER RELIEF RELATING TO, REAL PROPERTY IN A COURT HAVING JURISDICTION AND IN ACCORDANCE WITH SECTION 19.9, WITHOUT FIRST SUBMITTING SUCH ACTION TO MEDIATION OR ARBITRATION.

19.8. ARBITRATION.

(a) PROCEDURE. EXCEPT AS PROVIDED IN THIS AGREEMENT, FRANCHISOR, AREA REPRESENTATIVE AND THE CONTROLLING PRINCIPALS AGREE THAT ANY CLAIM, CONTROVERSY OR DISPUTE ARISING OUT OF OR RELATING TO THE AR BUSINESS OR THIS AGREEMENT (AND ANY AMENDMENTS THERETO) INCLUDING, BUT NOT LIMITED TO, ANY CLAIM BY AREA REPRESENTATIVE, OR ANY OF THE CONTROLLING PRINCIPALS, OR PERSONS CLAIMING ON BEHALF OF AREA REPRESENTATIVE OR THE CONTROLLING PRINCIPALS, CONCERNING THE ENTRY INTO, THE PERFORMANCE UNDER OR THE TERMINATION OF THIS AGREEMENT, OR ANY OTHER AGREEMENT BETWEEN FRANCHISOR, OR ITS AFFILIATES, AND AREA REPRESENTATIVE, ANY CLAIM AGAINST A PAST OR PRESENT OFFICER, DIRECTOR, EMPLOYEE OR AGENT OF FRANCHISOR, INCLUDING THOSE OCCURRING SUBSEQUENT TO THE TERMINATION OF THIS AGREEMENT, THAT CANNOT BE AMICABLY SETTLED AMONG THE PARTIES OR THROUGH MEDIATION SHALL, EXCEPT AS SPECIFICALLY SET FORTH HEREIN AND IN SECTION 19.9, BE REFERRED TO ARBITRATION. THE ARBITRATION SHALL BE CONDUCTED THROUGH AN ORGANIZATION OR BODY EXPERIENCED IN THE ARBITRATION OF DISPUTES BETWEEN FRANCHISORS AND AREA REPRESENTATIVES DESIGNATED BY FRANCHISOR. IF FRANCHISOR FAILS TO DESIGNATE AN ORGANIZATION OR BODY WITHIN A REASONABLE TIME AFTER THE DISPUTE HAS BEEN REFERRED FOR ARBITRATION (NOT TO EXCEED FIFTEEN (15) DAYS), ARBITRATION SHALL BE CONDUCTED BY THE AMERICAN ARBITRATION ASSOCIATION IN ACCORDANCE WITH THE RULES OF THE AMERICAN ARBITRATION ASSOCIATION, AS AMENDED, EXCEPT THAT THE ARBITRATOR SHALL APPLY THE FEDERAL RULES OF EVIDENCE DURING THE CONDUCT OF THE HEARING SESSIONS WITH RESPECT TO THE ADMISSIBILITY OF EVIDENCE. IF SUCH RULES ARE IN ANY WAY CONTRARY TO OR IN CONFLICT WITH THIS AGREEMENT, THE TERMS OF THIS AGREEMENT SHALL CONTROL. ONLY CLAIMS, CONTROVERSIES OR DISPUTES INVOLVING AREA REPRESENTATIVE AND THE CONTROLLING PRINCIPALS MAY BE BROUGHT HEREUNDER. NO CLAIM FOR OR ON BEHALF OF ANY OTHER AREA REPRESENTATIVE, FRANCHISEE OR SUPPLIER, OR CLASS, REPRESENTATIVE OR ASSOCIATION THEREOF, MAY BE BROUGHT BY AREA REPRESENTATIVE OR THE CONTROLLING PRINCIPALS HEREUNDER.

(b) ARBITRATOR. THE PARTIES SHALL AGREE ON AN ARBITRATOR WITHIN FIFTEEN(15) DAYS OF THE FILING OF ARBITRATION. IF THE PARTIES CANNOT AGREE ON A SINGLE ARBITRATOR, FRANCHISOR AND AREA REPRESENTATIVE (OR CONTROLLING PRINCIPAL, AS APPLICABLE) SHALL EACH SELECT ONE ARBITRATOR. IF THE PARTY UPON WHOM THE DEMAND FOR ARBITRATION IS SERVED FAILS TO SELECT AN ARBITRATOR WITHIN FIFTEEN (15) DAYS AFTER THE RECEIPT OF THE DEMAND FOR ARBITRATION, THEN THE ARBITRATOR SO DESIGNATED BY THE PARTY REQUESTING

ARBITRATION SHALL ACT AS THE SOLE ARBITRATOR TO RESOLVE THE CONTROVERSY AT HAND. THE TWO ARBITRATORS DESIGNATED BY THE PARTIES SHALL SELECT A THIRD ARBITRATOR. IF THE TWO ARBITRATORS DESIGNATED BY THE PARTIES FAIL TO SELECT A THIRD ARBITRATOR WITHIN FIFTEEN (15) DAYS, THE THIRD ARBITRATOR SHALL BE SELECTED BY THE ORGANIZATION AGREED UPON OR THE AMERICAN ARBITRATION ASSOCIATION OR ANY SUCCESSOR THERETO, UPON APPLICATION BY EITHER PARTY. ALL OF THE ARBITRATORS SHALL BE EXPERIENCED IN THE ARBITRATION OF DISPUTES BETWEEN FRANCHISORS AND AREA REPRESENTATIVES. THE ARBITRATION SHALL TAKE PLACE AT FRANCHISOR'S CORPORATE OFFICES. THE AWARD OF THE ARBITRATORS SHALL BE FINAL AND JUDGMENT UPON THE AWARD RENDERED IN ARBITRATION MAY BE ENTERED IN ANY COURT HAVING JURISDICTION THEREOF. THE COSTS AND EXPENSES OF ARBITRATION MAY BE ENTERED IN ANY COURT HAVING JURISDICTION THEREOF. THE ARBITRATORS SHALL BE REQUIRED TO SUBMIT WRITTEN FINDINGS OF FACT AND CONCLUSIONS OF LAW WITHIN THIRTY (30) BUSINESS DAYS FOLLOWING THE FINAL HEARING SESSION OF THE ARBITRATION. THE COSTS AND EXPENSES OF ARBITRATION, INCLUDING COMPENSATION AND EXPENSES OF THE ARBITRATORS, SHALL BE BORNE BY THE PARTIES AS THE ARBITRATORS DETERMINE.

(c) EXCEPTIONS. NOTWITHSTANDING THE ABOVE, THE FOLLOWING SHALL NOT BE SUBJECT TO ARBITRATION:

(i) DISPUTES AND CONTROVERSIES ARISING FROM THE SHERMAN ACT, THE CLAYTON ACT OR ANY OTHER FEDERAL OR STATE ANTITRUST LAW; AND

(ii) DISPUTES AND CONTROVERSIES BASED UPON OR ARISING UNDER THE LANHAM ACT, AS NOW OR HEREAFTER AMENDED, RELATING TO THE OWNERSHIP OR VALIDITY OF THE MARKS.

(d) SPECIFIC PERFORMANCE. IF FRANCHISOR SHALL DESIRE TO SEEK SPECIFIC PERFORMANCE OR OTHER EXTRAORDINARY RELIEF INCLUDING, BUT NOT LIMITED TO, INJUNCTIVE RELIEF UNDER THIS AGREEMENT, AND ANY AMENDMENTS THERETO, OR TO COLLECT MONIES DUE, THEN ANY SUCH ACTION SHALL NOT BE SUBJECT TO ARBITRATION AND FRANCHISOR SHALL HAVE THE RIGHT TO BRING SUCH ACTION AS DESCRIBED IN SECTION 19.9.

(e) LIMITS ON ARBITRATOR. IN PROCEEDING WITH ARBITRATION AND IN MAKING DETERMINATIONS HEREUNDER, THE ARBITRATORS SHALL NOT EXTEND, MODIFY OR SUSPEND ANY TERMS OF THIS AGREEMENT OR THE REASONABLE STANDARDS OF BUSINESS PERFORMANCE AND OPERATION ESTABLISHED BY FRANCHISOR IN GOOD FAITH. NOTICE OF OR REQUEST TO OR DEMAND FOR ARBITRATION SHALL NOT STAY, POSTPONE OR RESCIND THE EFFECTIVENESS OF ANY TERMINATION OF THIS AGREEMENT. THE ARBITRATORS SHALL APPLY TEXAS LAW AND THE TERMS OF THIS AGREEMENT IN REACHING THEIR DECISION.

19.9. VENUE. WITH RESPECT TO ANY CLAIMS, CONTROVERSIES OR DISPUTES THAT ARE NOT FINALLY RESOLVED THROUGH MEDIATION OR ARBITRATION, OR AS OTHERWISE PROVIDED ABOVE, AREA REPRESENTATIVE AND THE CONTROLLING PRINCIPALS HEREBY IRREVOCABLY SUBMIT THEMSELVES TO THE JURISDICTION OF THE STATE COURTS OF DALLAS COUNTY, TEXAS AND THE FEDERAL DISTRICT COURT FOR THE NORTHERN DISTRICT OF TEXAS, DALLAS DIVISION. AREA REPRESENTATIVE

AND THE CONTROLLING PRINCIPALS HEREBY WAIVE ALL QUESTIONS OF PERSONAL JURISDICTION FOR THE PURPOSE OF CARRYING OUT THIS PROVISION. AREA REPRESENTATIVE AND THE CONTROLLING PRINCIPALS HEREBY AGREE THAT SERVICE OF PROCESS MAY BE MADE UPON ANY OF THEM IN ANY PROCEEDING RELATING TO OR ARISING OUT OF THIS AGREEMENT OR THE RELATIONSHIP CREATED BY THIS AGREEMENT BY ANY MEANS ALLOWED BY TEXAS OR FEDERAL LAW. AREA REPRESENTATIVE AND THE CONTROLLING PRINCIPALS FURTHER AGREE THAT VENUE FOR ANY PROCEEDING RELATING TO OR ARISING OUT OF THIS AGREEMENT SHALL BE DALLAS COUNTY, TEXAS; PROVIDED, HOWEVER, WITH RESPECT TO ANY ACTION (1) FOR MONIES OWED, (2) FOR INJUNCTIVE OR OTHER EXTRAORDINARY RELIEF OR (3) INVOLVING POSSESSION OR DISPOSITION OF, OR OTHER RELIEF RELATING TO, REAL PROPERTY, FRANCHISOR MAY BRING SUCH ACTION IN ANY STATE OR FEDERAL DISTRICT COURT THAT HAS JURISDICTION. THIS AGREEMENT WAS EXECUTED AND ACCEPTED AT FRANCHISOR'S PLACE OF BUSINESS IN DALLAS COUNTY, TEXAS. THE PARTIES ANTICIPATE THAT THE PERFORMANCE OF CERTAIN OF AREA REPRESENTATIVE'S OBLIGATIONS ARISING UNDER THIS AGREEMENT, INCLUDING THE PAYMENT OF CERTAIN MONIES DUE FRANCHISOR AND THE SATISFACTION OF CERTAIN TRAINING REQUIREMENTS OF FRANCHISOR, SHALL OCCUR IN DALLAS COUNTY, TEXAS.

19.10. GOVERNING LAW. EXCEPT TO THE EXTENT GOVERNED BY THE UNITED STATES TRADEMARK ACT OF 1946 (LANHAM ACT, 15 U.S.C. §§1051 ET. SEQ.), THIS AGREEMENT SHALL FOR ALL PURPOSES BE GOVERNED BY AND INTERPRETED AND ENFORCED IN ACCORDANCE WITH THE INTERNAL LAWS OF THE STATE OF TEXAS, EXCEPT THAT ITS CHOICE OF LAW AND CONFLICT OF LAW RULES SHALL NOT APPLY. NOTWITHSTANDING THE ABOVE, AREA REPRESENTATIVE AND THE CONTROLLING PRINCIPALS AGREE THAT THE TEXAS BUSINESS OPPORTUNITY ACT AND THE TEXAS DECEPTIVE TRADE PRACTICE ACT (AND ANY SUCCESSOR LAWS, RULES OR REGULATIONS THERETO) DO NOT APPLY TO THE TRANSACTIONS CONTEMPLATED BY THIS AGREEMENT.

WAIVER OF CONSUMER RIGHTS

I WAIVE MY RIGHTS UNDER THE DECEPTIVE TRADE PRACTICES-CONSUMER PROTECTION ACT, SECTION 17.41 ET SEQ., BUSINESS & COMMERCE CODE, A LAW THAT GIVES CONSUMERS SPECIAL RIGHTS AND PROTECTIONS. AFTER CONSULTATION WITH AN ATTORNEY OF MY OWN SELECTION, I VOLUNTARILY CONSENT TO THIS WAIVER.

19.11. MUTUAL BENEFIT. AREA REPRESENTATIVE, THE CONTROLLING PRINCIPALS AND FRANCHISOR ACKNOWLEDGE THAT THE PARTIES AGREEMENT REGARDING APPLICABLE STATE LAW AND FORUM SET FORTH IN SECTIONS 19.10 AND 19.11 PROVIDE EACH OF THE PARTIES WITH THE MUTUAL BENEFIT OF UNIFORM INTERPRETATION OF THIS AGREEMENT AND ANY DISPUTE ARISING OUT OF THIS AGREEMENT OR THE PARTIES' RELATIONSHIP CREATED BY THIS AGREEMENT. EACH OF AREA REPRESENTATIVE, THE CONTROLLING PRINCIPALS AND FRANCHISOR FURTHER ACKNOWLEDGES THE RECEIPT AND SUFFICIENCY OF MUTUAL CONSIDERATION FOR SUCH BENEFIT AND THAT EACH PARTY'S AGREEMENT REGARDING APPLICABLE STATE LAW AND CHOICE OF FORUM HAVE BEEN NEGOTIATED FOR IN GOOD FAITH AND ARE PART OF THE BENEFIT OF THE BARGAIN REFLECTED BY THIS AGREEMENT.

19.12. DISPUTE RESOLUTION PROGRAM. WITHOUT LIMITING ANY OF THE FOREGOING, FRANCHISOR RESERVES THE RIGHT, AT ANY TIME, TO CREATE A DISPUTE

RESOLUTION PROGRAM AND RELATED SPECIFICATIONS, STANDARDS, PROCEDURES AND RULES FOR THE IMPLEMENTATION THEREOF TO BE ADMINISTERED BY FRANCHISOR OR ITS DESIGNEES FOR THE BENEFIT OF ALL AREA REPRESENTATIVES CONDUCTING BUSINESS UNDER THE SYSTEM. THE STANDARDS, SPECIFICATIONS, PROCEDURES AND RULES FOR SUCH DISPUTE RESOLUTION PROGRAM SHALL BE MADE PART OF THE AR MANUAL AND IF MADE PART OF THE AR MANUAL, ON EITHER A VOLUNTARY OR MANDATORY BASIS, AREA REPRESENTATIVE SHALL COMPLY WITH ALL SUCH STANDARDS, SPECIFICATIONS, PROCEDURES AND RULES IN SEEKING RESOLUTION OF ANY CLAIMS, CONTROVERSIES OR DISPUTES WITH OR INVOLVING FRANCHISOR OR OTHER AREA REPRESENTATIVES, IF APPLICABLE UNDER THE PROGRAM. IF SUCH DISPUTE RESOLUTION PROGRAM IS MADE MANDATORY, THEN AREA REPRESENTATIVE AND FRANCHISOR AGREE TO SUBMIT ANY CLAIMS, CONTROVERSIES OR DISPUTES ARISING OUT OF OR RELATING TO THIS AGREEMENT (AND ATTACHMENTS) OR THE RELATIONSHIP CREATED BY THIS AGREEMENT FOR RESOLUTION IN ACCORDANCE WITH SUCH DISPUTE RESOLUTION PROGRAM PRIOR TO SEEKING RESOLUTION OF SUCH CLAIMS, CONTROVERSIES OR DISPUTES IN THE MANNER DESCRIBED IN SECTIONS 19.7 – 19.9 (PROVIDED THAT THE PROVISIONS OF SECTION 19.9 CONCERNING FRANCHISOR'S RIGHT TO SEEK RELIEF IN A COURT FOR CERTAIN ACTIONS INCLUDING FOR INJUNCTIVE OR OTHER EXTRAORDINARY RELIEF SHALL NOT BE SUPERSEDED OR AFFECTED BY THIS SECTION) OR IF SUCH CLAIM, CONTROVERSY OR DISPUTE RELATES TO ANOTHER AREA REPRESENTATIVE, AREA REPRESENTATIVE AGREES TO PARTICIPATE IN THE PROGRAM AND SUBMIT ANY SUCH CLAIMS, CONTROVERSIES OR DISPUTES IN ACCORDANCE WITH THE PROGRAM'S STANDARDS, SPECIFICATIONS, PROCEDURES AND RULES, PRIOR TO SEEKING RESOLUTION OF SUCH CLAIM BY ANY OTHER JUDICIAL OR LEGALLY AVAILABLE MEANS.

19.13. WAIVER OF CERTAIN DAMAGES. EXCEPT WITH RESPECT TO AREA REPRESENTATIVE'S AND EACH CONTROLLING PRINCIPAL'S OBLIGATION TO INDEMNIFY FRANCHISOR PURSUANT TO SECTION 15.5 AND CLAIMS FRANCHISOR BRINGS FOR AREA REPRESENTATIVE'S UNAUTHORIZED USE OF THE MARKS OR UNAUTHORIZED USE OR DISCLOSURE OF ANY CONFIDENTIAL INFORMATION, THE PARTIES WAIVE, TO THE FULLEST EXTENT PERMITTED BY LAW, ANY RIGHT TO OR CLAIM FOR ANY PUNITIVE, EXEMPLARY, INCIDENTAL, INDIRECT, SPECIAL, CONSEQUENTIAL OR OTHER DAMAGES (INCLUDING, WITHOUT LIMITATION, LOSS OF PROFITS) AGAINST THE OTHER AND AGREES THAT IN THE EVENT OF A DISPUTE, EACH PARTY SHALL BE LIMITED TO EQUITABLE RELIEF AND TO RECOVERY OF ANY ACTUAL DAMAGES SUSTAINED BY IT; PROVIDED, HOWEVER THAT FRANCHISOR SHALL HAVE THE RIGHT TO RECOVER LOST PROFITS IN THE EVENT OF A PREMATURE TERMINATION OF THIS AGREEMENT BASED ON AREA REPRESENTATIVE'S MATERIAL DEFAULT.

19.14. Counterparts. This Agreement may be executed in multiple counterparts, each of which when so executed shall be an original, and all of which shall constitute one and the same instrument.

19.15. Headings. The captions used in connection with the sections and subsections of this Agreement are inserted only for purpose of reference. Such captions shall not be deemed to govern, limit, modify or in any other manner affect the scope, meaning or intent of the provisions of this Agreement or any part thereof nor shall such captions otherwise be given any legal effect.

19.16. Survival. Any obligation of Area Representative or the Controlling Principals that contemplates performance of such obligation after termination or expiration of this Agreement or the

transfer of any interest of Area Representative or the Controlling Principals therein, shall be deemed to survive such termination, expiration or transfer.

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

19.18. Construction. All references herein to the masculine, neuter or singular shall be construed to include the masculine, feminine, neuter or plural, where applicable. Without limiting the obligations individually undertaken by the Controlling Principals under this Agreement, all acknowledgments, promises, covenants, agreements and obligations made or undertaken by Area Representative in this Agreement shall be deemed, jointly and severally, undertaken by all of the Controlling Principals.

19.19. Remedies. All rights and remedies of the parties to this Agreement shall be cumulative and not alternative, in addition to and not exclusive of any other rights or remedies that are provided for herein or that may be available at law or in equity in case of any breach, failure or default or threatened breach, failure or default of any term, provision or condition of this Agreement or any other agreement between Area Representative or any of its affiliates and Franchisor or any of its affiliates. The rights and remedies of the parties to this Agreement shall be continuing and shall not be exhausted by any one or more uses thereof, and may be exercised at any time or from time to time as often as may be expedient; and any option or election to enforce any such right or remedy may be exercised or taken at any time and from time to time. The expiration, earlier termination or exercise of Franchisor's rights pursuant to Article XVII shall not discharge or release Area Representative or any of the Controlling Principals from any liability or obligation then accrued, or any liability or obligation continuing beyond, or arising out of, the expiration, the earlier termination or the exercise of such rights under this Agreement.

19.20. Area Representative's Principals and Controlling Principals. The term "Area Representative's Principals" shall include, collectively and individually, Area Representative's spouse, if Area Representative is an individual, all officers and directors of Area Representative (including the officers and directors of any entity that controls Area Representative) whom Franchisor designates as Area Representative's Principals and all holders of an ownership interest in Area Representative and of any entity directly or indirectly controlling Area Representative, and any other person or entity controlling, controlled by or under common control with Area Representative. The initial Area Representative's Principals shall be listed on the cover page to this Agreement. The term "Controlling Principals" shall include, collectively and individually, any Area Representative's Principal who has been designated by Franchisor as a Controlling Principal hereunder. The initial Controlling Principals shall be listed on the cover page to this Agreement.

19.21. Legal Entities. Each reference to the organizational documents, equity owners, directors, and officers of a corporation in this Agreement shall be deemed to refer to the functional equivalents of such organizational documents, equity owners, directors, and officers, as applicable, in the case of any other entity.

19.22. No Third-Party Beneficiaries. Except as expressly provided to the contrary herein, nothing in this Agreement is intended, nor shall be deemed, to confer upon any person or legal entity other than Area Representative, Franchisor, Franchisor's officers, directors and personnel and such of Area Representative's and Franchisor's respective successors and assigns as may be contemplated (and, as to Area Representative, authorized by Article XV), any rights or remedies under or as a result of this Agreement.

19.23. Delegation by Franchisor. From time to time, Franchisor shall have the right to delegate the performance of any portion or all of its obligations and duties under this Agreement to third parties, whether the same are agents or affiliates of Franchisor or independent contractors with which Franchisor has contracted to provide such services. Area Representative agrees in advance to any such delegation by Franchisor or any portion or all of its obligations under this Agreement.

19.24. Terrorist and Money Laundering Activities. Area Representative and its Controlling Principals represent and warrant to Franchisor (i) that neither Area Representative nor any Area Representative's Principals is identified, either by name or an alias, pseudonym or nickname, on the list of "Specially Designated Nationals or "Blocked Persons" (the "SDN List") maintained by the U.S. Treasury Department's Office of Foreign Assets Control ("OFAC") (the list is currently available at <http://www.treasury.gov/resource-center/sanctions/SDN-List/Pages/default.aspx>); (ii) that neither Area Representative nor any Area Representative's Principals is directly or indirectly owned or controlled by the government of any country that is subject to a United States sanction administered by OFAC or by any person or entity on the SDN List; (iii) that neither Area Representative nor any Area Representative's Principals acts or will act directly or indirectly on behalf of the government of any country, person or entity that is subject to a United States sanction; and (iv) that Area Representative and Area Representative's Principals are in full compliance with all laws proscribing money laundering and corrupt practices. Further, Area Representative and its Controlling Principals represent and warrant that neither Area Representative nor any Area Representative's Principals referred to above have violated and agree not to violate any law prohibiting corrupt business practices, money laundering or the aid or support of Persons who conspire to commit acts of terror against any Person or government, including acts prohibited by the USA Patriot Act (text currently available at <http://www.gpo.gov/fdsys/pkg/PLAW-107publ56/pdf/PLAW-107publ56.pdf>), various U.S. Executive Orders, and OFAC Sanctions regulations (text currently at <http://www.treasury.gov/resource-center/sanctions/Programs/Pages/terror.aspx>), or any similar law. The foregoing constitute continuing representations and warranties, and Area Representative and its Controlling Principals shall immediately notify Franchisor in writing of the occurrence of any event or the development of any circumstance that might render any of the foregoing representations and warranties false, inaccurate or misleading.

ARTICLE XX. ACKNOWLEDGMENTS

20.1. Independent Investigation. Area Representative and the Controlling Principals acknowledge that they have conducted an independent investigation of the business venture contemplated by this Agreement and recognize that the success of this business venture involves substantial business risks and will largely depend upon the ability of Area Representative and the Controlling Principals.

20.2. Representations and Warranties. Franchisor expressly disclaims making, and Area Representative and the Controlling Principals acknowledge that they have not received or relied on, any oral or written representation, warranty, guarantee or promise, express or implied, as to the potential volume, profits or success of the business venture contemplated by this Agreement. Area Representative and the Controlling Principals confirm and acknowledge that no written or oral agreements, promises, commitments, undertakings, or understandings were made to or with Area Representative or the Controlling Principals that are not expressly set forth in this Agreement, and duly executed amendment, attachment or addendum to this Agreement and in the Franchise Disclosure Document provided to Area

Representative in connection with this Agreement. Area Representative and the Controlling Principals confirm and acknowledge that no representation, warranty, guaranty or promise, other than those expressly set forth in this Agreement and in the Franchise Disclosure Document provided to Area Representative in connection with this Agreement was made by Franchisor or any other person to induce Area Representative to execute this Agreement. Notwithstanding the foregoing, nothing in this Agreement, the documents referred to herein or the Attachments hereto is intended to disclaim the representations made by Franchisor in the Franchise Disclosure Document provided to Area Representative in connection with this Agreement.

20.3. Review and Understanding. Area Representative and the Controlling Principals acknowledge that they have received, read and understand this Agreement and the related Attachments and agreements and that Franchisor has afforded Area Representative and the Controlling Principals sufficient time and opportunity to consult with advisors selected by them about the potential benefits and risks of entering into this Agreement.

20.4. No Fiduciary Relationship. Area Representative and the Controlling Principals acknowledge and agree that this Agreement creates an arm's length commercial relationship that cannot and shall not be transformed into a fiduciary or other "special" relationship by course of dealing, by any special indulgences or benefits that Franchisor bestows on Area Representative, or by inference from a party's conduct.

20.5. No Side Deals. Area Representative and the Controlling Principals acknowledge and agree that there are no promises, commitments, "side deals," options, rights of first refusal, or other rights or obligations in connection with this Agreement.

20.6. Receipt of Documents. Area Representative and the Controlling Principals acknowledge that they received (i) a complete copy of this Agreement and all related Attachments and agreements, with all blanks filled in, at least seven (7) calendar days prior to the date on which this Agreement was executed, and (ii) the Franchise Disclosure Document required by the Trade Regulation Rule of the Federal Trade Commission entitled "Disclosure Requirements and Prohibitions Concerning Franchising" at least fourteen (14) calendar days prior to the date on which this Agreement was executed, as further evidenced on the cover page of this Agreement.

[Signature page follows]

IN WITNESS WHEREOF, the parties hereto have duly executed and delivered this Agreement as of the date first above written.

FRANCHISOR:

CREST FOODS, INC.

By: _____

Name: _____

Title: _____

AREA REPRESENTATIVE:

By: _____

Name: _____

Title: _____

CONTROLLING PRINCIPALS GUARANTY AND COVENANT

This Controlling Principals Guaranty and Covenant (this "Guaranty") is given by each of the undersigned (each a "Guarantor") on _____, 20__ to Crest Foods, Inc., a Texas corporation ("Franchisor"), in order to induce Franchisor to enter into that certain Area Representative Agreement dated of even date herewith (the "Area Representative Agreement") with _____ ("Area Representative").

Guarantor acknowledges that Guarantor has read the terms and conditions of the Area Representative Agreement and acknowledges that the execution of this Guaranty and the undertakings of the Controlling Principals herein and in the Area Representative Agreement are in partial consideration for, and a condition to the granting of, the rights granted in the Area Representative Agreement, and that Franchisor would not have granted these rights without the execution of this Guaranty by Guarantor.

Guarantor acknowledges that Guarantor is included in the term "Controlling Principals" as described in Section 19.20 of the Area Representative Agreement.

Guarantor hereby individually makes, agrees to be bound by, and agrees to perform, all of the covenants, representations, warranties and agreements of the Controlling Principals set forth in the Area Representative Agreement. Additionally, if Guarantor is designated as the Operating Principal, Guarantor hereby individually makes, agrees to be bound by, and agrees to perform, all of the covenants, representations, warranties and agreements of the Operating Principal set forth in the Area Representative Agreement.

Guarantor does hereby guaranty to Franchisor the prompt payment and performance when due of any and all liabilities and obligations arising under or evidenced by the Area Representative Agreement, any promissory note or other credit instruments, and any other liabilities, obligations and indebtedness of Area Representative and/or any of its assignees or affiliates to Franchisor and/or any of its assignees or affiliates, of every kind and description, now existing or hereafter incurred or arising, matured or unmatured, direct or indirect, absolute or contingent, due or to become due, and any renewals, consolidations and extensions, including any future advances from Franchisor to Area Representative (collectively, the "Guaranteed Obligations"). Guarantor shall perform and/or make punctual payment to Franchisor of the Guaranteed Obligations in accordance with the terms of the Area Representative Agreement or other applicable document forthwith upon demand by Franchisor.

This Guaranty is irrevocable and unlimited. This Guaranty is an absolute and unconditional continuing guaranty of payment and performance of the Guaranteed Obligations. This Guaranty shall not be discharged by renewal of any claims guaranteed by this instrument, the suffering of any indulgence to any debtor, the extension of time of payment thereof, nor the discharge of Area Representative by bankruptcy, operation of law or otherwise. Presentment, demand, protest, notice of protest and dishonor, notice of default or nonpayment and diligence in collecting any obligation under any agreement between Area Representative and Franchisor are each and all waived by Guarantor and/or acknowledged as inapplicable. Franchisor shall not be required to pursue any remedy on said Guaranteed Obligations as a condition of the obligation hereunder of Guarantor. Guarantor waives notice of amendment of any agreement between Area Representative and Franchisor and notice of demand for payment by Area Representative. Guarantor further agrees to be bound by any and all amendments and changes to any agreement between Area Representative and Franchisor.

Guarantor agrees to defend, indemnify and hold Franchisor harmless against any and all losses, damages, liabilities, costs and expenses (including, but not limited to, reasonable attorney's fees, reasonable costs of investigation, court costs, and arbitration fees and expenses) resulting from, consisting

of, or arising out of or in connection with any failure by Area Representative to perform any obligation of Area Representative under any agreement between Area Representative and Franchisor.

Guarantor waives any and all notice of the creation, renewal, extension, accrual, modification, amendment, release, or waiver of any of the Guaranteed Obligations and notice of or proof of reliance by Franchisor upon this Guaranty or acceptance of this Guaranty. The Guaranteed Obligations, and any of them, shall conclusively be deemed to have been created, contracted or incurred, or renewed, extended, amended, modified or waived, in reliance upon this Guaranty and all dealings between Franchisor and Guarantor shall likewise be conclusively presumed to have been had or consummated in reliance upon this Guaranty. Franchisor may pursue its rights against Guarantor without first exhausting its remedies against Area Representative and without joining any other guarantor hereto and no delay on the part of Franchisor in the exercise of any right or remedy shall operate as a waiver of such right or remedy, and no single or partial exercise by Franchisor of any right or remedy shall preclude the further exercise of such right or remedy.

The obligations of Guarantor shall be joint and several to that of any other guarantor that has guaranteed any and or all of the Guaranteed Obligations, and Franchisor may enforce the Guaranteed Obligations against each severally, any two or more jointly, or some severally and some jointly.

Until all of the Guaranteed Obligations have been paid in full and/or performed in full, Guarantor shall not have any right of subrogation, unless expressly given to Guarantor in writing by Franchisor.

No change in the name, objects, share capital, business, membership, directors' powers, organization or management of the Area Representative shall in any way affect Guarantor in respect of the Guaranteed Obligations either with respect to transactions occurring before or after any such change, it being understood that this Guaranty is to extend to the person(s) or entity(ies) for the time being and from time to time carrying on the business now carried on by the Area Representative, notwithstanding any change(s) in the name or shareholders of the Area Representative, and notwithstanding any reorganization or its amalgamation with another or others or the sale or disposal of its business in whole or in part to another or others.

All Franchisor's rights, powers and remedies hereunder and under any other agreement now or at any time hereafter in force between Franchisor and Guarantor shall be cumulative and not alternative and shall be in addition to all rights, powers and remedies given to Franchisor by law.

Should any one or more provisions of this Guaranty be determined to be illegal or unenforceable, all other provisions nevertheless shall remain effective.

This Guaranty shall extend to and inure to the benefit of Franchisor and its successors and assigns and shall be binding on Guarantor and its successors and assigns.

IN WITNESS WHEREOF, Guarantor has signed this Guaranty as of the date set forth above.

GUARANTOR

Printed Name:*

Printed Name:

* Denotes individual who is Area Representative's Operating Principal

**CONFIDENTIALITY AGREEMENT AND
ANCILLARY COVENANTS NOT TO COMPETE**

This Agreement is made and entered into this ____ day of _____, 20__, among Crest Foods, Inc., a Texas corporation (“Franchisor”), _____ (“Area Representative”) and _____ (“Covenantor”) in connection with a Area Representative Agreement dated _____, 20__ between Franchisor and Area Representative (the “Area Representative Agreement”). Initially capitalized terms used, but not defined in, this Agreement have the meanings ascribed thereto in the Area Representative Agreement.

RECITALS

Franchisor has the right to use and license the use of a System for the establishment and operation of quick service cafes that primarily feature cookies and other dessert items, and, in certain circumstances, sandwiches, soups and other food items.

The System is identified by certain Marks including, the marks “Nestle Toll House,” “Café By Chip” and “Brick House Subs,” and includes certain Confidential Information which provides economic advantages to Franchisor and licensed users of the System.

Franchisor has granted Area Representative the right to develop, manage, service and supervise Cafes pursuant to the Area Representative Agreement.

In connection with his or her duties, it will be necessary for Covenantor to have access to some or all of the Confidential Information.

Franchisor and Area Representative have agreed on the importance of restricting the use, access and dissemination of the Confidential Information, and Area Representative therefore has agreed to obtain from Covenantor a written agreement protecting the Confidential Information and further protecting the System against unfair competition.

Covenantor acknowledges that receipt of and the right to use the Confidential Information constitutes independent valuable consideration for the representations, promises and covenants made by Covenantor herein.

NOW, THEREFORE, in consideration of the mutual covenants and obligations contained herein, the parties agree as follows:

A. Confidentiality Agreement

1. Covenantor shall, at all times, maintain the confidentiality of the Confidential Information and shall use such Confidential Information only in the course of his or her employment by or association with Area Representative in connection with the development, management, servicing and supervision of Cafés under the Area Representative Agreement.

2. Covenantor shall not at any time make copies of any documents or compilations containing some or all of the Confidential Information without Franchisor’s express written permission.

3. Covenantor shall not at any time disclose or permit the disclosure of the Confidential Information except to other employees of Area Representative and only to the limited extent necessary to train or assist other employees of Area Representative in the development, management, servicing and supervision of Cafes.

4. Covenantor shall surrender any material containing some or all of the Confidential Information to Area Representative or Franchisor, upon request, or upon termination of employment by Area Representative.

5. Covenantor shall not at any time, directly or indirectly, do any act or omit to do any act that would or would likely be injurious or prejudicial to the goodwill associated with the System.

6. Covenantor acknowledges that the AR Manual is loaned by Franchisor to Area Representative for limited purposes only and remains the property of Franchisor. Covenantor agrees that the AR Manual may not be reproduced, in whole or in part, without Franchisor's written consent.

B. Covenants Not to Compete

1. In order to protect the goodwill and unique qualities of the System, and in consideration for the disclosure to Covenantor of the Confidential Information, Covenantor further agrees and covenants as follows:

a. Not to divert, or attempt to divert, directly or indirectly, any business, business opportunity or customer related to the AR Business or Franchisor's business or any other System Area Representative's or franchisee's business to any competitor.

b. Not to employ, or seek to employ, any person who is at the time or was within the preceding ninety (90) days employed by Franchisor, or any of its affiliates or any Area Representative, franchisee or developer of Franchisor, or otherwise directly or indirectly induce such person to leave that person's employment except as may occur in connection with Area Representative's employment of such person if permitted under the Area Representative Agreement.

*c. Except for Cafes owned by Area Representative or its affiliates, not to directly or indirectly, for himself or through, on behalf of, or in conjunction with any person or entity, without the prior written consent of Franchisor, own, maintain, operate, engage in or have any financial or beneficial interest in (including any interest in any legal entity), advise, assist or make loans to, any business located within the United States, Canada, their territories or commonwealths, or any other country, province, state or geographic area in which Franchisor has used, sought registration of or registered the same or similar Marks or operates or licenses others to operate a business under the same or similar Marks, which business is of a character and concept similar to the Cafes, including without limitation, a business that offers and sells as a primary menu item any one or more of sandwiches, cookies, ice cream or coffee drinks.

2. In further consideration for the disclosure to Covenantor of the Confidential Information and to protect the uniqueness of the System, Covenantor agrees and covenants that for one (1) year following the earlier of the expiration or termination of, or transfer of all of Area Representative's interest in, the Area Representative Agreement or the termination of his association with or employment by Area Representative, Covenantor will not without the prior written consent of Franchisor:

a. Divert or attempt to divert, directly or indirectly, any business, business opportunity or customer related to the AR Business or Franchisor's business or any other System Area Representative's or franchisee's business to any competitor.

b. Employ, or seek to employ, any person who is at the time or was within the preceding ninety (90) days employed by Franchisor, any of its affiliates or any Area Representative, franchisee or developer of Franchisor, or otherwise directly or indirectly induce such persons to leave that person's employment.

*c. Directly or indirectly, for himself or through, on behalf of or in conjunction with any person or entity, own, maintain, operate, engage in or have any financial or beneficial interest in (including any interest in any legal entity), advise, assist or make loans to, any business that is of a character and concept similar to the Cafes, including without limitation, a business that offers and sells as its primary menu item any one or more of sandwiches, cookies, ice cream or coffee drinks, which business is, or is intended to be, located within the Territory or within a ten (10)-mile radius of the location of any Cafe in existence or under construction as of the date (as applicable) of expiration or termination of, or transfer of all of Area Representative's interest in, this Agreement or the termination of Covenantor's association with or employment by Area Representative.

C. Miscellaneous

1. Area Representative shall make all commercially reasonable efforts to ensure that Covenantor acts as required by this Agreement.

2. Covenantor agrees that in the event of a breach of this Agreement, Franchisor would be irreparably injured and be without an adequate remedy at law. Therefore, in the event of such a breach, or threatened or attempted breach of any of the provisions hereof, Franchisor shall be entitled to enforce the provisions of this Agreement and shall be entitled, in addition to any other remedies that are made available to it at law or in equity, including the right to terminate the Area Representative Agreement, to a temporary and/or permanent injunction and a decree for the specific performance of the terms of this Agreement, without the necessity of showing actual or threatened harm and without being required to furnish a bond or other security.

3. Covenantor agrees to pay all expenses (including court costs and reasonable attorneys' fees) incurred by Franchisor and Area Representative in enforcing this Agreement.

4. Any failure by Franchisor or the Area Representative to object to or take action with respect to any breach of any provision of this Agreement by Covenantor shall not operate or be construed as a waiver of or consent to that breach or any subsequent breach by Covenantor.

5. THIS AGREEMENT SHALL BE INTERPRETED BY AND CONSTRUED AND ENFORCED IN ACCORDANCE WITH THE LAWS OF THE STATE OF TEXAS, WITHOUT REFERENCE TO TEXAS CHOICE OF LAW PRINCIPLES. COVENANTOR HEREBY IRREVOCABLY SUBMITS HIMSELF TO THE JURISDICTION OF THE STATE COURTS OF DALLAS COUNTY, TEXAS AND THE FEDERAL DISTRICT COURTS FOR THE NORTHERN DISTRICT OF TEXAS, DALLAS DIVISION. COVENANTOR HEREBY WAIVES ALL QUESTIONS OF PERSONAL JURISDICTION OR VENUE FOR THE PURPOSE OF CARRYING OUT THIS PROVISION. COVENANTOR HEREBY AGREES THAT SERVICE OF PROCESS MAY BE MADE UPON HIM IN ANY PROCEEDING RELATING TO OR ARISING UNDER THIS AGREEMENT OR THE RELATIONSHIP CREATED BY THIS AGREEMENT BY ANY MEANS ALLOWED BY TEXAS OR FEDERAL LAW. COVENANTOR FURTHER AGREES THAT VENUE

FOR ANY PROCEEDING RELATING TO OR ARISING OUT OF THIS AGREEMENT SHALL BE DALLAS COUNTY, TEXAS; PROVIDED, HOWEVER, WITH RESPECT TO ANY ACTION THAT INCLUDES INJUNCTIVE RELIEF OR OTHER EXTRAORDINARY RELIEF, FRANCHISOR OR AREA REPRESENTATIVE MAY BRING SUCH ACTION IN ANY COURT IN ANY STATE THAT HAS JURISDICTION.

6. The parties acknowledge and agree that each of the covenants contained herein are reasonable limitations as to time, geographical area, and scope of activity to be restrained and do not impose a greater restraint than is necessary to protect the goodwill or other business interests of Franchisor. The parties agree that each of the foregoing covenants shall be construed as independent of any other covenant or provision of this Agreement. If all or any portion of a covenant in this Agreement is held unreasonable or unenforceable by a court or agency having valid jurisdiction in any unappealed final decision to which Franchisor is a party, Covenantor expressly agrees to be bound by any lesser covenant subsumed within the terms of such covenant that imposes the maximum duty permitted by law, as if the resulting covenant were separately stated in and made a part of this Agreement.

7. This Agreement contains the entire agreement of the parties regarding the subject matter hereof. This Agreement may be modified only by a duly authorized writing executed by all parties.

8. All notices and demands required to be given hereunder shall be in writing and shall be sent by personal delivery, expedited delivery service, certified or registered mail, return receipt requested, first-class postage prepaid, facsimile or email (provided that the sender confirms the facsimile or email by sending an original confirmation copy by certified or registered mail or expedited delivery service within three (3) business days after transmission), to the respective parties at the following addresses unless and until a different address has been designated by written notice to the other parties.

If directed to Franchisor, the notice shall be addressed to:

Crest Foods, Inc.
101 West Renner Road
Suite 240
Richardson, Texas 75082
Attention: President
Facsimile: (214) 239-3091
Email: president@nestlecafe.com

If directed to Area Representative, the notice shall be addressed to:

Attention: _____
Facsimile: (____)
Email: _____

If directed to Covenantor, the notice shall be addressed to:

Attention: _____
Facsimile: (____)
Email: _____

Any notices sent by personal delivery shall be deemed given upon receipt. Any notices given by facsimile or email shall be deemed given upon transmission, provided confirmation is made as provided above. Any notice sent by expedited delivery service or registered or certified mail shall be deemed given three (3) business days after the time of mailing. Any change in the foregoing addresses shall be effected by giving written notice of such change to the other parties. Business day for the purpose of this Agreement excludes Saturday, Sunday and national holidays.

9. The rights and remedies of Franchisor under this Agreement are fully assignable and transferable and shall inure to the benefit of its respective affiliates, successors and assigns. The respective obligations of Area Representative and Covenantor hereunder may not be assigned by Area Representative or Covenantor, without the prior written consent of Franchisor.

IN WITNESS WHEREOF, the undersigned have entered into this Agreement as witnessed by their signatures below.

FRANCHISOR:

CREST FOODS, INC.

By: _____
Name: _____
Title: _____

AREA REPRESENTATIVE:

By: _____
Name: _____
Title: _____

COVENANTOR:

Name: _____

**REDACTED COPY OF SECOND AMENDED AND RESTATED
PRODUCT DISTRIBUTION DEVELOPMENT AGREEMENT**

This Second Amended and Restated Product Distribution Development Agreement (this "Agreement") dated as of March 1, 2006 among the Nestlé Food Services division of Nestlé USA, Inc. ("Nestlé USA"), Nestlé Food Services division of Nestlé Canada, Inc. ("Nestlé Canada" and, together with Nestlé USA, "Nestlé") and Crest Foods, Inc., a Texas corporation ("Developer").

Recitals:

A. Developer conceived of the idea and desires to develop and operate quick-service cafes featuring Nestlé Products (as hereinafter defined) and to develop and service a network of franchised quick-service cafes featuring Nestlé Products.

B. Pursuant to that certain Product Distribution Development Agreement dated as of January 10, 2000 between Nestlé and Developer, as amended by that certain Amended and Restated Product Distribution Development Agreement dated as of November 1, 2001 (collectively, (the "Original Agreement"), Nestlé granted to Developer certain exclusive rights for a limited term in order to allow Developer the opportunity to develop the quick service café channel of trade in enclosed shopping malls featuring Nestlé Products.

C. Societe des Produits Nestlé S.A. ("SPN") is the record owner of the Trademarks (as hereinafter defined) used in connection with Nestlé Products.

D. As a consequence of the consumer acceptance and quality of the products on which the Trademarks are used, as well as substantial sales over many years, the Trademarks and associated trade dress have come to symbolize goodwill of enormous value belonging to SPN.

E. Nestlé is licensed to use the Trademarks in the Territory (as hereinafter defined) and SPN has authorized Nestlé to enter into this Agreement on the terms and conditions hereinafter set forth.

F. Nestlé and Developer desire to amend and restate the Original Agreement to make certain changes thereto.

Agreement:

NOW, THEREFORE, in consideration of the premises and the mutual promises and agreements hereinafter set forth, Nestlé and Developer hereby agree as follows:

1. Definitions. In this Agreement, the following terms have the indicated meaning.

In this Agreement, the following terms have the indicated meaning.

"Affiliate" means, with respect to Developer, any person or entity that directly or indirectly controls, is controlled by, or is under common control with Developer, including, without limitation, (i) any entity that owns, controls or holds with power to vote 50% or more of the common stock of Developer or (ii) any entity of which Developer (or any entity controlling the Developer) directly or indirectly owns, controls or holds with power to vote 50% or more of its outstanding voting securities.

“Approved Prototype Plans” means the plans and specifications developed by Developer for a Café that are consented to in writing by Nestle.

“Café” means a retail quick-service food service operation featuring Nestle Products and other items as may be approved by Nestle.

“Master Product Reference Agreement” means that certain Second Amended and Restated Master Product Reference Agreement dated the date hereof between Developer and Nestle.

“Nestle Products” means the following products and any other similar products approved in advance by Nestle for distribution through the Cafes:

1. NESTLE TOLL HOUSE cookie products
2. NESTLE TOLL HOUSE cookie-based desserts
3. NESTLE dessert products to be determined by Nestle
4. NESCAFE coffee beverage products
5. NESCAFE frozen coffee
6. CARNATION and NESTLE hot cocoa
7. COFFEE-MATE creamers
8. NESTEA tea products
9. NESTLE, NESTLE CRUNCH, BUTTERFINGER, BABY RUTH and 100 GRAND candy and confection products

“Territory” means the United States of America and Canada.

“Trademarks” means the following marks or other marks that Nestle authorizes Developer to feature, together with the logos and trade dress associated with each of them, so long as such marks are owned and used by SPN, Nestle, or their affiliates and assigns:

1. NESTLE
2. NESTLE TOLL HOUSE
3. NESCAFE
4. CARNATION
5. COFFEE-MATE
6. NESTEA
7. NESTLE CRUNCH
8. BUTTERFINGER
9. BABY RUTH
10. 100 GRAND

2. Grant

a. Nestle hereby grants to Developer and Developer hereby accepts, pursuant to the terms and conditions of this Agreement, the exclusive right to feature the Trademark “NESTLE TOLL HOUSE” prominently on permanent store-front signage, in accordance with the Master Product Reference Agreement, on Cafes that are developed by Developer within the Territory.

b. Developer shall include in each written agreement with an Affiliate or a franchisee of Developer or its Affiliates the terms in the Master Product Reference Agreement with modifications that Nestle consents to and additions that Nestle requires to protect the Trademarks.

c. Except for the exclusive rights granted in Section 2.a., nothing in this Agreement shall be construed to prevent Nestlé, SPN, or their affiliates from granting any other person the right to make, use or sell goods or services bearing the Trademarks, or from utilizing the Trademarks in any manner and place whatsoever.

3. Development

Subject to the terms of this Agreement and the Master Product Reference Agreement, Developer shall use commercially reasonable efforts to develop Cafes in the Territory. Developer may develop Cafes through itself or one or more Affiliates and through franchisees of Developer or its Affiliates. Developer shall cause all Cafes developed under this Agreement, whether developed by Developer or its Affiliates or developed by franchisees of Developer or its Affiliates, to comply with the restrictions imposed by the Master Product Reference Agreement. Each Cafe developed under this Agreement shall be based on the Approved Prototype Plans, with such adaptations as consented to in writing by Nestle.

4. Representations and Acknowledgements

5. Notices

6. Goodwill

7. Responsibility

8. Term and Termination

9. Effect of Termination

10. Disclaimer of Warranties and Representations by Nestlé

11. No Joint Venture

12. Paragraph Order and Headings

13. Compliance with Law

14. Laws and Dispute

This Agreement is deemed to be entered into in California and shall be interpreted and construed according to California law. Any provision of California law that, by its terms, does apply to a person or entity operating outside California, shall remain inapplicable with regard to any person or entity operating outside California. Any dispute arising from or directly or indirectly related to this Agreement shall be resolved exclusively in the State or Federal Courts located in Los Angeles County, California, and in appellate courts of competent jurisdiction wherever located, and the parties irrevocably submit and consent to the personal jurisdiction of such courts.

15. Assignment or Sublicense

16. Waiver

17. Severability

18. Entire Agreement

19. Confidentiality

Each party to this Agreement shall maintain the terms of this Agreement in confidence and shall not disclose the terms to any person except only to the extent required by law or necessary to that party's employees as shall be required to implement this Agreement. Neither party shall issue a public statement concerning or announcing this Agreement without the written consent of the other party.

20. Survival of Provisions

IN WITNESS WHEREOF, the parties hereto have duly executed and delivered this Agreement on the day and year first above written.

**NESTLÉ FOOD SERVICES
DIVISION OF NESTLÉ USA, INC.**

By: /S/
Its: President

**NESTLÉ FOOD SERVICES
DIVISION OF NESTLÉ CANADA, INC.**

By: /S/
Its: Senior Vice President

CREST FOODS, INC.

By: /S/
Its: President

**REDACTED COPY OF
SECOND AMENDED AND RESTATED MASTER PRODUCT REFERENCE AGREEMENT**

This Second Amended and Restated Master Product Reference Agreement (this “Agreement”) dated as of March 1, 2006 among the Nestlé Food Services division of Nestlé USA, Inc. (“Nestlé” USA), Nestlé Food Services division of Nestlé Canada, Inc. (“Nestle Canada” and, together with Nestle USA, “Nestle”), and Crest Foods, Inc., a Texas corporation (“Operator”)

Recitals:

A. Operator desires to develop and operate quick-service cafes featuring Nestle Products (as hereinafter defined) and to develop and service a network of franchised quick-service cafes featuring Nestle Products.

B. Pursuant to that certain Master Product Reference Agreement dated as of January 10, 2000 between Nestle USA and Operator, as amended by that certain Amended and Restated Master Product Reference Agreement dated as of November 1, 2001 (collectively, the “Original Agreement”), Nestle granted to Operator certain exclusive rights for a limited term in order to allow Operator to operate quick service cafés featuring Nestle Products.

C. Societe des Produits Nestlé S.A. (“SPN”) is the record owner of the Trademarks (as hereinafter defined) used in connection with Nestle Products.

D. As a consequence of the consumer acceptance and quality of the products on which the Trademarks are used, as well as substantial sales and advertising over many years, the Trademarks and associated trade dress have come to symbolize goodwill of enormous value belonging to SPN.

E. Nestle is licensed to use the Trademarks in the Territory (as hereinafter defined) and SPN has authorized Nestlé to enter into this Agreement on the terms and conditions hereinafter set forth.

F. Nestle and Developer desire to amend and restate the Original Agreement to make certain changes thereto.

Agreement:

NOW, THEREFORE, in consideration of the premises and the mutual promises and agreements hereinafter set forth, Nestlé and Operator hereby agree as follows:

1. Definitions. In this Agreement, the following terms have the indicated meaning.

“Affiliate” means, with respect to Operator, any person or entity that directly or indirectly controls, is controlled by, or is under common control with Operator, including, without limitation, (i) any entity that owns, controls or holds with power to vote 50% or more of the common stock of Operator or (ii) any entity of which Operator (or any entity controlling Operator) directly or indirectly owns, controls or holds with power to vote 50% or more of its outstanding voting securities.

“Associated Materials” means the labeling, packaging, advertising and promotional materials, including Nestle trade dress and signage, displays and other point of sale material, advertising and promotional materials and all other tangible material intended to be distributed to the public on which any Trademark appears or is intended to be used.

“Cafe” means a retail quick-service food service operation featuring Nestle Products and other items as may be approved by Nestle.

“Development Agreement” means that certain Second Amended and Restated Product Distribution Development Agreement dated the date hereof between Operator and Nestle, as amended from time to time.

“Guidelines” means the guidelines developed by Nestle and Operator from time to time pertaining to the use of the Trademark “NESTLE TOLL HOUSE” on Café signage and to other references to Trademarks.

“Nestle Products” means the following products and any other similar products approved in advance by Nestle for distribution through the Cafes:

1. NESTLE TOLL HOUSE cookie products
2. NESTLE TOLL HOUSE cookie-based desserts
3. NESTLE dessert products to be determined by Nestle
4. NESCAFE coffee beverage products
5. NESCAFE frozen coffee
6. CARNATION and NESTLE hot cocoa
7. COFFEE-MATE creamers
8. NESTEA tea products
9. NESTLE, NESTLE CRUNCH, BUTTERFINGER, BABY RUTH and 100 GRAND candy and confection products

“Operations Manual” means the manual developed by Operator for the operation of a Café, as revised from time to time by Operator.

“Products” means the food items made available at the Cafes.

“Territory” means the United States of America and Canada.

“Trademarks” means the following marks or other marks that Nestle authorizes Operator to feature, together with the logos and trade dress associated with each of them, so long as such marks are owned and used by SPN, Nestle, or their affiliates and assigns:

1. NESTLE
2. NESTLE TOLL HOUSE
3. NESCAFE
4. CARNATION
5. COFFEE-MATE
6. NESTEA
7. NESTLE CRUNCH
8. BUTTERFINGER
9. BABY RUTH
10. 100 GRAND

2. Grant

a.

b. This Agreement shall govern each Café developed under the Development Agreement, whether developed by Operator ... or developed by franchisees of Operator....

c. Nestlé shall have the right to require the use of Nestle Products as the primary Products in the operation of the Cafes. Operator may not use in connection with the preparation or sale of the Products and the operation of Cafes, a mark, name or product associated with any other food manufacturer or distributor without the advance consent of Nestle.

d.

e. Operator has no right to the Trademarks or to make, use or sell any goods utilizing the Trademarks, or otherwise to deal in or with the Trademarks, other than as expressly granted in this Section 2. Operator has no right to make, use or sell any goods utilizing any reproduction, counterfeit, copy or colorable imitation of the Trademarks or otherwise deal in or with such Trademarks. Operator shall not be permitted to sell, transfer or distribute any Nestle Product, directly or indirectly, except in Shopping Centers and in hospitals, airports and other locations consented to by Nestle located within the Territory.

f.

g.

3. Marketing and Advertising

a. Operator shall bear and pay all costs in connection with the Cafes, including but not limited to the cost of all goods and operating expenses, Associated Materials, menu boards and signs. Operator shall submit to Nestlé, for prior and prompt consent, all Associated Materials to be used in connection with the Cafes. Nestlé shall make its best efforts to indicate required changes within ten (10) business days of receipt of Associated Materials from Operator. Operator shall amend or cause to be amended to the satisfaction of Nestlé any Associated Materials not consented to by Nestlé in the manner that Nestlé shall direct. Operator and its Affiliates shall not permit their franchisees to use any Associated Materials not approved by Nestle.

b. Operator shall advise Nestlé with respect to the compliance of Associated Materials with all Federal, state and local labeling laws or regulations known to Operator.

c. Operator shall utilize on the Associated Materials marking legends designated by Nestlé to the effect that the Trademarks are the property of Nestlé used under authority from SPN and are used with its permission.

d. Operator shall forward copies of all consumer complaints about the Nestle Products to Nestlé. Nestlé and Operator shall confer as to how to respond to such complaints. Nestlé and Operator shall each have the right to respond to all consumer complaints or inquiries concerning the Nestle Products and the Products, provided that in any difference of opinion on how to respond, when Nestle deems it necessary to protection of the Trademarks, Nestlé's decision shall control.

4. Representations and Acknowledgements

5. Quality

a. Operator acknowledges Nestlé's right to approve the types of Products, as well as the quality, style, preparation, presentation, and appearance of the Nestle Products and the Products and Associated Materials.

b. Nestlé may, from time to time, submit to Operator suggestions or requirements regarding good food preparation practices; sanitation, cleanliness and quality control procedures; consumer complaint procedures; inspection procedures; and Product ingredient specifications and recipes for the Products. In respect of the Nestle Products and Products, Operator shall adhere to the practices, procedures, specifications and quality programs contained in such suggestions or requirements and as otherwise required or approved by Nestlé for purpose of protecting any of the Trademarks.

c. Operator shall maintain the Nestle Products and prepare and present the Products in accordance with state and federal standards and in accordance with the standards and procedures that Operator has informed Nestlé of in the Operations Manual. No alterations, modifications or other changes to the Nestle Products, the Products or Operations Manual shall be made without the prior written consent of Nestlé. Operator shall not prepare or sell any Product item from the Nestle Products unless Nestlé has first consented to it. Operator shall maintain the Nestle Products and its facilities and equipment in a clean and sanitary manner and in good working order. Operator shall conduct, at its own expense, certain tests on the Products pursuant to the quality standards set forth in the Operations Manual and which test results shall, at Nestlé's request, be delivered by Operator to Nestlé; provided, however, Operator shall immediately advise Nestlé of results that indicate noncompliance with the Operations Manual and upon instruction of Nestlé immediately correct such defects.

d. Operator acknowledges and agrees that Nestlé may inspect, or cause to be inspected, on reasonable notice, any Café, its equipment, the Nestle Products, and Product ingredients and raw materials, finished and in-process Products, and may audit, or cause to be audited, Operator's quality control and sanitation programs. After each inspection and audit, Nestlé will submit reports to Operator, instructing corrective action if the Café, Product, program, or condition does not, in Nestlé's reasonable judgment, meet Nestlé's standards for safety and cleanliness, or does not comply with the Operations Manual. Operator shall implement the necessary corrective action within a reasonable time; provided, however, Operator shall immediately suspend utilizing the Cafe, Product, program, or condition when in Nestlé's reasonable judgment, a defect or condition is found that causes or may cause a health or safety risk. For as long as the health or safety risk is present, Operator shall refrain from utilizing the affected Cafe, Product, program, or condition. If Operator continues to utilize the affected Cafe, Product, program, or condition, Nestlé shall have the right to immediately terminate or suspend the right granted under Section 2 to such subject Café.

e. Nestlé has the unqualified right to withdraw its consent regarding any Nestle Product or any Product if its quality ceases to materially conform to the specifications set forth in the Operations Manual. Nestlé has the unqualified right to withdraw its consent to any Associated Materials if its nature or quality ceases to conform to Nestlé's standards for quality and for intellectual property protection.

f. From time to time, at Nestlé's request, Operator shall make available to Nestlé a reasonable quantity of representative Products and Associated Materials. Operator will make available to Nestlé, for prior and prompt approval, samples of each type of Product prior to its offering to the public. Nestlé shall make best efforts to consent to or reject the Products within ten (10) business days after its inspection of the samples. Operator shall make changes to the satisfaction of Nestlé and in the manner that Nestlé shall direct to any Products rejected by Nestlé.

g. The parties acknowledge that the purpose of Sections 5(a) – (f) is to protect the Trademarks.

6. Purchase of Ingredients

If a Product could contain, or utilize as ingredients, foodstuffs (in the same or an altered or modified form) that Nestlé sells to the public under the Trademarks, Nestle may require that such Products contain, or utilize as ingredients only, foodstuffs bearing the Trademarks or other trademarks of Nestle or strategic partners of Nestle.

7. Pure Food Warranty, Compliance with Laws

a. Operator warrants that the Products (i) will be prepared in accordance with the Operations Manual, (ii) will be fit for human consumption, (iii) will not be adulterated or misbranded within the meaning of the Federal Food, Drug and Cosmetic Act, as from time to time amended, and regulations promulgated thereunder, (iv) will not be articles which, under the provisions of Sections 404 or 505 of said federal act, may not be introduced into interstate commerce, and (v) will not violate the provisions of the Food Additives Amendment of 1958. This warranty is in like terms extended and shall be applicable to any lawful state law or municipal ordinance in which the definitions of adulteration or misbranding are substantially the same as those in said federal act.

b. Operator warrants that the Products will be prepared, sold and distributed in accordance with all applicable federal, state and local laws, rules and regulations. Operator warrants that the policy of sale, distribution and exploitation by Operator shall be of high standard and shall in no manner reflect adversely upon the good name of Nestlé or any of its programs, products or properties, or the Trademarks.

8. Goodwill

Operator recognizes the great value of the goodwill associated with the Trademarks and Operator acknowledges that the Trademarks and all rights therein and goodwill pertaining thereto belong exclusively to SPN and that the Trademarks have and will continue to have a secondary meaning in the mind of the public to signify Nestlé and are famous. Accordingly, Operator shall not do or permit to be done any act or thing or permit any Products to enter the stream of commerce or be sold or distributed, that may impair the goodwill or other rights of Nestlé and the Trademarks or that might otherwise prejudice, tarnish or damage the reputation of the Trademarks, Nestlé, or the sale of Nestlé's products.

9. Notices

10. Responsibility

11. Term and Termination

12. Effect of Termination

13. Disclaimer of Warranties and Representations by Nestlé

14. Paragraph Order and Headings

15. Compliance with Law

16. No Joint Venture

17. Assignment or Sublicense

18. Waiver

19. Severability

20. Entire Agreement

21. Confidentiality

Each party to this Agreement shall maintain the terms of this Agreement in confidence and shall not disclose the terms to any person except only to the extent required by law or necessary to that party's employees as shall be required to implement this Agreement. Neither party shall issue a public statement concerning or announcing this Agreement without the written consent of the other party. Notwithstanding the foregoing, Operator may disclose this Agreement to its affiliates and franchisees provided they agree to be bound by the terms of this Agreement.

22. Law and Disputes

This Agreement is deemed to be entered into in California and shall be interpreted and construed according to California law. Any provision of California law that, by its terms, does not apply to a person or entity operating outside California, shall remain inapplicable with regard to any person or entity operating outside California. Any dispute arising from or directly or indirectly related to this Agreement shall be resolved exclusively in the State or Federal Courts located in Los Angeles County, California, and in appellate courts of competent jurisdiction wherever located, and the parties irrevocably submit and consent to the personal jurisdiction of such courts.

23. Survival of Provisions

IN WITNESS WHEREOF, the parties hereto have duly executed and delivered this Agreement on the day and year first above written.

**NESTLÉ FOOD SERVICES
DIVISION OF NESTLÉ USA, INC.**

By: /S/
Its: President

**NESTLÉ FOOD SERVICES
DIVISION OF NESTLÉ CANADA, INC.**

By: /S/
Its: Senior Vice President

CREST FOODS, INC.

By: /S/
Its: President

EXHIBIT D-1

**STATE AMENDMENTS
TO
AREA REPRESENTATIVE AGREEMENT**

**AMENDMENT TO CREST FOODS, INC.
AREA REPRESENTATIVE AGREEMENT
FOR THE STATE OF CALIFORNIA**

The Crest Foods, Inc. Area Representative Agreement between _____ (“Area Representative”) and Crest Foods, Inc., a Texas corporation (“Franchisor”), dated _____ (the “Agreement”) shall be amended by the addition of the following language, which shall be considered an integral part of the Agreement (this “Amendment”):

CALIFORNIA LAW MODIFICATIONS

The California Department of Corporations requires that certain provisions contained in franchise documents be amended to be consistent with California law, including the California Franchise Investment Law, CAL. BUS. & PROF. CODE Section 31000 et seq., and the California Franchise Relations Act, CAL. BUS. & PROF. CODE Section 20000 et seq. To the extent that the Agreement contain provisions that are inconsistent with the following, such provisions are hereby amended:

a. THE 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.).

b. THE AGREEMENT CONTAINS A COVENANT NOT TO COMPETE THAT EXTENDS BEYOND THE TERMINATION OF THE FRANCHISE. THIS PROVISION MAY NOT BE ENFORCEABLE UNDER CALIFORNIA LAW.

c. THE AGREEMENT REQUIRES BINDING ARBITRATION. THE ARBITRATION WILL OCCUR AT THE FRANCHISOR’S HEADQUARTERS WITH THE COSTS BEING BORNE AS THE ARBITRATOR DETERMINES. THIS PROVISION MAY NOT BE ENFORCEABLE UNDER CALIFORNIA LAW.

d. THE AGREEMENT REQUIRES APPLICATION OF THE LAWS OF THE STATE OF TEXAS. THIS PROVISION MAY NOT BE ENFORCEABLE UNDER CALIFORNIA LAW.

e. SECTION 31125 OF THE FRANCHISE INVESTMENT LAW REQUIRES US TO GIVE TO AREA REPRESENTATIVE A DISCLOSURE DOCUMENT APPROVED BY THE COMMISSIONER OF CORPORATIONS BEFORE WE ASK AREA REPRESENTATIVE TO CONSIDER A MATERIAL MODIFICATION OF AREA REPRESENTATIVE’S FRANCHISE AGREEMENT.

f. AREA REPRESENTATIVE MUST SIGN A GENERAL RELEASE OF CLAIMS IF IT RENEWS OR TRANSFERS ITS FRANCHISE. CALIFORNIA CORPORATIONS CODE §31512 VOIDS A WAIVER OF AREA REPRESENTATIVE’S RIGHTS UNDER THE FRANCHISE INVESTMENT LAW (CALIFORNIA CORPORATIONS CODE §§31000 THROUGH 31516). BUSINESS AND PROFESSIONS CODE §20010 VOIDS A WAIVER OF AREA REPRESENTATIVE’S RIGHTS UNDER THE FRANCHISE RELATIONS ACT (BUSINESS AND PROFESSIONS CODE §§20000 THROUGH 20043).

g. CALIFORNIA BUSINESS AND PROFESSIONS CODE SECTIONS 20000 THROUGH 20043 PROVIDE RIGHTS TO AREA REPRESENTATIVE CONCERNING NONRENEWAL AND TERMINATION OF THE AGREEMENT. TO THE EXTENT THE

AGREEMENT CONTAINS A PROVISION THAT IS INCONSISTENT WITH THESE LAWS, THESE LAWS WILL CONTROL.

h. THE AGREEMENT REQUIRES LITIGATION AND MEDIATION TO BE CONDUCTED IN TEXAS. THESE PROVISIONS MAY NOT BE ENFORCEABLE UNDER CALIFORNIA LAW.

IN WITNESS WHEREOF, the parties hereto have fully executed, sealed and delivered this Amendment to the Area Representative Agreement on _____, 20____.

FRANCHISOR:

CREST FOODS, INC.

By: _____
Name: _____
Title: _____

AREA REPRESENTATIVE:

By: _____
Name: _____
Title: _____

CONTROLLING PRINCIPALS:

*Name: _____

Name: _____

*Denotes individual who is Area Representative's Operating Principal

**AMENDMENT TO CREST FOODS, INC.
AREA REPRESENTATIVE AGREEMENT
FOR THE STATE OF HAWAII**

The Crest Foods, Inc. Area Representative Agreement between _____ (“Area Representative”) and Crest Foods, Inc., a Texas corporation (“Franchisor”), dated _____ (the “Agreement”) is hereby amended by the addition of the following language, which shall be considered an integral part of the Agreement (this “Amendment”):

HAWAII LAW MODIFICATIONS

1. The Director of the Hawaii Department of Commerce and Consumer Affairs requires that certain provisions contained in franchise documents be amended to be consistent with Hawaii law, including the Hawaii Franchise Investment Law, Hawaii Revised Statutes, Title 26, Chapter 482E-1 Through 482E-12 (1988). To the extent that the Agreement contains provisions that are inconsistent with the following, such provisions are hereby amended:

a. The Hawaii Franchise Investment Law provides rights to Area Representative concerning nonrenewal, termination and transfer of the Agreement. If the Agreement contains a provision that is inconsistent with the law, the law will control. Among those rights, the law may require that upon termination or nonrenewal Franchisor purchase for fair market value Licensee’s inventory, supplies, equipment and furnishings purchased from Franchisor or a supplier designated by Franchisor; provided that personalized materials which have no value to Franchisor need not be compensated for. If the non-renewal or termination is for the purpose of converting Area Representative’s business to one owned and operated by Franchisor, Franchisor may, additionally, be obligated to compensate the Area Representative for loss of goodwill. Franchisor may deduct all amounts due from Area Representative and any costs related to the transportation or disposition of items purchased against any payment for those items. If the parties cannot agree on fair market value, fair market value shall be determined in the manner set forth in the Agreement. If the Agreement does not provide for determination of the fair market value of assets for purchase by Franchisor, such amount will be determined by an independent appraiser approved by both parties, and the costs of the appraisal shall be shared equally by the parties.

b. If the Area Representative is required in the Agreement to execute a release of claims, such release shall exclude claims arising under the Hawaii Franchise Investment Law.

2. Each provision of this Amendment shall be effective only to the extent that the jurisdictional requirements of the Hawaii Franchise Investment 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.

[Signature page follows]

IN WITNESS WHEREOF, the parties hereto have fully executed, sealed and delivered this Amendment to the Area Representative Agreement on _____, 20__.

FRANCHISOR:

CREST FOODS, INC.

By: _____

Name: _____

Title: _____

AREA REPRESENTATIVE:

By: _____

Name: _____

Title: _____

CONTROLLING PRINCIPALS:

*Name: _____

Name: _____

*Denotes individual who is Area Representative's Operating Principal

**AMENDMENT TO CREST FOODS, INC.
AREA REPRESENTATIVE AGREEMENT
FOR THE STATE OF ILLINOIS**

The Crest Foods, Inc. Area Representative Agreement between _____ (“Area Representative”) and Crest Foods, Inc., a Texas corporation (“Franchisor”), dated _____ (the “Agreement”) shall be amended by the addition of the following language, which shall be considered an integral part of the Agreement (this “Amendment”):

ILLINOIS LAW MODIFICATIONS

1. The Illinois Attorney General’s Office requires that certain provisions contained in franchise documents be amended to be consistent with Illinois law, including the Franchise Disclosure Act of 1987, Ill. Comp. Stat. ch. 815 sec. 705/1 - 705/44 (1994). To the extent that the Agreement contains provisions that are inconsistent with the following, such provisions are hereby amended:

a. Illinois Franchise Disclosure Act Sections 705/19 and 705/20 provide rights to the Area Representative concerning nonrenewal and termination of the Agreement. If the Agreement contains a provision that is inconsistent with the Act, the Act will control.

b. If the Area Representative is required in the Agreement to execute a release of claims or to acknowledge facts that would negate or remove from judicial review any statement, misrepresentation or action that would violate the Act, or a rule of order under the Act, such release shall exclude claims arising under the Illinois Franchise Disclosure Act, and such acknowledgments shall be void with respect to claims under the Act.

c. If the Agreement requires litigation to be conducted in a forum other than the State of Illinois, the requirement is void under the Illinois Franchise Disclosure Act.

d. If the franchises to be developed under the Area Representative Agreement are under the jurisdiction of the Illinois Franchise Disclosure Act, the Agreement will be governed by Illinois law.

e. To the extent that Section 20.1 of the Agreement requires Area Representative to execute a release of claims or to acknowledge facts that would negate or remove from judicial review any statement, misrepresentation or action that would violate the Act, or a rule or order under the Act, such release shall exclude claims arising under the Illinois Franchise Disclosure Act, and such acknowledgments shall be void and are hereby deleted with respect to claims under the Act.

f. Illinois Franchise Disclosure Act Section 705/41 provides that (i) any condition, stipulation, or provision purporting to bind any person acquiring any franchise to waive compliance with any provision of the Act or any other law of the State of Illinois is void and (ii) this section shall not prevent any person from entering into a settlement agreement or executing a general release regarding a potential or actual lawsuit filed under any of the provisions of the Act, nor shall it prevent the arbitration of any claim pursuant to the provisions of Title 9 of the United States Code.

2. Each provision of this Amendment shall be effective only to the extent that the jurisdictional requirements of the Illinois Franchise Disclosure 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.

IN WITNESS WHEREOF, the parties hereto have fully executed, sealed and delivered this Amendment to the Area Representative Agreement on _____, 20__.

FRANCHISOR:

CREST FOODS, INC.

By: _____
Name: _____
Title: _____

AREA REPRESENTATIVE:

By: _____
Name: _____
Title: _____

CONTROLLING PRINCIPALS:

*Name: _____

Name: _____

*Denotes individual who is Area Representative's Operating Principal

**AMENDMENT TO CREST FOODS, INC.
AREA REPRESENTATIVE AGREEMENT
FOR THE STATE OF INDIANA**

The Crest Foods, Inc. Area Representative Agreement between _____ (“Area Representative”) and Crest Foods, Inc., a Texas corporation (“Franchisor”) dated _____ (the “Agreement”) shall be amended by the addition of the following language, which shall be considered an integral part of the Agreement (this “Amendment”):

INDIANA LAW MODIFICATIONS

1. The Indiana Securities Commissioner requires that certain provisions contained in franchise documents be amended to be consistent with Indiana law, including the Indiana Franchises Act, Ind. Code Ann. §§ 1 - 51 (1994) and the Indiana Deceptive Franchise Practices Act, Ind. Code Ann. § 23-2-2.7 (1985). To the extent that the Agreement contains provisions that are inconsistent with the following, such provisions are hereby amended:

a. The Indiana Deceptive Franchise Practices Act provides rights to Area Representative concerning nonrenewal and termination of the Agreement. To the extent the Agreement contains a provision that is inconsistent with the Act, the Act will control.

b. If the Area Representative is required in the Agreement to execute a release of claims or to acknowledge facts that would negate or remove from judicial review any statement, misrepresentation or action that would violate the Act, or a rule or order under the Act, such release shall exclude claims arising under the Indiana Deceptive Franchise Practices Act and the Indiana Franchises Act, and such acknowledgments shall be void with respect to claims under the Acts.

c. If the Agreement contains covenants not to compete upon expiration or termination of the Agreement that are inconsistent with the Indiana Deceptive Franchise Practices Act, the requirements of the Act will control.

d. The Indiana Deceptive Franchise Practices Act provides that substantial modification of the Agreement by Franchisor requires written consent of the Area Representative. If the Agreement contains provisions that are inconsistent with this requirement, the Act will control.

e. If the Agreement requires litigation/arbitration to be conducted in a forum other than the State of Indiana, the requirement may be unenforceable as a limitation on litigation under the Indiana Deceptive Franchise Practices Act § 23-2-2.7(10).

f. If the Agreement requires that it be governed by a state’s law, other than the State of Indiana, to the extent that such law conflicts with the Indiana Deceptive Franchise Practices Act and the Indiana Franchises Act, the Acts will control.

g. If the Agreement contains a reservation of right to injunctive relief or any specified remedy or limitation of remedies available to either Franchisor or Area Representative, these provisions may be unenforceable as a limitation on litigation under the Indiana Deceptive Franchise Practices Act § 23-2-2.7(10).

h. If the Agreement requires the Area Representative to indemnify the Franchisor, such indemnification provision is hereby modified so that in no event will Area Representative be required to

indemnify Franchisor for any liability caused by the Area Representative's compliance with or use of procedures or materials provided by the Franchisor or caused by Franchisor's negligence.

i. The Indiana Deceptive Franchise Practices Act provides that the Franchisor may not establish a franchisor-owned outlet engaged in a substantially identical business to that of the Area Representative within the exclusive territory granted the Area Representative by the Agreement; or, if no exclusive territory is designated, the Franchisor may not compete unfairly with the Area Representative within a reasonable area. If the Agreement contains provisions that are inconsistent with this requirement, the Act will control.

j. If the Agreement contains any other provisions that are inconsistent with the requirements of the Indiana Deceptive Franchise Practices Act, the Act will control.

2. Each provision of this Amendment shall be effective only to the extent that the jurisdictional requirements of the Indiana Deceptive Franchise Practices Act and the Indiana Franchises 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.

IN WITNESS WHEREOF, the parties hereto have fully executed, sealed and delivered this Amendment to the Area Representative Agreement on the ____ day of _____, 20__.

FRANCHISOR:

CREST FOODS, INC.

By: _____
Name: _____
Title: _____

AREA REPRESENTATIVE:

By: _____
Name: _____
Title: _____

CONTROLLING PRINCIPALS:

*Name: _____

Name: _____

*Denotes individual who is Area Representative's Operating Principal

**AMENDMENT TO CREST FOODS, INC.
AREA REPRESENTATIVE AGREEMENT
FOR THE STATE OF MARYLAND**

The Crest Foods, Inc. Area Representative Agreement between _____ (“Area Representative”) and Crest Foods, Inc., a Texas corporation (“Franchisor”), dated _____ (the “Agreement”) shall be amended by the addition of the following language, which shall be considered an integral part of the Agreement (this “Amendment”):

MARYLAND LAW MODIFICATIONS

3. The Maryland Securities Division requires that certain provisions contained in franchise documents be amended to be consistent with Maryland law, including the Maryland Franchise Registration and Disclosure Law, Md. Code Ann., Bus. Reg. §§ 14-201 - 14-233. To the extent that the Agreement contains provisions that are inconsistent with the following, such provisions are hereby amended:

a. The Agreement requires the Area Representative to execute a release of claims or to acknowledge facts that would negate or remove from judicial review any statement, misrepresentation or action that would violate Maryland law, or a rule or order under Maryland law. Such release shall exclude claims arising under the Maryland Franchise Registration and Disclosure Law, and such acknowledgments shall be void with respect to claims under the Law.

b. The Agreement requires the Area Representative to execute a general release as a condition to the renewal, sale, assignment or transfer of the Agreement. The general release required as a condition of renewal, sale, assignment or transfer shall not apply to any liability under the Maryland Franchise Registration and Disclosure Law.

c. The Agreement requires litigation to be conducted in a forum other than the State of Maryland. This requirement shall not be interpreted to limit any rights Licensee may have under Sec. 14-216(c)(25) of the Maryland Franchise Registration and Disclosure Law to bring suit in the state of Maryland.

d. Article XX of the Agreement requires prospective Area Representatives to disclaim the occurrence and/or acknowledge the non-occurrence of acts that would constitute a violation of the Franchise Law in order to purchase your franchise. Such representations are not intended to nor shall they act as a release, estoppel or waiver of any liability incurred under the Maryland Franchise Registration and Disclosure Law.

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

4. Each provision of this Amendment shall be effective only to the extent that the jurisdictional requirements of the Maryland Franchise Registration and Disclosure 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.

IN WITNESS WHEREOF, the parties hereto have fully executed, sealed and delivered this Amendment to the Area Representative Agreement on the ___ day of _____, 20__.

FRANCHISOR:

CREST FOODS, INC.

By: _____
Name: _____
Title: _____

AREA REPRESENTATIVE:

By: _____
Name: _____
Title: _____

CONTROLLING PRINCIPALS:

*Name: _____

Name: _____

*Denotes individual who is Area Representative's Operating Principal

**AMENDMENT TO CREST FOODS, INC.
AREA REPRESENTATIVE AGREEMENT
FOR THE STATE OF MINNESOTA**

The Crest Foods, Inc. Area Representative Agreement between _____ (“Area Representative”) and Crest Foods, Inc., a Texas corporation (“Franchisor”), dated _____ (the “Agreement”) shall be amended by the addition of the following language, which shall be considered an integral part of the Agreement (this “Amendment”):

MINNESOTA LAW MODIFICATIONS

1. The Commissioner of Commerce for the State of Minnesota requires that certain provisions contained in franchise documents be amended to be consistent with Minnesota Franchise Act, Minn. Stat. Section 80.01 et seq., and of the Rules and Regulations promulgated under the Act (collectively the “Franchise Act”). To the extent that the Agreement contains provisions that are inconsistent with the following, such provisions are hereby amended:

a. The Minnesota Department of Commerce requires that Franchisor indemnify Minnesota franchisees against liability to third parties resulting from claims that the Area Representatives’ use of the Intellectual Properties infringes trademark rights of the third party. If the Agreement contains a provision that is inconsistent with the Franchise Act, the provisions of the Agreement shall be superseded by the Act’s requirements and shall have no force or effect.

b. Franchise Act, Sec. 80C.14, Subd. 4., requires, except in certain specified cases, that a franchisee be given written notice of a franchisor’s intention not to renew 180 days prior to expiration of the franchise and that the franchisee be given sufficient opportunity to operate the franchise in order to enable the franchisee the opportunity to recover the fair market value of the franchise as a going concern. If the Agreement contains a provision that is inconsistent with such requirement of the Franchise Act, the provisions of the Agreement shall be superseded by the Act’s requirements and shall have no force or effect.

c. Franchise Act, Sec. 80C.14, Subd. 3., requires, except in certain specified cases that a franchisee be given 90 days notice of termination (with 60 days to cure). If the Agreement contains a provision that is inconsistent with such requirement of the Franchise Act, the provisions of the Agreement shall be superseded by the Act’s requirements and shall have no force or effect.

d. If the Agreement requires Area Representative to execute a release of claims or to acknowledge facts that would negate or remove from judicial review any statement, misrepresentation or action that would violate the Franchise Act, such release shall exclude claims arising under the Franchise Act, and such acknowledgments shall be void with respect to claims under the Act.

e. If the Agreement requires that it be governed by a state’s law, other than the State of Minnesota or arbitration or mediation, those provisions shall not in any way abrogate or reduce any rights of the Area Representative as provided for in the Franchise Act, including the right to submit matters to the jurisdiction of the courts of Minnesota.

f. If the Agreement requires Area Representative to sue the Franchisor outside the State of Minnesota, those provisions shall not in any way abrogate or reduce any rights Area Representative may have as provided for in the Franchise Act, including the right to submit matters to the jurisdiction of the courts of Minnesota.

g. Franchise Act, 80C.17, Subd. 5 requires that an action be commenced pursuant to the Franchise Act within 3 years after the cause of action accrues. If the Agreement contains a provision that is inconsistent with the Franchise Act, the provisions of the Agreement shall be superseded by the Act's requirements and shall have no force or effect.

h. If the Agreement requires payment of a termination penalty or other liquidated damages, such provision shall be null and void and have no force or effect.

2. Each provision of this Amendment 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.

IN WITNESS WHEREOF, the parties hereto have fully executed, sealed and delivered this Amendment to the Area Representative Agreement on the ____ day of _____, 20__.

FRANCHISOR:

CREST FOODS, INC.

By: _____
Name: _____
Title: _____

AREA REPRESENTATIVE:

By: _____
Name: _____
Title: _____

CONTROLLING PRINCIPALS:

*Name: _____

Name: _____

*Denotes individual who is Area Representative's Operating Principal

**AMENDMENT TO CREST FOODS, INC.
AREA REPRESENTATIVE AGREEMENT
FOR THE STATE OF NEW YORK**

The Crest Foods, Inc. Area Representative Agreement between _____ (“Area Representative”) and Crest Foods, Inc., a Texas corporation (“Franchisor”), dated _____ (the “Agreement”) shall be amended by the addition of the following language, which shall be considered an integral part of the Agreement (this “Amendment”):

NEW YORK LAW MODIFICATIONS

1. The New York Department of Law requires that certain provisions contained in franchise documents be amended to be consistent with New York law, including the General Business Law, Article 33, Sections 680 through 695 (1989). To the extent that the Agreement contains provisions that are inconsistent with the following, such provisions are hereby amended:

a. If the Area Representative is required in the Agreement to execute a release of claims or to acknowledge facts that would negate or remove from judicial review any statement, misrepresentation or action that would violate the General Business Law, regulation, rule or order under the Law, such release shall exclude claims arising under the New York General Business Law, Article 33, Section 680 through 695 and the regulations promulgated thereunder, and such acknowledgments shall be void. It is the intent of this provision that non-waiver provisions of Sections 687.4 and 687.5 of the General Business Law be satisfied.

b. If the Agreement requires that it be governed by a state’s law, other than the State of New York, the choice of law provision shall not be considered to waive any rights conferred upon the Licensee under the New York General Business Law, Article 33, Sections 680 through 695.

2. Each provision of this Amendment shall be effective only to the extent that the jurisdictional requirements of the New York General Business 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.

[Signature page follows]

IN WITNESS WHEREOF, the parties hereto have fully executed, sealed and delivered this Amendment to the Area Representative Agreement on the ____ day of _____, 20__.

FRANCHISOR:

CREST FOODS, INC.

By: _____
Name: _____
Title: _____

AREA REPRESENTATIVE:

By: _____
Name: _____
Title: _____

CONTROLLING PRINCIPALS:

*Name: _____

Name: _____

*Denotes individual who is Area Representative's Operating Principal

**AMENDMENT TO CREST FOODS, INC.
AREA REPRESENTATIVE AGREEMENT
FOR THE STATE OF NORTH DAKOTA**

The Crest Foods, Inc. Area Representative Agreement between _____ (“Area Representative”) and Crest Foods, Inc., a Texas corporation (“Franchisor”), dated _____ (the “Agreement”) is hereby amended by the addition of the following language, which shall be considered an integral part of the Agreement (this “Amendment”):

NORTH DAKOTA LAW MODIFICATIONS

1. The North Dakota Securities Commissioner requires that certain provisions contained in franchise documents be amended to be consistent with North Dakota law, including the North Dakota Franchise Investment Law, North Dakota Century Code Annotated Chapter 51-19, Sections 51-19-01 through 51-19-17 (1993). To the extent that the Agreement contains provisions that are inconsistent with the following, such provisions are hereby amended:

a. If the Area Representative is required in the Agreement to execute a release of claims or to acknowledge facts that would negate or remove from judicial review any statement, misrepresentation or action that would violate the Law, or a rule or order under the Law, such release shall exclude claims arising under the North Dakota Franchise Investment Law, and such acknowledgments shall be void with respect to claims under the Law.

b. Covenants not to compete during the term of and upon termination or expiration of the Agreement are enforceable only under certain conditions according to North Dakota Law. If the Agreement contains a covenant not to compete which is inconsistent with North Dakota Law, the covenant may be unenforceable.

c. If the Agreement requires litigation to be conducted in a forum other than the State of North Dakota, the requirement is void with respect to claims under the North Dakota Franchise Investment Law.

d. If the Agreement requires that it be governed by a state’s law, other than the State of North Dakota, to the extent that such law conflicts with the North Dakota Franchise Investment Law, the North Dakota Franchise Investment Law will control, and, if Area Representative is a North Dakota resident or entity, to the extent that such law conflicts with North Dakota Law, North Dakota Law will control.

e. If the Agreement requires mediation or arbitration to be conducted in a forum other than the State of North Dakota, the requirement may be unenforceable under the North Dakota Franchise Investment Law. Arbitration involving a franchise purchased in the State of North Dakota must be held either in a location mutually agreed upon prior to the arbitration or if the parties cannot agree on a location, the location will be determined by the arbitrator.

f. If the Agreement requires payment of a termination penalty or liquidated damages, the requirement may be unenforceable under the North Dakota Franchise Investment Law.

g. If the Agreement requires the Area Representative to consent to a waiver of exemplary and punitive damages, the requirement may be unenforceable under the North Dakota Franchise Investment Law.

h. If the Agreement requires the Area Representative to pay all costs and expenses of the Franchisor in enforcing the Agreement, such provision is modified so that the prevailing party in any enforcement action is entitled to recover all costs and expenses, including attorney's fees, from the nonprevailing party.

2. 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.

IN WITNESS WHEREOF, the parties hereto have fully executed, sealed and delivered this Amendment to the Area Representative Agreement on the ___ day of _____, 20__.

FRANCHISOR:

CREST FOODS, INC.

By: _____
Name: _____
Title: _____

AREA REPRESENTATIVE:

By: _____
Name: _____
Title: _____

CONTROLLING PRINCIPALS:

*Name: _____

Name: _____

*Denotes individual who is Area Representative's Operating Principal

**AMENDMENT TO CREST FOODS, INC.
AREA REPRESENTATIVE AGREEMENT
FOR THE STATE OF RHODE ISLAND**

The Crest Foods, Inc. Area Representative Agreement between _____ (“Area Representative”) and Crest Foods, Inc., a Texas corporation (“Franchisor”), dated _____ (the “Agreement”) is hereby amended by the addition of the following language, which shall be considered an integral part of the Agreement (this “Amendment”):

RHODE ISLAND LAW MODIFICATIONS

1. The Rhode Island Securities Division requires that certain provisions contained in franchise documents be amended to be consistent with Rhode Island law, including the Franchise Investment Act, R.I. Gen. Law. ch. 395 Sec. 19-28.1-1 -19-28.1-34. To the extent that the Agreement contains provisions that are inconsistent with the following, such provisions are hereby amended:

a. If the Agreement requires litigation to be conducted in a forum other than the State of Rhode Island, the requirement is void under Rhode Island Franchise Investment Act Sec. 19-28.1-14.

b. If the Agreement requires that it be governed by a state’s law, other than the State of Rhode Island, to the extent that such law conflicts with Rhode Island Franchise Investment Act it is void under Sec. 19-28.1-14.

c. If the Area Representative is required in the Agreement to execute a release of claims or to acknowledge facts that would negate or remove from judicial review any statement, misrepresentation or action that would violate the Act, or a rule or order under the Act, such release shall exclude claims arising under the Rhode Island Franchise Investment Act, and such acknowledgments shall be void with respect to claims under the Act.

2. 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.

[Signature page follows]

IN WITNESS WHEREOF, the parties hereto have fully executed, sealed and delivered this Amendment to the Area Representative Agreement on the ___ day of _____, 20__.

FRANCHISOR:

CREST FOODS, INC.

By: _____
Name: _____
Title: _____

AREA REPRESENTATIVE:

By: _____
Name: _____
Title: _____

CONTROLLING PRINCIPALS:

*Name: _____

Name: _____

*Denotes individual who is Area Representative's Operating Principal

**AMENDMENT TO CREST FOODS, INC.
AREA REPRESENTATIVE AGREEMENT
FOR THE STATE OF WASHINGTON**

The Crest Foods, Inc. Area Representative Agreement between _____ (“Area Representative”) and Crest Foods, Inc., a Texas corporation (“Franchisor”), dated _____ (the “Agreement”) is hereby amended by the addition of the following language, which shall be considered an integral part of the Agreement (this “Amendment”):

WASHINGTON LAW MODIFICATIONS

1. The Director of the Washington Department of Financial Institutions requires that certain provisions contained in franchise documents be amended to be consistent with Washington law, including the Washington Franchise Investment Protection Act, WA Rev. Code §§ 19.100.010 to 19.100.940 (1991). To the extent that the Agreement contains provisions that are inconsistent with the following, such provisions are hereby amended:

a. Washington Franchise Investment Protection Act provides rights to Area Representative concerning nonrenewal and termination of the Agreement. If the Agreement contains a provision that is inconsistent with the Act, the Act will control.

b. If the Area Representative is required in the Agreement to execute a release of claims, such release shall exclude claims arising under the Washington Franchise Investment Protection Act; except when the release is executed under a negotiated settlement after the Agreement is in effect and where the parties are represented by independent counsel. If there are provisions in the Agreement that unreasonably restrict or limit the statute of limitations period for claims brought under the Act, or other rights or remedies under the Act, those provisions may be unenforceable.

c. If the Agreement requires litigation, arbitration, or mediation to be conducted in a forum other than the State of Washington, the requirement may be unenforceable under Washington law. Arbitration involving a franchise purchased in the State of Washington must either be held in the State of Washington or in a place mutually agreed upon at the time of the arbitration, or as determined by the arbitrator.

d. If the Agreement requires that it be governed by a state’s law, other than the State of Washington, and there is a conflict between the law and the Washington Franchise Investment Protection Act, the Washington Franchise Investment Protection Act will control.

2. Each provision of this Amendment shall be effective only to the extent that the jurisdictional requirements of the Washington 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.

[Signature page follows]

IN WITNESS WHEREOF, the parties hereto have fully executed, sealed and delivered this Amendment to the Area Representative Agreement on the ___ day of _____, 20__.

FRANCHISOR:

CREST FOODS, INC.

By: _____
Name: _____
Title: _____

AREA REPRESENTATIVE:

By: _____
Name: _____
Title: _____

CONTROLLING PRINCIPALS:

*Name: _____

Name: _____

*Denotes individual who is Area Representative's Operating Principal

**AMENDMENT TO CREST FOODS, INC.
AREA REPRESENTATIVE AGREEMENT
FOR THE STATE OF WISCONSIN**

The Crest Foods, Inc. Area Representative Agreement between _____ (“Area Representative”) and Crest Foods, Inc., a Texas corporation (“Franchisor”), dated _____ (the “Agreement”) is hereby amended by the addition of the following language, which shall be considered an integral part of the Agreement (this “Amendment”):

WISCONSIN LAW MODIFICATIONS

1. The Securities Commissioner of the State of Wisconsin requires that certain provisions contained in franchise documents be amended to be consistent with Wisconsin Fair Dealership Law, Wisconsin Statutes, Chapter 135 (“Fair Dealership Law”). To the extent that the Agreement contains provisions that are inconsistent with the following, such provisions are hereby amended:

a. The Wisconsin Fair Dealership Law, among other things, grants Area Representative the right, in most circumstances, to 90 days’ prior written notice of non-renewal and 60 days within which to remedy any claimed deficiencies. If the Agreement contains a provision that is inconsistent with the Wisconsin Fair Dealership Law, the provisions of the Agreement shall be superseded by the Law’s requirements and shall have no force or effect.

b. The Wisconsin Fair Dealership Law, among other things, grants Area Representative the right, in most circumstances, to 90 days’ prior written notice of termination and 60 days within which to remedy any claimed deficiencies. If the Agreement contains a provision that is inconsistent with the Wisconsin Fair Dealership Law, the provisions of the Agreement shall be superseded by the Law’s requirements and shall have no force or effect.

c. If the Agreement requires that it be governed by a state’s law, other than the State of Wisconsin, to the extent that any provision of the Agreement conflicts with the Wisconsin Fair Dealership Law such provision shall be superseded by the law’s requirements.

2. Each provision of this Amendment shall be effective only to the extent that the jurisdictional requirements of the Wisconsin 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.

[Signature page follows]

IN WITNESS WHEREOF, the parties hereto have fully executed, sealed and delivered this Amendment to the Area Representative Agreement on the ___ day of _____, 20__.

FRANCHISOR:

CREST FOODS, INC.

By: _____

Name: _____

Title: _____

AREA REPRESENTATIVE:

By: _____

Name: _____

Title: _____

CONTROLLING PRINCIPALS:

*Name: _____

Name: _____

*Denotes individual who is Area Representative's Operating Principal

EXHIBIT E

**ELECTRONIC FUNDS TRANSFER
AUTHORIZATION TO HONOR CHARGES DRAWN BY AND PAYABLE TO
CREST FOODS, INC. ("Payee")**

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

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

(1) To indemnify Bank 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 Payee and received by the Bank in the regular course of business for the purpose of payment, including any costs or expenses reasonably incurred in connection therewith.

(2) To indemnify Payee and Bank for any loss arising if any such debit shall be dishonored, whether with or without cause and whether intentionally or inadvertently.

(3) To defend at Franchisee's own cost and expense any action that might be brought by a depositor or any other persons because of any actions taken by Bank or Payee pursuant to the foregoing request and authorization, or in any manner arising by reason of Bank's or Payee's participation therein.

Name of Bank: _____
Name of Depositor (i.e. Franchisee): _____
Bank Account No.: _____
Bank Location: _____
For Bank information call: _____
Bank Address: _____
Bank Phone #: _____
Bank Fax #: _____

[Insert Franchisee Name]

Date: _____

By: _____
Name: _____
Title: _____

Café Number: _____

Attach voided check below and either scan and email (reports@nestlecafe.com) or fax (214-239-3091 attn: Operations)

Please affix voided check here

EXHIBIT F

IRREVOCABLE POWER OF ATTORNEY (TELECOMMUNICATIONS)

KNOW ALL MEN BY THESE PRESENTS, that _____
("Franchisee") does hereby irrevocably constitute and appoint Crest Foods, Inc. a Texas corporation ("Franchisor"), true and lawful attorney-in-fact and agent for Franchisee and in Franchisee's name, place and stead, to do or cause to be done all things and to sign, execute, acknowledge, certify, deliver, accept, record and file all such agreements, certificates, instruments and documents as, in the sole discretion of Franchisor, shall be necessary or advisable for the sole purpose of assigning to Franchisor all of Franchisee's right, title and interest in and to any and all telephone numbers of Franchisee's franchise and all related Yellow Pages, White Pages and other business listings and all Internet listings, domain names, Internet accounts, advertising on the Internet or World Wide Web, websites, listings with search engines, e-mail addresses or any other similar listing or usages related to the Franchisee's franchise, including but not limited to, the execution and delivery of any Transfer of Service Agreement and any other transfer documentation required by the applicable telephone service or Internet company providing telephone or Internet services to Franchisee, hereby granting unto Franchisor full power and authority to do and perform any and all acts and things which, in the sole discretion of Franchisor, are necessary or advisable to be done as fully to all intents and purposes as Franchisee might or could itself do, hereby ratifying and confirming all that Franchisor may lawfully do or cause to be done by virtue of this Power of Attorney and the powers herein granted.

During the term of this Power of Attorney and regardless of whether Franchisee has designated any other person to act as its attorney-in-fact and agent, no person, firm or corporation dealing with Franchisor shall be required to ascertain the authority of Franchisor, nor to see to the performance of the agency, nor be responsible in any way for the proper application of funds or property paid or delivered to Franchisor. Any person, firm or corporation dealing with Franchisor shall be fully protected in acting and relying on a certificate of Franchisor that this Power of Attorney on the date of such certificate has not been revoked and is in full force and effect, and Franchisee shall not take any action against any person, firm or corporation acting in reliance on such a certificate or a copy of this Power of Attorney. Any instrument or document executed on behalf of Franchisee by Franchisor shall be deemed to include such a certificate on the part of Franchisor, whether or not expressed. This paragraph shall survive any termination of this Power of Attorney.

This Power of Attorney shall terminate two (2) years following the expiration or termination of that certain Franchise Agreement by and between Franchisor and Franchisee. Such termination, however, shall not affect the validity of any act or deed that Franchisor may have effected prior to such date pursuant to the powers herein granted.

This instrument is to be construed and interpreted as an irrevocable power of attorney coupled with an interest. It is executed and delivered in the State of Texas and the laws of the State of Texas shall govern all questions as to the validity of this Power of Attorney and the construction of its provisions.

IN WITNESS WHEREOF, the undersigned has executed this Power of Attorney as of the _____ day of _____, 20____.

FRANCHISEE:

By: _____

Name: _____

Title: _____

STATE OF _____§

§

COUNTY OF _____§

BEFORE ME, the undersigned authority, on this day personally appeared _____, _____ of _____ known to me to be the person whose name is subscribed to the foregoing instrument, who acknowledged to me that he executed the same for the purposes and consideration therein expressed and in the capacity therein stated.

GIVEN UNDER MY HAND AND SEAL OF OFFICE this _____ day of _____, 20____.

(SEAL)

Notary Public in and for the State of _____

My Commission Expires:

EXHIBIT G

IRREVOCABLE POWER OF ATTORNEY (TAX RETURNS)

KNOW ALL MEN BY THESE PRESENTS, that _____
("Franchisee") does hereby irrevocably constitute and appoint Crest Foods, Inc., a Texas corporation
("Franchisor"), true and lawful attorney-in-fact and agent for Franchisee and in Franchisee's name, place
and stead to do or cause to be done all things and to sign, execute, acknowledge, certify, deliver, accept,
record and file all such agreements, certificates, instruments and documents as, in the sole discretion of
Franchisor, shall be necessary or advisable for the sole purpose of obtaining any and all returns, records,
reports and other documentation relating to the payment of taxes filed by Franchisee with any state and/or
federal taxing authority, including but not limited to the execution and delivery of any and all formal
requests and other documentation as may be required by the applicable state and/or federal taxing
authority, including, but not limited to the Comptroller of Public Accounts of the State of Texas, hereby
granting unto Franchisor full power and authority to do and perform any and all acts and things which, in
the sole discretion of Franchisor, are necessary or advisable to be done as fully to all intents and purposes
as Franchisee might or could itself do, hereby ratifying and confirming all that Franchisor may lawfully
do or cause to be done by virtue of this Power of Attorney and the powers herein granted.

During the term of this Power of Attorney, and regardless of whether Franchisee has designated any other
person to act as its attorney-in-fact and agent, no governmental agency, person, firm or corporation
dealing with Franchisor, if acting in good faith, shall be required to ascertain the authority of Franchisor,
nor to see to the performance of the agency, nor be responsible in any way for the proper application of
documents delivered or funds or property paid or delivered to Franchisor. Any governmental agency,
person, firm or corporation dealing with Franchisor shall be fully protected in acting and relying on a
certificate of Franchisor that this Power of Attorney on the date of such certificate has not been revoked
and is in full force and effect, and Franchisee shall not take any action against any person, firm,
corporation or agency acting in reliance on such a certificate or a copy of this Power of Attorney. Any
instrument or document executed on behalf of Franchisee by Franchisor shall be deemed to include such a
certificate on the part of Franchisor, whether or not expressed. This paragraph shall survive any
termination of this Power of Attorney.

This Power of Attorney shall terminate two (2) years following the expiration or termination of that
certain Franchise Agreement by and between Franchisor and Franchisee. Such termination, however,
shall not affect the validity of any act or deed that Franchisor may have effected prior to such date
pursuant to the powers herein granted.

This instrument is to be construed and interpreted as an irrevocable power of attorney coupled with an
interest. It is executed and delivered in the State of Texas and the laws of the State of Texas shall govern
all questions as to the validity of this Power of Attorney and the construction of its provisions.

IN WITNESS WHEREOF, the undersigned has executed this Power of Attorney as of the _____ day of
_____, 20____.

FRANCHISEE:

By: _____
Name: _____
Title: _____

STATE OF _____ §
COUNTY OF _____ §

BEFORE ME, the undersigned authority, on this day personally appeared _____,
_____ of _____ known to me to be the person
whose name is subscribed to the foregoing instrument, who acknowledged to me that he executed the same
for the purposes and consideration therein expressed and in the capacity therein stated.

GIVEN UNDER MY HAND AND SEAL OF OFFICE this ____ day of _____,
20____.
(SEAL)

Notary Public in and for the State of _____

My Commission Expires:

EXHIBIT H

MANUALS TABLE OF CONTENTS

OPERATIONS MANUAL

<u>HEADING</u>	<u>NO. OF PAGES</u>
Introduction	19
Brand Resources	14
Understanding Franchising	10
How to write a business plan	49
menu plans	3
operations system standards	23
workstations	18
general equipment	19
café equipment	33
opening closing	7
coca cola fountain program	17
know your product	16
buddy guides	24
menu items	20
cookie cakes	19
smoothies	4
environmental safety	26
product safety	29
standards	7
reports/recordkeeping	9
building a strong team	40
financial mgmt	24
loss prevention	7
placing/receiving orders	21
csqm	6
waste	8
regulatory	28
cart operations	12
international coffee	4
crepes	6

FRANCHISE OPERATIONS TRAINING MANUAL

<u>HEADING</u>	<u>NO. OF PAGES</u>
Day One	47
Day Two	21
Day Three	22
Day Four	90
Day Five	19
Day Six	1
Day Seven	3
Day Eight	52

Day Nine	17
Day Ten	1

OPERATIONS TRAINING GUIDE

<u>HEADING</u>	<u>NO. OF PAGES</u>
Orientation	25
Sanitation and Food Handling	20
Station Prep, Tools and Equipment	29
Baked Products	16
Cookie Cakes	10
Breakfast Fare	5
Mixologist	7
Double Dipper	10
Point of Sale (POS)	20
The Customer Experience	19
Opening, Mid-Shift and Closing Procedures	8
Trainer Resource Guide	19
Training Agenda	5
Skill Mastery Demonstration Guide	3
Quizzes	9

DESIGN CRITERIA MANUAL

<u>HEADING</u>	<u>NO. OF PAGES</u>
Acknowledgment, Introduction and Planning the Café	37
Building the Café	32
Opening the Café	19
Sample Construction Documents	90
Kitchen Equipment	109
Furnishings/AV Equipment; Smallwares	65
Graphics and Signage	31
Computer/POS System	41
Order Information, Uniforms and Contact Information	17

EXHIBIT I

LIST OF STATE ADMINISTRATORS

CALIFORNIA

Department of Corporations
320 West 4th Street, Suite 750
Los Angeles, CA 90013-2344

HAWAII

Business Registration Division
Department of Commerce and Consumer Affairs
335 Merchant Street, Room 203
Honolulu, Hawaii 96813

ILLINOIS

Chief, Franchise Division
Attorney General's Office
500 South Second Street
Springfield, Illinois 62706

INDIANA

Secretary of State
Franchise Section
Securities Division
302 West Washington,
Room E-111
Indianapolis, Indiana 46204

MARYLAND

Office of the Attorney General
Securities Division
200 St. Paul Place
Baltimore, Maryland 21202

MICHIGAN

Department of the Attorney General's Office
Consumer Protection Division
Attn: Franchise
670 Law Building
Lansing, Michigan 48913

MINNESOTA

Franchise Examiner
Department of Commerce
85 7th Place East, Suite 500
St. Paul, Minnesota 55101

NEW YORK

Special Deputy Attorney General
New York Department of Law
Bureau of Investor Protection and Securities
120 Broadway, 23rd Floor
New York, New York 10271

NORTH DAKOTA

Franchise Examiner
Securities Commissioner
State of North Dakota
600 East Boulevard, Fifth Floor
Bismarck, North Dakota 58505

OREGON

Director
Department of Consumer and Business Services
Division of Finance and Corporate Securities
Labor and Industries Building
Salem, Oregon 97310

RHODE ISLAND

Department of Business Regulation
Securities Division
John O. Pastore Complex
1511 Pontiac Avenue, Building 69-1
Cranston, Rhode Island 02920-4407

SOUTH DAKOTA

Franchise Administrator
Department of Labor and Regulation
Division of Securities
445 East Capitol Avenue
Pierre, South Dakota 57501

VIRGINIA

State Corporation Commission
Division of Securities and Retail Franchising
1300 East Main Street, 9th Floor
Richmond, Virginia 23219

WASHINGTON

Department of Financial Institutions
Securities Division
P.O. Box 9033
Olympia, Washington 98507-9033

WISCONSIN

Franchise Administrator
Securities and Franchise Registration
Wisconsin Securities Commission
P.O. Box 1768
Madison, Wisconsin 53701

EXHIBIT J

AGENTS FOR SERVICE OF PROCESS

CALIFORNIA

Commissioner of Corporations
320 West 4th Street, Suite 750
Los Angeles, CA 90013-2344

HAWAII

Commissioner of Securities
of the State of Hawaii
335 Merchant Street, Room 203
Honolulu, Hawaii 96813

ILLINOIS

Illinois Attorney General
500 South Second Street
Springfield, Illinois 62706

INDIANA

Indiana Secretary of State
201 State House
Indianapolis, Indiana 46204

MARYLAND

Maryland Securities Commissioner
Office of the Attorney General
200 St. Paul Place
Baltimore, Maryland 21202-2020

MICHIGAN

Michigan Department of Commerce,
Corporations and Securities Bureau
670 Law Building
Lansing, Michigan 48913

MINNESOTA

Commissioner of Commerce
133 East Seventh Street
St. Paul, Minnesota 55101

NEW YORK

Secretary of State of
the State of New York
162 Washington Avenue
Albany, New York 12231

NORTH DAKOTA

Securities Commissioner
State of North Dakota
600 East Boulevard, Fifth Floor
Bismarck, North Dakota 58505

OREGON

Director
Department of Consumer and
Business Services
Division of Finance and
Corporate Securities
Labor and Industries Building
Salem, Oregon 97310

RHODE ISLAND

Director of Department of Business Regulation
Securities Division
John O. Pastore Complex
1511 Pontiac Avenue, Building 69-1
Cranston, Rhode Island 02920-4407

SOUTH DAKOTA

Director of Division of Securities
445 East Capitol Avenue
Pierre, South Dakota 57501

VIRGINIA

Clerk of the State
Corporation Commission
1300 East Main Street, 1st Floor
Richmond, Virginia 23219

WASHINGTON

Director of Financial Institutions
Securities Division
150 Israel Road SW
Tumwater, Washington 98501

WISCONSIN

Department of Financial Institutions
345 West Washington Avenue, 4th Floor
Madison, Wisconsin 53703

EXHIBIT K-1

LIST OF FRANCHISEES

UNITED STATES

ALABAMA

Artistic Discovery, LLC (Alexanderia and Micah Easterling)
1260 Highway 72 E. Suite I
Athens, AL 35613
256-278-9099
Location: Athens Highway 72 Centre, Athens, AL
Opened: 7-17-08

ALASKA

John Fox
9138 Arlon Street A3-314
Anchorage, AK 99507
907-360-9528
Location: To be determined

ARIZONA

Rick Nunley
8668 W. Gambit Trail
Peoria, AZ 85383
602-565-0147
Location: To be determined

ARKANSAS

Swiss Café LLC (Waleed Tamony)
968 Links Drive, Apt. 5
Jonesboro, AR 72404
518-645-3474
Location: To be determined

CALIFORNIA

Lynn S. Trinh
923 Derek Drive
Arcadia, CA 91006
818-932-9398
Location: Topanga Plaza, Canoga Park, CA
Opened: 11-19-06

Endless Desserts, LLC (Daisy Mirador)
Gourmet Desserts, LLC (Daisy Mirador)
2015 Birch Rd #508
Chula Vista, CA 91915
619-421-9991
Location 1: Otay Ranch, Chula Vista, CA
Opened: 10-31-06
Location 2: Chula Vista Mall, Chula Vista, CA
Opened: Not yet opened

SJPG Incorporated (Pramod Gupta & Shaloo Jain)
230 Great Mall Drive
Milpitas, CA 95035
408-941-0797
Location: The Great Mall, Milpitas, CA
Opened: 12-20-07

Ahmad and Debra L. Darabian
22025 Martinez Street
Woodland Hills, CA 91364
562-809-2500
Location: Los Cerritos, Los Cerritos, CA
Opened: 4-10-08

NLV III, Inc. (Al & Jyoti Patel)
New Light Ventures LLC (Al & Jyoti Patel)
625 Cannery Row, #104
Monterey, CA 93940
831-641-9300
Location 1: Cannery Row, Monterey, CA
Opened: 12-14-07
Location 2: Shops at Heavenly, S. Lake Tahoe, CA
Opened: 3-21-03

Shree Mahima Corporation (Samir & Jinga Mehta)
1815 Hawthorne Blvd #370
Redondo Beach, CA 90278
310-370-5200
Location: Southbay Galleria, Redondo Beach, CA
Opened: 12-03-06

Woo Young Kim
24305 Town Center Dr.
Valencia, CA 91355
661-253-9613
Location: Valencia Town Center (Kiosk), CA
Opened: 4-23-04

Bokyoung Everts
24305 Town Center Dr. #100
Valencia, CA 91355
805-701-7240
Location: Valencia Town Center, CA
Opened: 3-21-03

SED and A, Inc. (Sofia Cohen)
650 Via Maggiore
Chula Vista, CA 91914
619-972-5058
Location: Plaza Bonita, National City, CA
Opened: 5-23-08

Burnette Family Enterprises, Inc. (William Burnette)
14562 Crest Court
Chino Hills, CA 91709
909-476-5099
Location 1: Ontario Mills Mall, Ontario, CA
Opened: 12-9-08
Location 2: Eastvale Gateway II, Eastvale, CA
Opened: 10-22-12

Reviealla International Inc. (Chia Wei Hsu)
19178 Kim Court
Rowland Heights, CA 91748
909-835-3535
Location: Victoria Gardens Mall, Rancho
Cucamonga, CA
Opened: 4-15-10

Sharye Yun
49 Willowhurst
Irvine, CA 92602
949-588-1767
Location: Towne Centre Drive, Foothill Ranch, CA
Opened: 1-21-10

Pari Venture Inc. (Shreeraj Parik)
2501 Redrock Drive
Corona, CA 92882
909-772-2842
Location: To be determined

COLORADO

Brady Cook, Inc. (Brigette Cook)
4601 E. Main Street, #5549
Farmington, NM 87402
970-385-7623
Location: Durango, CO
Opened: 12-18-12

SJK Desserts, LLC (Jacki Kennedy)
16980 County Road 5 South
Alamosa, CO 81101
832-414-9096
Location: To be determined

FLORIDA

Cunsolo Investment Group, LLC (Giuseppe Cunsolo)
c/o Intercontinental Law Firm, P.A.
3191 SW 22nd Street, Suite 616
Coral Gables, FL 33145
305-444-1272
Location: Dadeland Mall, Miami, FL
Opened: 6-11-03

International Sweet Spot, Inc. (Antonio Coletta)
1455 NW 107th Ave., #K101
Miami, FL 33172
305-477-1987
Location: Miami International Mall, Miami, FL
Opened: 7-5-02

H & H Enterprises LLC (Hamid & Nasima Gowani)
8001 S. Orange Blossom Trail #1206
Orlando, FL 32809
407-582-9100
Location: Florida Mall, Orlando, FL
Opened: 1-1-07

Three Scoops and a Cookie, LLC (Ricky Saucier)
234 Towne Center Circle #J02
Sanford, FL 32771
407-688-8168
Location 1: Towne Center Mall, Sanford, FL
Opened: 8-20-06

Indigo Enterprises (Tariq & Rashida Gardee)
8743 The Esplanade #6
Orlando, FL 32836
407-523-6242
Location: Orlando Premium Outlet, Orlando, FL
Opened: 10-14-08

API's Sweets LLC (Alpesh Patel)
Rhy's Sweet Shop LLC (Alpesh Patel)
11426 Dutch Iris Drive
Riverview, FL 33578
770-310-5066
Location 1: Citrus Park Mall, Tampa, FL
Opened: 7-6-09
Location 2: Lakeland Square Mall, Lakeland, FL
Opened: 3-20-14

Dolce Kiss L.L.C. (Erica Peraz)
2151 SW 185 Avenue
Miramar, FL 33029
954-249-2297
Location: To be determined

HDCP Foods, Inc. (Nicholas Thanas)
333 S. DesPlaines St. #506
Chicago, IL 60661
773-213-7000
Location: Coconut Point, Estero, FL
Opened: Not yet opened

Rajiv and Manjiri Mahadkar
14 Brandywine Crossing
Newburgh, NY 12550
917-945-6777
Location: To be determined

GEORGIA

Yummy Tummy GA, LLC (Bill Renton)
1000 North Point Circle #2092
Alpharetta, GA 30202
770-475-4461
Location 1: North Point Mall, Alpharetta, GA
Opened: 10-26-07
Location 2: Cumberland Mall, Atlanta, GA
Opened: 4-06-04

Shree AJ Corporation (Asit Joshi)
3004 Westray Court
Marietta, GA 30064
770-475-4461
Location Town Center at Cobb, Kennesaw, GA
Opened: 3-12-12

ILLINOIS

Zeid, Inc. (Raed Zeid)
804 Orland Square #H02A
Orland Park, IL 60462
708-364-8355
Location: Orland Park Square Mall, IL
Opened: 10-26-04

Abdel Rahman Farhan
3889 Derry Drive
Saint Joseph, MI 49085
269-208-3449
Location: Woodfield Mall, Schaumburg, IL
Opened: 2-21-13

Springhill Treats Inc. (Hitesh Amin)
326 Clearwater Lane
Schaumburg, IL 60194
847-877-1030
Location: Spring Hill Mall, West Dundee, IL
Opened: 2-14-14

Chetan Joshi
914 Long Boat Lane
Shaumburg, IL 60194
630-390-5006
Location: To be determined

KANSAS

TAT Enterprises, LLC (Thayne Thompson)
11461 West 95th Street #17
Overland Park, KS 66214
573-586-7622
Location: Oak Park Mall, Overland Park, KS
Opened: 4-18-07

LOUISIANA

Luke 1:37 LLC (David and Kristina Haegele)
2002 Plantation Drive
St. Charles, LA 70605
337-802-0922
Location: Mall of St. Vincent, Shreveport, LA
Opened: 3-12-14

MARYLAND

Junmars Company, Inc. (Rodolfo Dimayuga)
9813 Meadowcroft Lane
Montgomery Village, MD 20886
301-846-9600
Location: To be determined

J&J Confection, LLC (Sang Park)
19900 Crystal Rock Dr. #306
Frederick, MD 20874
301-928-5664
Location: Francis Scott Key Mall, Frederick, MD
Opened: 11-18-04

MICHIGAN

Young Nestle House LLC. (James Chung)
3195 28th Street# E-102A
Grand Rapids, MI 49512
616-378-0642
Location: Woodland Mall, Grand Rapids, MI
Opened: 11-21-07

New Heights Investments, Inc. (Howard Taylor)
Okemos Baking Technologies, LLC (Howard Taylor)
Saginaw Baking Technologies LLC (Howard Taylor)
Howard and Alisa Taylor
17370 Hall Road, #108
Clinton Township, MI 48038
248-310-3418
Location 1: Partridge Creek, Clinton Township, MI
Opened: 10-18-07
Location 2: Twelve Oaks Mall ,Novi, MI
Opened: 2-12-07
Location 3: Meridian Mall, Okemos, MI
Opened: 11-11-10
Location 4: Fashion Square Mall, Saginaw, MI
Opened: 5-5-10
Location 5: To be determined

Mid-Michigan Ventures (Stephen and Yumika Eastham)
2976 Riverside Drive
Metamora, MI 48455
810-410-5215
Location: Oakland Mall, Troy MI
Opened: 11-30-01

Choe Chocolate Co., LLC (Janet Choe)
Crossroads Mall Café, L.L.C. (Janet Choe)
5330 W Saginaw Hwy
Lansing, MI 48917
517-323-1800
Location 1: Lansing Mall, Lansing, MI
Opened: 1-16-02
Location 2: Cross Roads, Mall, Grand
Opened: 11-11-12

Sweet Dreams Management LLC (Samir Daher)
3848 E. 13 Mile Road
Warren, MI 48092
586-751-8900
Location 1: 4153 Orchard Lake, Orchard Lake, MI
Opened: 7-16-12
Location 2: 3848 E. 13 Mile Road, Warren, MI
Opened: Not yet opened

Daher Management, LLC
3848 E. 13 Mile Road
Warren, MI 48092
586-751-8900
Location 1: Birchwood Mall, Fort Gratiot, MI
Opened: Not yet opened
Location 2: Lansing Mall, Lansing, MI
Opened: Not yet opened

Coffee Queens, LLC (Noella Korte and Beth Harris)
2930 Mohawk Trace
Interlochen, MI 49643
231-631-2089
Location: Grand Traverse Mall, Traverse City, MI
Opened: 4-7-14

MINNESOTA

Twin Cookies Co., LLC (Joseph Schmidt)
152 W Market
Bloomington, MN 55425
952-767-7760
Location 1: Mall of America West, Bloomington, MN
Opened: 10-08-06
Location 2: Mall of America East, Bloomington, MN
Opened: 11-25-03

MISSOURI

Jaehong Dessert Dream Inc.(Jaehong Yim)
1820 Market St., Kiosk 241
St. Louis, MO 63103
314-436-2308
Location 1: Union Station, St. Louis, MO
Opened: 8-1-08
Location 2: Chesterfield Mall, Chesterfield, MO
Opened: 4-20-13

NEVADA

Barcor, Inc. (Douglas Barnes)
3663 S. Las Vegas Blvd. #96
Las Vegas, NV 89109
702-731-6477
Location: Miracle Mile, Las Vegas, NV
Opened: 3-26-12

SHIV Shaktai, LLC (Bharti Gupta)
1482 Le Luberon Court
Las Vegas, NV 89123
702-302-1888
Location: Town Square, Las Vegas, NV
Opened: 9-12-09

NEW JERSEY

Ambrosial Bites, Inc. (Shubhada Purandare)
Ambrosial Bites NTHCWM, Inc. (Shubhada Purandare)
Rt. 35 & Rt. 36 #3114
Eatontown, NJ 07724
732-542-3370
Location 1: Monmouth Mall, Eatontown, NJ
Opened: 7-13-05
Location 2: Woodbridge Center Mall, Woodbridge, NJ
Opened: 4-16-06

Rudra, LLC (Thakor Patel)
30 Mall Dr. West #28A
Jersey City, NJ 07310
201-420-9004
Location: Newport Centre, Jersey City, NJ
Opened: 7-13-05

9Stars Corp. (Mohammad Rayyan)
115 Arcadia Road, Apt. G
Hackensack, NJ 07601
914-755-2845
Location: Garden State Plaza, Paramus, NJ
Opened: 3-16-13

NEW MEXICO

Brady Cook, Inc. (Brigitte Cook)
4601 E. Main Street, #5549
Farmington, NM 87402
970-385-7623
Location: Animas Valley, Farmington, NM
Opened: 11-29-07

High Desert Desserts, LLC
(Stuart Seis and Jennifer Seis)
1125 Lanes End NW
Albuquerque, NM 87114
505-898-0160
Location: To be determined

NEW YORK

STRJ, Inc. (Sharon M. Skonieczki)
235 N. Harrison Street
Johnson City, NY 13790
607-766-6088
Location: Campus Plaza, Vestal, NY
Opened: 6-28-12

Hidayet Ozler
1018 N. Hamilton Avenue
Lindenhurst, NY 11757
631-903-0435
Location: To be determined

NORTH CAROLINA

Yummy Tummy, LLC (Bill Renton & Mohamed Rafiq)
4400 Sharon Road. Space K-19
Charlotte, NC 28211
704-364-9933
Location 1: Southpark Mall, Charlotte, NC
Opened: 11-12-04
Location 2: Four Seasons Town Center, Greensboro, NC
Opened: 10-4-10
Location 3: Carolina Place Mall, Pineville, NC
Opened: 8-1-12
Location 4: The Streets at Southpoint, Durham, NC
Opened: 6-29-12

OHIO

Delicious Treats, LLC (Michael Caraboolad)
145 Blossom Lane
Orange, Ohio 44022
440-248-2192
Location: Southpark Mall, Strongsville, OH
Opened: 12-19-12

OKLAHOMA

Masood Kasim
7021 S. Memorial St. #268
Tulsa, OK 74133
918-461-0096
Location: Woodland Hills Mall, Tulsa, OK
Opened: 9-7-07

PENNSYLVANIA

Welcome Coffee Cookies and Ice Cream, Inc.
(Prashant Shah)
1205 Park City Center #L205
Lancaster, PA 17601
717-397-7525
Location: Park City, Lancaster, PA
Opened: 4-28-07

Mantra Café, Inc. (Vishakha Mehta and Jyoti Shah)
260 Exton Square Mall #2875
Exton, PA 19341
610-524-7050
Location: Exton Square Mall, Exton, PA
Opened: 9-28-04

OHM Cookies LLC (Pankaj Kamdar)
1827 Franklin Mills Circle
Philadelphia, PA 19154
215-824-1327
Location 1: Franklin Mills, Philadelphia, PA
Opened: 11-28-03
Location 2: Franklin Mills, Philadelphia, PA
Opened: 2-10-11
Location 3: Neshaminy Mall, Bensalem, PA
Opened: 7-1-11

Lizzette Torres
92 Orlando Drive
Sicklerville, NJ 08081
215-657-3424
Location: To be determined

Lewbock, Inc. (William and Connie Lewis)
2845 Center Valley Pkwy.# 108
Center Valley, PA 18034
570-424-2706
Location: Lehigh Valley Mall, Whitehall, PA
Opened: 2-13-10

Gettysburg Foods LLC (Raymond Ambrose)
521 Gentry Court
Westminster, MD 21157
240-264-5077
Location: To be determined

Marcafe, LLC (Imad Sneij)
1625 West Thistle Drive
Wyomissing, PA 19610
610-463-8977
Location: To be determined

SOUTH CAROLINA

Yummy Tummy Two, LLC (Bill Renton & Mohamed Rafiq)
461-1 Town Center Plaza
Columbia, SC 29229
803-699-2322
Location: Village at Sandhill, Columbia, SC
Opened: 9-1-05

TEXAS

More Café Inc. (Jose Moreno)
2370 North Expressway #1112
Brownsville, TX 78521
956-554-3200
Location 1: Sunrise Mall, Brownsville, TX
Opened: 12-30-00
Location 2: La Plaza Mall, McAllen, TX
Opened: 5-12-03

Riya Business Inc. (Naeem Mohammad)
11200 Lakeline Mall Dr., Space VC-1
Cedar Park, TX 78613
512-258-2848
Location: Lakeline Mall, Cedar Park, TX
Opened: 11-1-03

M&Y Rastgar Enterprises (Hamid Rastgar)
12019 Sunrise Way
Houston, TX 77065
281-890-7611
Location: Cypress Fair, Cypress, TX
Opened: 7-09-06

HKBE Enterprises Inc. (Henry and Karen Meeks)
1400 Shoal Creek, Suite 100
Highland Village, TX 75077
972-317-6171
Location: Highland Village, Highland Village, TX
Opened: 12-13-07

Piltzmaker Enterprises, Inc. (Jason Piltzmaker)
BBK Cookie Cafe, LLC (Jason Piltzmaker)
5015 Westheimer, Ste# 1352
Houston, TX 77056
713-355-2447
Cell: 713-398-9459
Location 1: Houston Galleria, Houston, TX
Opened: 12-16-00
Location 2: Houston Galleria Kiosk, Houston, TX
Opened: 4-12-03
Location 3: Baybrook Mall, TX
Opened: 10-9-09

Only the Best, LLC (Julie & Mark Cleveland)
5730 New Territory Blvd.
Sugarland, TX 77479
281-980-2870
Location: Fairway Center, Pasadena, TX
Opened: 2-24-10

MK Gabriel Food, LLC (Michael & Marita Gabriel)
MK Gabriel Food II, LLC (Michael & Marita Gabriel)
23501 Cinco Ranch Blvd. #F-120
Katy, TX 77494
281-466-2916
Location 1: La Centera, Katy, TX
Opened: 3-01-07
Location 2: Post Oak Mall, College Station, TX
Opened: 2-27-09

IDAD, Inc.
3950 South Terminal Rd. #32
Houston, TX 77032
702-279-8205
Location: Bush International Airport, Houston, TX
Opened: To be determined

Grandma's Cafe-IAH, Ltd. (Leonard Randolph)
3950 South Terminal Rd. #32
Houston, TX 77032
281-209-1600
Location: Bush International Airport, Houston, TX
Opened: 12-18-03

KDAN, LLC (Kathy Parker)
315 Greenbriar Dr.
Wharton, TX 77488
979-533-2575
Location 1: Brazos Town Center, Rosenberg TX
Opened: 3-21-09
Location 2: Greenway Plaza, Houston, TX
Opened: 12-20-11

Two Sweet Treats, Inc. (Chuck and Delinda Sanchelli)
2307 Mill Creek
Sugarland, TX 77478
832-877-7775
Location 1: The Strand, Galveston, TX
Opened: 9-3-09
Location 2: To be determined

Ansub Inc. (Hajifathal Mohsen)
1000 West Oaks Mall #449
Houston, TX 77082
281-497-0107
Location 1: West Oaks Mall, Houston, TX
Opened: 11-22-10
Location 2: Greenspoint Mall, Houston, TX
Opened 2-5-11

Desselle Cookie Café (Stephen Desselle)
29300 Hempstead Road, Space 1124
Cypress, TX 77433
832-515-1531
Location: Houston Premium Outlets
Opened: 11-11-10
Location 2: Texas City Premium Outlet, Texas City, TX
Opened: Not yet open

Lucky LRB Corporation, LLC (Reynaldo T. Borbon)
25903 N. Lakefair Drive
Richmond, TX 77406
713-560-4959

Location 1: Katy Mills Mall, Katy, TX

Opened: 3-9-12

Location 2: Katy Mills Mall, Katy, TX (2nd cafe)

Opened: Not yet opened

Tauheed Business Group, LLC (Mahmood and Hina Qureshi)

11911 Glen Bay Court

Houston, TX 77089

832-607-6249

Location: To be determined

Zia Haque

2332 Harrisburg Lane

Plano, TX 75025

972-989-6247

Location: To be determined

Aster Food LLC (Venkata Kanyaboyina)

6017 GentleWay

Plano, Texas 75024

214-317-9914

Location: Collin Creek Mall, Plano, TX

Opened: 2-1-14

Scott and Kim Deischl

118 Cezanne Woods Drive

The Woodlands, TX 77382

281-465-8833

Location: To be determined

Gil Yong Jeong

1201 Taepyeongyang park villart

102 Wiryeseong-daero, Song pa-gu, Seoul, Korea

82-107-186-3251

Location: To be determined

KLott, LLC (Kevin Lott)

3111 Midwestern Parkway

Wichita Falls, TX 76308

940-636-5658

Location: Sikes Senter, Wichita Falls, TX

Opened: Not yet opened

VIRGINIA

Virginia Cookies and Coffee LLC (Brenda Aguinaldo)

BMA Investments LLC (Brenda Aguinaldo)1401

Greenbrier Pkwy. S., #K102

Chesapeake, VA 23320

757-361-5160

Location 1: Greenbrier Mall, Chesapeake, VA

Opened: 8-31-02

Location 2: Pembroke Mall, Virginia Beach, VA

Opened: 6-11-05

Sweet Treats, Inc. (Tima Phan)

5103 Blacklick Road, Suite B

Annandale, VA 22003

951-318-4037

Location: Tyson's Corner, McLean, VA

Opened: Not yet opened

WASHINGTON

Halimms LLC (Imtiaz Modak)

1630 228th St. SE, Apt. # A205

Bothell, WA 98021

425-877-6383

Location: To be determined

CANADA

BRITISH COLUMBIA

Inves Solutions Group Inc. (Edward and Tammy Goh)
7043 196B Street
Langley, British Columbia V2Y 2Z7
604-530-8963
Location: Guildford Town Centre, British Columbia
Opened: 12-17-11

NOVA SCOTIA

Alpha Omega Atlantic Investments Inc. (Tarek Bassily)
367 Bentley Drive
Halifax, Nova Scotia B3S-0C9
902-488-9333
Location 1: 5475 Spring Garden Road, Halifax, Nova Scotia
Opened: 2-3-14
Location 2: To be determined
Location 3: To be determined

ONTARIO

8332967 Canada, Inc. (Amin Abdul-Fattah)
149 Kincardine Drive
Ottawa, Ontario K2V 1A9
613-216-2666
Location 1: 3350 Fallowfield, Ottawa, Ontario
Opened: 4-4-13
Location 2: To be determined
Location 3: To be determined

838629 Canada Limited (Mehdi Mohammad Fahmi)
507 Oakdale Road
North York, Ontario M3N 1W7
416-741-4440
Location: To be determined

Suhayb Al Harash
41-1455 Garth Street
Hamilton, Ontario L9B1T4
905-966-1767
Location: Burlington Mall, Burlington, Ontario,
Opened: 1-27-14

Hope Food Services Corp. (Nedal Atieh and Ibtihaj Al Adwan)
297 Cooper Street #3
Ottawa, Ontario K2P-0G5
613-697-0699
Location: To be determined

8539758 Canada Inc. (Ayman Abbas and Feda Shureih)
52 Stikine Drive
Ottawa, Ontario K2T-1H5
Location: Kanata Mall, Ottawa, Ontario
Opened: 1-23-14

Nancy Nkrumah
184 Bonspeil Drive
Scarborough, ON M1E 5K4
416-282 2962
Location: To be determined

Mohamad Falah
26 Baroness Drive
Ottawa, Ontario, K2G 6V6
613-558-5555
Location: To be determined

8322538 Canada Ltd. (Ahmed, Safinaz and Gehad El-halawany)
215 Claridge Drive
Ottawa, Ontario, K2J 5V8
613-297-3793
Location: To be determined

Shamoram Investments Inc. (Sherif Youssef)
1111-4080 Living Arts Drive
Mississauga, ON L5B4N3
647-606 4505
Location: To be determined

EXHIBIT K-2

LIST OF FRANCHISEES WHO HAVE LEFT THE SYSTEM

The names, addresses and telephone numbers of all franchisees who have had a Café terminated, cancelled, not renewed or otherwise voluntarily or involuntarily ceased to do business under a Franchise Agreement during the most recently completed fiscal year or who have not communicated with us within 10 weeks of the date of this Franchise Disclosure Document, are listed below. If you buy this franchise, your contact information may be disclosed to other buyers when you leave the franchise system.

UNITED STATES

TRANSFERS

2013

Nicele Confections, LLC (Dominick Marciano)
2845 Center Valley Pkwy.# 108
Center Valley, PA 18034
610-841-2414
Location: Lehigh Valley Mall, Whitehall, PA

Taylor Baking Group, Inc. (Howard Taylor)
17370 Hall Road, #108
Clinton Township, MI 48038
248-310-3418
Location: Oakland Mall, Troy MI

P & G Foods, LLC (Patricia & Gill Madsen)
1260 Highway 72 E. Suite I
Athens, AL 35613
256-232-0900
Location: Athens Highway 72 Centre, Athens, AL

SBI Topanga, Inc. (Sun Hee Kim)
765 The City Drive #377
Orange, CA 92868
310-780-9900
Location: Plaza Bonita, National City, CA

M + M 18, LLC (Frank Manella)
11301 West 95th Street #17
Overland Park, KS 66214
913-438-2400
Location: Oak Park Mall, Overland Park, KS

Byrd Holdings, LLC (Steven Byrd)
4582 Virginia Beach Blvd. #880
Virginia Beach, VA 23462
757-965-9450
Location: Pembroke Mall, Virginia Beach, VA

Junmars Company, Inc. (Rodolfo Dimayuga)
9813 Meadowcroft Lane
Montgomery Village, MD 20886
301-846-9600
Location: Francis Scott Key Mall, Frederick, MD

Woo-Young Kim
24305 Town Center Dr. #100
Valencia, CA 91355
661-253-9613
Location: Valencia Town Center, CA

M+M 17, LLC (Frank Manella)
49 W Maryland St.#D-20A
Indianapolis, IN 46204
913-438-2400
Location: Circle Center, Indianapolis, IN

MFG, LLC (Maya Habib)
20530 River Oaks Drive
Dearborn Heights, MI 48127
313-522-9299
Location: Westland Mall, Westland, MI

2014

TERMINATIONS (CAFÉ CLOSED)

2013

Potts LLC (Thomas Potts)
804 Cowan Lane
McKinney, Texas 75071
817-823-3507
Location: Watters Creek, Allen, TX

ECV Management Group LLC (Jorge Quinonez)
201 E. Main Drive, Suite 1300
El Paso, TX 79901
915-532-3181
Location: Sunland Park Mall, El Paso, TX

NLV II, Inc. (Al & Jyoti Patel)
625 Cannery Row, #104
Monterey, CA 93940
831-641-9300
Location: Valley Fair Mall, Santa Clara, CA

Vipco Cookies LLC (Vince Neal Tyner)
1000 Dennet Road
Brownsville, TX 78526
956-459-3804
Location: Rio Grande Valley Outlet Mall, Mercedes, TX

J&J Cowan, LLC (John Cowan)
12930 Kentfield Lane
Fort Myers, FL 33913
239-498-0270
Location: Coconut Point, Estero, FL

L's Cafes, LLC (Liz Torres)
92 Orlando Drive
Sicklerville, NJ 08081
215-657-3424
Location: Willow Grove Mall, Willow Grove, PA

Hanley Nguyen LLC (Tina Lee)
19337 Sakura Way
Cupertino, CA 95014
408-772-2842
Location: 203 University Blvd., Palo Alto, CA 94301

Chalena Host, LLC (Chaouki Bouzayene)
424 73rd Street
Brooklyn, NY 11209
347-622-3604
Location: South Street Seaport, NY, NY

Phat Chance Enterprises (Dan and Annette Chance)
2393 Westminster Way
Livermore, CA 94551
925-292-9832
Location: Shops at Livermore, Livermore, CA

High Desert Desserts, LLC
(Stuart Seis and Jennifer Seis)
1125 Lanes End NW
Albuquerque, NM 87114
505-898-0160
Location: 2262 Q. Street NE, Albuquerque, NM

GAW1, LLC (Glen Wakeford)
66 Mamaroneck Ave.
White Plains, NY 10601
914-683-3999
Location: White Plains, NY

Nicele Confections, LLC (Dominick Marciano)
2845 Center Valley Pkwy.# 108
Center Valley, PA 18034
610-841-2414
Location: Promenade Shops at Saucon Valley, Center Valley, PA.

2014

Saginaw Baking Technologies LLC (Howard Taylor)
17370 Hall Road, #108
Clinton Township, MI 48038
248-310-3418
Location: Fashion Square Mall, Saginaw, MI

KDAN, LLC (Kathy Parker)
315 Greenbriar Dr.
Wharton, TX 77488
979-533-2575
Location: Brazos Town Center, Rosenberg TX

Grandma's Cafe-IAH, Ltd. (Leonard Randolph)
3950 South Terminal Rd. #32
Houston, TX 77032
281-209-1600
Location: Bush International Airport, Houston, TX

TERMINATIONS (CAFÉ NEVER OPENED)

2013

D&F Enterprises, LLC (David Safari)
8102 Inspiration Drive
Alta Loma, CA 91701
Tel: 909-980-1490

2014

Swiss Café LLC (Waleed Tamony)
968 Links Drive, Apt. 5
Jonesboro, AR 72404
518-645-3474

NON-RENEWALS

2013

None

2014

Choe Chocolate Co., LLC (Janet Choe)
5330 W Saginaw Hwy
Lansing, MI 48917
517-323-1800
Location: Lansing Mall, Lansing, MI

CANADA

TRANSFERS

None

TERMINATIONS (CAFÉ CLOSED)

BRITISH COLUMBIA

E-Square Management, Ltd. (Kum Cheong Kun)
#40-7288 Heather Street
Richmond, British Columbia V6Y 4L4
778-898-1489
Location: Shops at New West Station, New
Westminster, BC

ONTARIO

Nedal Ismail
3265 Grey Owl Crescent
Prince Albert, Saskatchewan,
Canada, S6V 6X6
416-716-5799
Location: Metro Centre, Toronto, Ontario

Norman Phann
31 Erlesmere Avenue
Brampton, Ontario, Canada L6W 2T4
647-709-6789
Location: Bramalea City Centre, Toronto, Ontario

TERMINATIONS (CAFÉ NEVER OPENED)

ONTARIO

Nedal Ismail
3265 Grey Owl Crescent
Prince Albert, Saskatchewan,
Canada, S6V 6X6
416-716-5799

EXHIBIT L-1

LIST OF AREA REPRESENTATIVES

OHIO

Delicious Treats, LLC (Michael Caraboolad)
145 Blossom Lane
Orange, Ohio 44022
Tel: 440-248-2192

TEXAS

Piltzmaker Development Group, LLC (Jason Piltzmaker)
20319 Timberline Trail
Cypress, Texas 77433
Tel: 713-398-9459

ONTARIO, CANADA

Amin Abdul-Fattah
149 Kincardine Drive
Ottawa, Ontario K2V 1A9, Canada
Tel: 613-216-2666

838629 Canada Limited (Mehdi Mohammad Fahmi)
507 Oakdale Road
North York, Ontario, M3N 1W7, Canada
Tel: 416-741-4440

EXHIBIT L-2

LIST OF AREA REPRESENTATIVES WHO HAVE LEFT THE SYSTEM

Terminations

2013

D&F Enterprises, LLC (David Safari)
8102 Inspiration Drive
Alta Loma, CA 91701
Tel: 909-980-1490

2014

None

Transfers

None

EXHIBIT M

ITEM 2, 3 AND 4 DISCLOSURE FOR AREA REPRESENTATIVES IN UNITED STATES

ITEM 2 BUSINESS EXPERIENCE

OHIO

Delicious Treats, LLC, Area Representative

Delicious Treats, LLC, a limited liability company located in Cleveland, Ohio, is our area representative for the Cleveland, Ohio area. It has operated a Nestle Toll House Cafe since 2012.

Michael Caraboolad: Sole Member

Mr. Caraboolad has been managing member of Delicious Treats, LLC since its inception in May 2012. From 2008 to May 2012, he was a Senior District Manager for Key Investment Services in Cleveland, OH. He also owned a corporate training company, MSC Customized Training Solutions, from 2011 - 2012 in Cleveland, OH.

TEXAS

Piltzmaker Development Group, LLC, Area Representative

Piltzmaker Development Group, LLC, a limited liability company located in Houston, Texas, is our area representative for the Houston, Texas area. Its affiliates have operated Nestle Toll House Cafes since 1999.

Jason Piltzmaker: Sole Member

Mr. Piltzmaker has been the sole member of Piltzmaker Development Group, LLC since its inception in November 2005. Since April 1999, he has served as a Director and President of Piltzmaker Enterprises, Inc., a Nestle Toll House Café franchisee, located in Houston, Texas.

ITEM 3 LITIGATION

None

ITEM 4 BANKRUPTCY

None

EXHIBIT N

FORM OF FRANCHISE APPLICATION

Franchise Application				
NTHC Representative (If known):				
City / State / Location Preference: _____				
First Name: _____ Middle Initial: _____ Last Name: _____ Residence Address: _____ City: _____ State: _____ Zip: _____ Residence Phone: _____ Mobile Number: _____ Email Address: _____ Date of Birth: _____				
Previous Address if Less than 5 Years at Current: _____ _____				
Social Security Number: _____ DL Number / State: _____				
Every Convicted of a Felony <input type="checkbox"/> Yes <input type="checkbox"/> No If Yes, Charge: _____				
Ever a Debtor in a Bankruptcy? <input type="checkbox"/> Yes <input type="checkbox"/> No If Yes, What Year: _____				
Are You Married <input type="checkbox"/> Yes <input type="checkbox"/> No Name of Spouse: _____ Spouse's Social Security Number: _____				
<input type="checkbox"/> Yes <input type="checkbox"/> No - I am a citizen of a country which is currently prohibited law, executive order or otherwise, from conducting business with or owning a business in the United States.				
<input type="checkbox"/> Yes <input type="checkbox"/> No - Do you or anyone in your family have any foodservice experience If yes, please provide details: _____ _____				
<input type="checkbox"/> Yes <input type="checkbox"/> No-Are you or anyone in your family under any form of non-competition agreement that limits your right to operate any business? If Yes, Please provide details: _____ _____				
<input type="checkbox"/> Yes <input type="checkbox"/> No-Will there be other Partners / Owners? If Yes, Each Partner / Owner must complete an individual application.				
<input type="checkbox"/> Yes <input type="checkbox"/> No-Do you intend to operate the business yourself? If No, Who will be the responsible party? _____				
Personal References				

Name: _____ Address: _____ City: _____ State: _____ Zip: _____ Phone: _____ Email: _____ Years Known: _____
Name: _____ Address: _____ City: _____ State: _____ Zip: _____ Phone: _____ Email: _____ Years Known: _____
Name: _____ Address: _____ City: _____ State: _____ Zip: _____ Phone: _____ Email: _____ Years Known: _____
Education
High School: _____ City/State/Country: _____ Major Course of Study: _____ Year Graduated: _____
College: _____ City/State/Country: _____ Major Course of Study: _____ Year Graduated: _____
Graduate School: _____ City/State/Country: _____ Major Course of Study: _____ Year Graduated: _____
Other: _____ City/State/Country: _____ Major Course of Study: _____ Year Graduated: _____
Professional Experience. Resumes Accepted in Lieu of Completing this Section
Name of Company: _____ City/State/Country: _____ Last Position Held: _____ Primary Responsibilities: _____ Reason for Leaving: _____ Employed To / From: _____
Name of Company: _____ City/State/Country: _____ Last Position Held: _____ Primary Responsibilities: _____ Reason for Leaving: _____ Employed To / From: _____
Name of Company: _____ City/State/Country: _____ Last Position Held: _____ Primary Responsibilities: _____ Reason for Leaving: _____ Employed To / From: _____
Name of Company: _____ City/State/Country: _____ Last Position Held: _____ Primary Responsibilities: _____ Reason for Leaving: _____ Employed To / From: _____
Professional Affiliations
Name of Organization: _____ City/State/Country: _____ Member Since: _____ Primary Responsibilities: _____
Name of Organization: _____ City/State/Country: _____ Member Since: _____ Primary Responsibilities: _____

Personal Financial Information			
Assets		Liabilities	
Liquid Assets:		Notes Payable	
Public Stocks		Mortgage	
Bonds		Car Loan	
CDs		Other	
Mutual Funds		Sub Total	
Cash		Other Liabilities	
Other		Taxes	
Sub Total		Credit Cards	
Other Assets		Judgments	
Real Estate		Liens	
Personal Property		Alimony	
Private Stock		Child Support	
Other		Other	
Sub Total		Sub Total	
Total Assets		Total Liabilities	
Net Worth/ Total Assets - Total Liabilities:			
<input type="checkbox"/> Yes <input type="checkbox"/> No I have enough income to maintain my current lifestyle without spending funds allocated for developing my Nestle Toll House Café by Chip franchise(s) until opening.			
Release and Liability I certify that the information provided to Nestle® Toll House® Cafe by Chip is true and correct. I authorize Nestle Toll House Café by Chip to verify the information I have provided on this and any attached forms including, but not limited to: a credit report, background check and bank statements, which are obtained prior to awarding a franchise license. I hold Nestle Toll House Café by Chip harmless for any damages arising from the verification of this or other information I have provided.			
Signed by: _____ Title: _____ Date: _____			

EXHIBIT O

FORM OF FDD-FRANCHISE AGREEMENT REVIEW

FDD- Franchise Agreement Review

1. What type of responsibility does the franchisee hold in regards to site selection, plans and construction?

2. How many days after possession of the Location shall the Café open and commence business?

3. What is the royalty fee? When is it due and how is it drafted?

4. What is the initial term of the Franchise Agreement? _____
5. What type of renewal is available? What is the franchise fee at that time?

6. Are there any additional fees?

7. Who attends the initial training?

8. If a new General Manager is hired, do they need to go through training?

9. What type of insurance do you need to hold for your Café?

10. Is approval necessary from the home office for advertising of your Café?

11. Does the franchisee need to obtain consent from the franchisor when transferring the all or part of its interest in the Café or the Franchise Agreement?

12. How often are profit and loss statements required to be submitted to Franchisor? Within how many days after the end of each Statement period should this be turned in?

13. Within how many days after the end of each fiscal year of the Franchisee should an annual financial statement be submitted to Franchisor?

14. Can you deviate from the menu items set forth by the home office?

15. The methods, standards and specifications of Franchisor are set forth in manuals and from time to time in writing to ensure *what* within the Cafés?

16. Are your funds in place for the Franchise Fee?

17. Is your financing for the café in place?

18. Do you need any clarification of the information contained in either document?

19. There are 3 café models listed in the FDD. What are the Total Investment ranges on each?
- | | | |
|---------------------------|----------|-------------|
| Kiosk | \$ _____ | to \$ _____ |
| In line Mall/ Street Café | \$ _____ | to \$ _____ |
| Combination Café | \$ _____ | to \$ _____ |
20. Have you spoken to enough current franchisees to meet your information needs? If so, how many did you contact? _____
- Without naming names, what was the overall feedback?

21. Are you prepared to receive the franchise documents upon supplying all necessary requested information? _____

Franchisee Prospect

Franchisee Prospect

_____ (signed) _____ Date

_____ (written)

Once complete, please fax with signatures to the Franchise Development Department at (972-619-6056)

EXHIBIT P

FORM OF GENERAL RELEASE

GENERAL RELEASE

[Name of Franchisee] ("Franchisee") and [Name of Controlling Principals] (collectively, "Controlling Principals"), on behalf of themselves and their respective officers, directors, employees, successors, assigns, heirs, personal representatives, and all others persons acting on their behalf or claiming under them (collectively, the "Franchisee Releasors"), hereby release, discharge and hold harmless Crest Foods, Inc. ("Franchisor"), its affiliates, and their respective officers, directors, shareholders, employees, agents, attorneys, successors, and assigns (collectively, the "Franchisor Releasees") from any suits, claims, controversies, rights, promises, debts, liabilities, demands, obligations, costs, expenses, actions, and causes of action of every nature, character and description, in law or in equity, whether presently known or unknown, vested or contingent, suspected or unsuspected arising under, relating to, or in connection with the Franchise Agreement dated _____ between Franchisee and Franchisor and any related agreements and the relationship created thereby, or the café operated under the Franchise Agreement, or any claims or representations made relative to the sale of the franchise to operate such café or under any federal or state franchise or unfair or deceptive trade practice laws, which any of the Franchisee Releasors now own or hold or have at any time heretofore owned or held against the Franchisor Releasees (collectively, the "Franchisee Released Claims"). FRANCHISEE AND CONTROLLING PRINCIPALS ON BEHALF OF THEMSELVES AND THE FRANCHISEE RELEASORS WAIVE ANY RIGHTS AND BENEFITS CONFERRED BY ANY APPLICABLE PROVISION OF LAW EXISTING UNDER ANY FEDERAL, STATE OR POLITICAL SUBDIVISION THEREOF WHICH WOULD INVALIDATE ALL OR ANY PORTION OF THE RELEASE CONTAINED HEREIN BECAUSE SUCH RELEASE MAY EXTEND TO CLAIMS WHICH THE FRANCHISEE RELEASORS DO NOT KNOW OR SUSPECT TO EXIST IN THEIR FAVOR AT THE TIME OF EXECUTION OF THIS AGREEMENT. The Franchisee Releasors also covenant not to bring any suit, action, or proceeding, or make any demand or claim of any type, against any Franchisor Releasee with respect to any Franchisee Released Claim.

Executed as of _____, 20____.

By: _____

Name: _____

Title: _____

Name: _____

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 Crest Foods, Inc. offers you a franchise, it must provide this Disclosure Document to you 14 calendar days before you sign a binding agreement with, or make a payment to, Crest Foods, Inc. or an affiliate in connection with the proposed franchise sale, or sooner if required by applicable state law.

If Crest Foods, Inc. 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 applicable state administrator listed in Exhibit I.

The name, principal business address and telephone number of each franchise seller offering this franchise is as follows: Ted Milburn, Ziad S. Dalal, Kimberly Tauch and Amanda Aguilar, 101 West Renner Road, Suite 240, Richardson, Texas 75082, (214) 495-9533 and _____.

The issuance date of this Disclosure Document is April 15, 2014, and the effective dates for this Disclosure Document in certain states are listed on the State Cover Page.

I received a Disclosure Document dated April 15, 2014 that included the following exhibits:

State Addendums to Disclosure Document	
<u>Exhibit A</u>	Financial Statements
<u>Exhibit B</u>	Franchise Agreement
<u>Exhibit B-1</u>	State Amendments to Franchise Agreement
<u>Exhibit B-2</u>	Cart Addendum to Franchise Agreement
<u>Exhibit C</u>	Development Agreement
<u>Exhibit C-1</u>	State Amendments to Development Agreement
<u>Exhibit D</u>	Area Representative Agreement
<u>Exhibit D-1</u>	State Amendments to Area Representative Agreement
<u>Exhibit E</u>	Electronic Funds Transfer Authorization
<u>Exhibit F</u>	Power of Attorney (Telecommunications)
<u>Exhibit G</u>	Power of Attorney (Tax)
<u>Exhibit H</u>	Manuals Table of Contents
<u>Exhibit I</u>	List of State Administrators
<u>Exhibit J</u>	Agents for Service of Process
<u>Exhibit K-1</u>	List of Franchisees
<u>Exhibit K-2</u>	List of Franchisees Who Have Left the System
<u>Exhibit L-1</u>	List of Area Representatives
<u>Exhibit L-2</u>	List of Area Representatives Who Have Left the System
<u>Exhibit M</u>	Item 2, 3 and 4 Disclosure for Area Representatives
<u>Exhibit N</u>	Form of Franchise Application
<u>Exhibit O</u>	Form of FDD-Franchise Agreement Review
<u>Exhibit P</u>	Form of General Release

<u>Printed Name</u>	<u>Title</u>	<u>Signature</u>	<u>Date</u>
_____	_____	_____	_____
_____	_____	_____	_____

ENTITY NAME (if applicable): _____

COPY 1. KEEP THIS COPY FOR YOUR RECORDS.

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 Crest Foods, Inc. offers you a franchise, it must provide this Disclosure Document to you 14 calendar days before you sign a binding agreement with, or make a payment to, Crest Foods, Inc. or an affiliate in connection with the proposed franchise sale, or sooner if required by applicable state law.

If Crest Foods, Inc. 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 applicable state administrator listed in Exhibit I.

The name, principal business address and telephone number of each franchise seller offering this franchise is as follows: Ted Milburn, Ziad S. Dalal, Kimberly Tauch and Amanda Aguilar, 101 West Renner Road, Suite 240, Richardson, Texas 75082, (214) 495-9533 and _____.

The issuance date of this Disclosure Document is April 15, 2014, and the effective dates for this Disclosure Document in certain states are listed on the State Cover Page.

I received a Disclosure Document dated April 15, 2014 that included the following exhibits:

State Addendums to Disclosure Document	
<u>Exhibit A</u>	Financial Statements
<u>Exhibit B</u>	Franchise Agreement
<u>Exhibit B-1</u>	State Amendments to Franchise Agreement
<u>Exhibit B-2</u>	Cart Addendum to Franchise Agreement
<u>Exhibit C</u>	Development Agreement
<u>Exhibit C-1</u>	State Amendments to Development Agreement
<u>Exhibit D</u>	Area Representative Agreement
<u>Exhibit D-1</u>	State Amendments to Area Representative Agreement
<u>Exhibit E</u>	Electronic Funds Transfer Authorization
<u>Exhibit F</u>	Power of Attorney (Telecommunications)
<u>Exhibit G</u>	Power of Attorney (Tax)
<u>Exhibit H</u>	Manuals Table of Contents
<u>Exhibit I</u>	List of State Administrators
<u>Exhibit J</u>	Agents for Service of Process
<u>Exhibit K-1</u>	List of Franchisees
<u>Exhibit K-2</u>	List of Franchisees Who Have Left the System
<u>Exhibit L-1</u>	List of Area Representatives
<u>Exhibit L-2</u>	List of Area Representatives Who Have Left the System
<u>Exhibit M</u>	Item 2, 3 and 4 Disclosure for Area Representatives
<u>Exhibit N</u>	Form of Franchise Application
<u>Exhibit O</u>	Form of FDD-Franchise Agreement Review
<u>Exhibit P</u>	Form of General Release

<u>Printed Name</u>	<u>Title</u>	<u>Signature</u>	<u>Date</u>
_____	_____	_____	_____
_____	_____	_____	_____

ENTITY NAME (if applicable): _____

COPY 2. RETURN THIS COPY TO:

Crest Foods, Inc.
101 West Renner Road, Suite 240
Richardson, Texas 75082
Attn: Franchise Administrator
Fax: 214-239-3091
Email: francoordinator@nestlecafe.com