FRANCHISE DISCLOSURE DOCUMENT

Lee's Hoagie House Franchise Group LLC
26 Second Street Pike
Southampton, PA 18966
www.leeshoagiehouse.com

Lee's Hoagie House Franchise Group, LLC (the "Franchisor") franchises the right to operate a Philadelphia style sandwich restaurant offering freshly made hoagies, steak sandwiches, salads, chicken wings, beverages and more under the proprietary mark "Lee's Hoagie House®" (a "Restaurant"). The total estimated initial investment necessary to begin operating a Restaurant ranges from $166,800 to $467,425, which includes $30,000 to $31,000 that must be paid to the Franchisor.

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 the 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 government 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 Allan Lewin at our corporate office at 26 Second Street Pike, Southampton, PA 18966, by telephone at (267) 460-8278, or by email at franchising@leeshoagiehouse.com.

The terms of your Franchise Agreement will govern your franchise relationship. Don't rely on the disclosure document alone to understand your contract. Read the entire contract carefully. Show your contract and this disclosure document to an advisor, like a lawyer or an accountant.

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

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

Issuance Date: April 16, 2022

How to Use This Franchise Disclosure Document

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

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

What You Need To Know About Franchising *Generally*

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

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

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

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

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

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

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

Some States Require Registration

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

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

Special Risks to Consider About *This* Franchise

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

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

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

3. **Financial Condition.** The franchisor's financial condition, as reflected in its financial statements (see Item 21), calls into question the franchisor's financial ability to provide services and support you.

4. **Required Minimum Payments.** You must make minimum royalty, advertising, and other payments, regardless of your sales levels. Your inability to make the payments may result in termination of your franchise and loss of your investment.

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

NOTICE REQUIRED BY SECTION 8 OF THE MICHIGAN FRANCHISE INVESTMENT ACT
(Applicable only if you are a Michigan resident or if your franchise will be located in Michigan)

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

Each of the following provisions is void and unenforceable if contained in any documents relating to a franchise:

(a) A prohibition of the right of a franchisee to join an association of franchisees.

(b) A requirement that a franchisee assent to a release, assignment, novation, waiver, or estoppel which deprives a franchisee of rights and protections provided in 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 franchisee 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 franchisee 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 THERE IS A NOTICE OF THIS OFFERING ON FILE WITH THE ATTORNEY GENERAL DOES NOT CONSTITUTE APPROVAL, RECOMMENDATION, OR ENDORSEMENT BY THE ATTORNEY GENERAL.

Any questions regarding this Notice shall be directed to the Department of Attorney General, Consumer Protection Division, 670 Law Building, 525 West Ottawa Street, Lansing, Michigan 48913, (517) 373-7117.

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EXHIBITS

ITEM 1: THE FRANCHISOR, AND ANY PARENTS, REDECESSORS AND AFFILIATES

To simplify the language, this disclosure document uses "Lee's Hoagie House", "Company", "We", "Us" or "Franchisor" to refer to Lee' s Hoagie House Franchise Group LLC. The terms "you" or "Franchisee" means the person, corporation, limited liability company, partnership or other legal entity that is granted the franchise (as well as the direct and indirect owners of any corporation, limited liability company, partnership, or other legal entity that becomes a franchisee).

The Franchisor was formed as a limited liability company in the Commonwealth of Pennsylvania on January 17, 2014. Our principal business address is 26 Second Street Pike, Southampton, PA 18966. We conduct business under our corporate name, Lee' s Hoagie House Franchise Group LLC and under our proprietary mark, "Lee's Hoagie House®" (USPTO Reg. No. 1483880) and other associated logos and designs which have not yet been registered on the Principal Register of the United States Patent and Trademark Office (these names and logos will be referred to collectively as the "Marks"). We only offer franchises which operate under the "Lee's Hoagie House®" Marks.

We have not offered franchises in this or any other line of business before; however, our affiliate company, Lee's Original, Inc., from 1996 to 2014, licensed the Marks to a number of individuals and entities ("Licensees") for the operation of Lee's Hoagie House restaurants similar to those now being offered to Franchisees. A list of the fourteen (14) current Licensees is included in **Exhibit E** to this Franchise Disclosure Document. Five of the Licensees are Affiliates and nine are unaffiliated third parties. These Licensees operate under license agreements that may differ markedly from one another and from the Franchise Agreement under which you will operate. Licensees are not subject to standards and practices mandated by the Franchise Agreement. Any standards imposed by Lee's Original upon Licensee's are only intended to protect the trademark. Additionally, Licensees are not subject to a uniform fee structure, and in some cases, may pay more or less than our franchisees.

<u>Our Parents, Predecessors and Affiliates</u>

We have no parents or predecessors; however, we do have the following affiliates:

Lee's Original, Inc.
Lee's Original, Inc. ("Lee's Original") is a Pennsylvania corporation located at PO Box 1262, Ft. Washington, PA 19034. Lee's Original was created in 1996. It is controlled by our President, John Connell and our CEO, Allan Lewin. Lee's Original owns and licenses the Marks to us and to the Licensees.

The following companies do not share majority ownership or control with us; however, we are disclosing them as affiliates because each is owned and/or controlled by one of our principals (or their spouse). Each operates a business similar (though not identical) to the one being franchised, under license from Lee's Original (these companies, together with Lee's Original are collectively and individually referred to as "Affiliate(s)").

JL Hoagie House, Inc.
JL Hoagie House, Inc. is a Pennsylvania corporation formed in 1983, with a principal business address of 26 Second Street Pike, Southampton, PA 18966. It is controlled by our CEO, Allan Lewin. It operates a business similar to the one being franchised, in Southampton, PA, under license from Lee's Original.

Merbin, Inc.
Merbin, Inc. is a Pennsylvania corporation formed in 1994, with a principal business address of 7328 Castor Avenue, Philadelphia, PA 19152. It is controlled by our President, John Connell. It operates a business similar to the one being franchised, in Philadelphia, PA, under license from Lee's Original.

LHHSH LLC
LHHSH LLC is a New Jersey limited liability company formed in 2012, with a principal business address of 9832 3rd Avenue, Stone Harbor, NJ 08247. It is controlled by Robin Connell, who is the wife of our President John Connell. It operates a business similar to the one being franchised, in Stone Harbor, NJ under license from Lee's Original.

We began offering franchises in 2014, prior to which, neither we, nor any affiliate offered franchises for sale in this business, nor have they offered franchises in any other line of business.

<u>The Business We Offer</u>

Your Restaurant will be a Philadelphia style sandwich restaurant offering freshly made hoagies, steak sandwiches, salads, chicken wings and other permitted food and beverage products, similar to that operated by our Affiliate, Lee's Original and its licensees and predecessors, since 1983, under the proprietary mark "Lee's Hoagie House®".

The typical Restaurant will be located in a strip center, shopping mall, or free-standing unit and all will offer menu items prepared according to our specific recipes and procedures using only quality ingredients that meet specifications developed based on our and Lee's Original's many years of experience.

<u>Market and Competition</u>

You will compete against other sandwich shops, delis and fast casual restaurants, including local stores and regional, national and international chains. The market for these products is highly competitive and developed, however with the right location, we believe our quality products stand out and appeal to consumers.

Before you select a location for your Restaurant, you should study the area for existing competitors and be aware that competitors may open near your location in the future.

Industry Specific Regulations

You must comply with all local, state, and federal laws that apply to your store operations including health and sanitation laws specific to the restaurant industry. Federal, state and local laws and regulations also regulate businesses handling food and food products, in particular refrigerated and frozen food items, and these laws and regulations will apply to your business. You are advised to examine these laws and regulations before purchasing a franchise from us.

Agents for Service of Process

The name and principal business addresses of our agent for service of process in our home state of Pennsylvania is Allan Lewin at 26 Second Street Pike, Southampton, PA 18966.
The principal business addresses of our agents for service of process in other states are listed in **Exhibit A** to this Disclosure Document.

ITEM 2: BUSINESS EXPERIENCE

Chief Executive Officer, Allan Lewin

Allan Lewin has been our CEO since our formation. Allan also serves as Vice President of our Affiliate Lee's Original, a position which he has held since 2001. Since 1983, Allan has been owner and President of our Affiliate JL Hoagie House Inc., which operates a business similar to the franchise being offered, located in Southampton Pennsylvania.

President, John Connell

John Connell has been our President since our formation. John also serves as President of our Affiliate Lee's Original Inc., a position which he has held since 2001. Since 1994, John has been owner and President of our Affiliate Merbin Inc., which operates a business similar to the franchise being offered, located in Philadelphia Pennsylvania. Since 2012, John has also been owner and President of our Affiliate LHHSH LLC, which operates a business similar to the franchise being offered, located in Stone Harbor New Jersey

ITEM 3: LITIGATION

No litigation is required to be disclosed in this Item.

ITEM 4: BANKRUPTCY

No bankruptcy information is required to be disclosed this Item.

ITEM 5: INITIAL FEES

If you choose to enter into a Franchise Agreement to operate a single Restaurant, you must pay us an initial franchise fee (the "Initial Franchise Fee") of $30,000, which includes initial training, upon execution of that Agreement. The Initial Franchise Fee for a single Restaurant is uniform to all franchisees, and is deemed fully earned and nonrefundable upon payment.

We may require that, in addition to initial training, you receive additional training if we believe it is warranted. If we provide you with additional training, we reserve the right to charge you for such training. Additional training will be charged at our then-current rate for additional training, which as of the date of this disclosure document is $1,000 per person per week and is non-refundable. You are also responsible, at your own expense, to pay for all travel, room and board and wages for you and your employees during this training.

ITEM 6: OTHER FEES

Name of Fee[1]	Amount	Due Date	Remarks
Royalty[2]	5 % of Gross Revenues With a minimum royalty payment of $200 weekly	Weekly via ACH on Wednesday for the sales week ending the immediately preceding Sunday.	Gross Revenues are defined in Note 2 below. Royalties are paid to us.
Brand Development Fund Contribution[3]	Up to 2% of Gross Revenues. Currently Brand Development Fund Contribution is 1% of Gross Revenues	Weekly via ACH on Wednesday for the sales week ending the immediately preceding Sunday.	Brand Development Fund Contributions is paid directly to the Brand Development Fund.
Local Advertising Marketing and Promotional Expenditures[4]	Minimum of $500 per month	Monthly - as incurred by you	Local Advertising, Marketing and Promotional expenditures are paid to third parties.
Local Advertising Cooperative[4]	Up to $500 per month, credited toward your minimum Local Advertising Marketing and Promotional Expenditures	Monthly – as directed by the cooperative, if established.	We do not currently, but may require you in the future to participate in a local advertising cooperative, as further detailed in note 4.
Interest/Late Payment Interest	18% per year or highest rate allowed by law	As Incurred	Interest is paid to us from the date of nonpayment or underpayment.
Transfer Fee[5]	50% of the then current franchise fee, with a minimum of $15,000.	Paid upon application to transfer	Paid to us. Transfer Fee is waived by us if (1) transferee is an entity owned and controlled by current Franchisee or (2) upon Franchisee's death or long-term disability, if transfer is to Franchisee's spouse, parent or child.
Relocation Fee[6]	Our Costs and expenses.	As Incurred	The Relocation Fee is paid to us.

NAME OF FEE[1]	AMOUNT	DUE DATE	REMARKS
Testing or Supplier Approval Fee	$500, to be refunded to franchisee if approved for use by the entire system.	Upon request	Testing or Supplier Approval fees are paid to us.
Audit Fee[7]	Costs and expenses.	As incurred	The Audit Fee is paid to us.
Additional training[8]	Currently $1,000 per person per week plus expenses incurred.	As Incurred prior to beginning of additional training	The Fee for Additional Training is paid to us.
Legal fees and expenses	Costs and expenses, including but not limited to attorneys' fees for any failure to pay amounts when due or failure to comply in any way with the Franchise Agreement.	As Incurred	Legal fees and expenses are paid to us.
Successor Agreement Fee[9]	25% of the then current franchise fee; subject to a $7,500 minimum.	Upon signing a then current form franchise agreement	The Successor Agreement Fee is paid to us, over and above any Royalties, Brand Development Fund or any other fees to which we are
Management Fee	20% of Gross Sales, plus our expenses, in the event we must operate your franchise due to death, disability, etc. Plus our expenses	Weekly with Royalty payment	The Management Fee is paid to us. This fee is in addition to any other payments due to us, including royalty and Brand Development Fund payments.
Indemnification[10]	The amount of any claim, liability or loss we incur from your Franchised Business.	As Incurred	Costs for Indemnification are paid to us.
Reimbursement of Costs and Expenses[11]	Costs and expenses.	As Incurred	Reimbursement of costs and expenses are paid to us.
Confidential Operating Manual Replacement Fee[12]	Our then-current fee.	As Incurred	The Confidential Operating Manual Replacement Fee is paid to us.
Post-Termination or Post-Expiration Expenses[13]	Costs and expenses.	As Incurred	Reimbursement of our post-termination or post-expiration expenses is paid to us.
Grand Opening Public Relations &Advertising[14]	$10,000	Within 60 days of opening your Restaurant	Paid to local vendors, you do not pay us this fee

NAME OF FEE[1]	AMOUNT	DUE DATE	REMARKS
Service Charge for Obtaining Insurance[15]	The cost of purchasing the required insurance plus a service charge equal to 20% of our out-of-pocket expenses	Upon receipt of invoice. Payable in the event your fail to carry the insurance we require and we decide to purchase coverage on your behalf	We have no obligation to obtain coverage for you, and we may terminate the Franchise Agreement if do not obtain insurance
Service Charge for Remedial Work to Correct Unhealthy or Unsafe Condition[16]	Service charge equal to 20% of the cost of the remedial or corrective work	Upon receipt of invoice	We have no obligation to perform remedial work and may exercise our right to terminate the Franchise Agreement because of your breach of the obligation to operate in compliance with all laws and in a safe and sanitary manner
Liquidated Damages[17]	Average of Royalty Fee owed over the twelve (12) months preceding the effective date of termination times the lesser of: (i) the number of months remaining in the term of your Franchise Agreement; or (ii) 24 months.	Upon termination of your Franchise Agreement due to your default	See Note 17

Notes to Item 6 Other Fees

1) The table above provides recurring or isolated fees or payments that you must pay to us or our Affiliates or that we or our Affiliates impose or collect in whole or in part on behalf of a third party or that you are required to spend by the Franchise Agreement. All fees and expenses described in this Item 6 are nonrefundable. Except as otherwise indicated in the chart above, we uniformly impose all fees and expenses listed and they are payable to us and are fully earned upon receipt by us.

2) Royalty payments are paid weekly via ACH on each Wednesday for the sales week ending the immediately preceding Sunday. Each Royalty payment is calculated based on the Gross Revenues of the Franchised Business. Your Royalty payment will be the total of 5% of your Gross Revenues. You will pay a minimum weekly Royalty, notwithstanding Gross Revenues, of $200 per week. If 5% of Gross Revenues exceeds that amount, you will pay the greater amount.

Gross Revenues are defined in the Franchise Agreement to include all income of any type or nature and from any source that you derive or receive directly or indirectly from, through, by or on account of the operation of the Franchised Business at any time after the signing of your Franchise Agreement, in whatever form and from whatever source, including but not limited to cash, services, in kind from barter and/or exchange, on credit or otherwise as well as business interruption insurance proceeds, all without deduction for expenses including marketing expenses and taxes. However, the definition of Gross Revenues does not include sales tax that is collected from customers and actually transmitted to the appropriate taxing authorities.

3) We require you to contribute up to two percent of your Gross Revenues to the Brand Development Fund ("Brand Fund Contribution"). Brand Fund Contributions will be paid directly to the Brand Development Fund and not to us. Brand Fund Contributions are not income to us. We will have the right to expend the funds accumulated in the Brand Development Fund in our sole discretion.

4) We require that you spend a minimum of $500 monthly on local advertising, marketing and promotional programs ("Local Advertising"), to be paid to third parties. There are currently no advertising cooperatives in our System. We reserve the right to create a regional advertising cooperative and to require you to contribute to this advertising cooperative in our sole discretion. Any financial contributions made by you to the advertising cooperative may be credited against your required expenditures for Local Advertising. Company- owned units may be active members of any cooperative and may possess the same voting power as franchisee owned units, in accordance with the rules of the cooperative. Upon establishing an advertising cooperative, the franchisor may set a minimum contribution, or may leave it up to the members of the cooperative to establish such a minimum. In no event shall any franchisee's minimum contribution exceed such franchisee's then-current minimum Local Advertising Marketing and Promotional Expenditure. The maximum required contribution to any local advertising cooperative is $500. No member of any cooperative will be required to contribute more than $500 per month unless the members of such cooperative vote unanimously to increase the required contribution.

   In addition to your Local Advertising expenditures, you may wish to use Social Media Platforms (defined as web based platforms such as Facebook, Myspace, Twitter, LinkedIn, blogs and other networking and sharing sites) or use Social Media Materials (defined as any material on any Social Media Platform that makes use of our Principal Trademarks, name, brand, products or your Franchised Business whether created by us, you or a third-party). You may not use a Social Media Platform or Social Media Materials without our prior written approval. Your expenditures toward Social Media Platforms and Social Media Materials will not count towards your required Local Advertising expenditures.

5) If you wish to transfer your Franchised Business, you will be required to pay us a transfer fee. The fee to transfer a Franchised Business is 50% of the then current franchise fee, with a minimum of $15,000, to be paid upon application for transfer.

6) If you relocate your Franchised Business, you will be required to pay us any costs and expenses we incur in assisting you to relocate your Franchised Business including, but not limited to expenses incurred for labor, salary and travel expenses, professional fees, demographic reports and other costs.

7) We have the right to conduct an audit of the books and records of the Franchised Business. If we do so, with an independent auditor or otherwise and it is determined that you underestimated your Gross Revenues in any report by two percent (2%) or less, then you must pay within fifteen (15) days of written notice, the underreported amount plus interest. If it is determined that you underestimated your Gross Revenues in any report by more than two percent (2%), then you must pay within fifteen (15) days of written notice, the underreported amount along with the cost of conducting the audit, including without limitation travel, lodging, meals, wages, expenses, accountant fees, attorneys' fees and interest. If you fail to provide any reports, supporting reports or other information as required and we conduct an audit of the books and records of the Franchised Business, you must pay within fifteen (15) days of written notice, the cost of conducting the audit, including without limitation, travel, lodging, meals, wages, expenses, accountant fees, attorneys' fees and interest.

8) Training for you and up to 3 other persons is included in the franchise fee. In our discretion, additional training may be provided to up to 3 additional person(s) if all are trained at the same time, or in conjunction with already scheduled training classes. We may require that you complete additional training as well. If we provide you with additional training, we reserve the right to charge you for such training. Additional training will be charged at our then-current rate for additional training, which as of the date

of this disclosure document is
$1,000 per person per week. You are also responsible, at your own expense, to pay for all travel, room and board and wages for you and your employees during this training.

9) Two successive five (5) year successor franchise agreements are available to qualified franchisees under certain circumstances and in accordance with the conditions contained in the Franchise Agreement.

10) In addition to the requirement that you reimburse us for amounts of all other claims, liabilities or losses we incur from your Franchised Business, if we elect to enforce the terms of any Confidentiality, Non-Use and Non- Competition Agreement or the Franchise Agreement against any individual required to execute such

agreement, you must reimburse us for our attorneys' fees, expert fees, court costs and all other expenses of litigation in connection with that enforcement.

11) If after notice, you fail to cure any deficiency in the Franchised Business and/or your operation of the Franchised Business, we may in our sole discretion, correct the deficiency. If we elect to correct the deficiency, you will reimburse us for our costs and expenses incurred in correcting the deficiency.

12) If your copy of the Confidential Operating Manual is lost, destroyed or significantly damaged, you will be required to obtain a replacement copy and pay us our then-current fee for a replacement copy. At the time of this writing our fee for a replacement copy is $500.

13) Upon expiration or termination of your Franchise Agreement, we may elect in our sole discretion to take steps to modify, alter or de-identify the Franchised Business. If we do so, you must reimburse us for our costs and expenses.

14) You must spend a minimum of $10,000 in connection with the Grand Opening of your Restaurant between thirty (30) days prior to and ninety (90) days after the opening of your Restaurant. We may specify the form, manner and timing of this advertising and promotion, but are not required to do so. You may spend more on advertising than the Grand Opening Advertising Requirement during this time period, and these additional amounts may be credited towards your Local Advertising Requirement.

15) You are required to maintain certain amounts of insurance in connection with your Restaurant and the franchised business. If you fail to obtain or maintain the required insurance, we have the right, but not the obligation, to obtain such insurance on your behalf. If we choose to take this action, you must reimburse us for the out-of-pocket costs associated with obtaining this insurance and also pay us a service charge equal to 20% of the cost of obtaining the required insurance.

16) You are required to meet and maintain the highest health and safety standards applicable to the operation of your Restaurant and provide us with a copy of any health inspection reports or violations/citations that indicate your failure to maintain these standards. If you fail to cure any violation within 24 hours, we have the right to immediately terminate your Franchise Agreement and close your Restaurant. We also have the right, but not the obligation, to enter the Restaurant premises without notice and take any action necessary to cure any health or safety violation at the Restaurant. If we choose to take such action, you will need to reimburse us for all of the costs of corrective measures, plus a service charge equal to 20% of the overall costs associated with the corrective measures.

17) If we terminate your Franchise Agreement due to your default of the agreement, we require that you pay us liquidated damages amounting to your average Royalty fee owed over the twelve (12) months preceding the effective date of termination times the lesser of: (i) the number of months remaining in the term of your Franchise Agreement; or (ii) 24 months. Our right to recover liquidated damages is in addition to any other rights we have under the Franchise Agreement upon your termination, including the right to obtain injunctive relief.

ITEM 7: ESTIMATED INITIAL INVESTMENT

YOUR ESTIMATED INITIAL INVESTMENT

TYPE OF EXPENDITURE	ESTIMATED AMOUNT LOW-HIGH	METHOD OF PAYMENT	WHEN DUE	TO WHOM PAYMENT IS MADE
Initial Franchise Fee[1]	$30,000	Lump sum	At signing of Franchise Agreement	The Initial Franchise Fee is paid to us
Additional Training Fee[2]	$0 to $1,000	As incurred	Before opening	The Additional Training Fee, if incurred, is paid to us
Construction, Leasehold Improvements[3]	$55,000 to $165,000	As incurred	Before opening	Contractor/Third-party providers
Equipment, Furniture, Fixtures[4]	$30,000 to $166,000	Lump sum	Before opening	Third-party providers
Signage (interior and exterior)[5]	$3,000 to $4,800	As incurred	Before opening	Third-party providers
Computer, Software and Point of Sales System[6]	$6,000 to $9,000	Lump Sum	Before opening	Third-party providers
Opening Inventory[7]	$11,500 to $15,000	As incurred	Before opening	Third-party providers or us
Rent Deposits[8]	$0 to $13,500	As incurred	Before opening	Landlord
Utility Deposits[9]	$0 to $1,500	As incurred	Before opening	Utility providers
Insurance Deposits and Premiums[10]	$1,200	As arranged	Before opening	Insurance company
Pre-opening Travel Expense[11]	$100 to $6,300	As incurred	Before opening	Airline, hotel, restaurants
Grand Opening Advertising	$10,000	As incurred	Prior to opening	Third parties
Professional Fees[12]	$2,000 to $4,500	As arranged	Before opening	Attorneys, accountants
Business Permits and Licenses[13]	$500 to $1,000	As incurred	Before opening	Licensing Authorities
Printing, Stationery and Office Supplies[14]	$1,000 to $1,500	As incurred	Before opening	Third-party providers

Additional funds for your initial 3 months of operation[15]	$16,500 to $37,125	As incurred	After opening	Various
TOTAL[16]	**$166,800 to $467,425**			

Notes to Item 7 Estimated Initial Investment

1) The initial franchise fee is the same for all similarly situated franchisees.

2) We may require that, in addition to initial training, you receive additional training if we believe it is warranted. If we provide you with additional training, we reserve the right to charge you for such training. Additional training will be charged at our then-current rate for additional training, which as of the date of this disclosure document is $1,000 per person per week and is non-refundable. You are also responsible, at your own expense, to pay for all travel, room and board and wages for you and your employees during this training.

3) This estimate is for the costs for the construction of a Franchised Business with between 1,200 and 1,800 square feet of space. We have based our estimates on the historical experience of our Affiliates. The difference in the low and the high improvement cost estimates is due to the difference in size of the location. These estimates are applicable to a site which has been obtained in the "vanilla box" stage, which refers to the interior condition of either a new or existing building in which the improvements generally consist of heating/cooling with delivery systems, essential lighting, electrical switches and outlets, lavatories, a finished ceiling, walls that are prepped for painting and a concrete slab floor. These numbers are not inclusive of any architect fees or other fees charged by licensed professionals (other than general contractors and licensed tradesmen), to perform subsequent installation of electrical, plumbing, and HVAC (heating, ventilation, air conditioning) suitable to the requirements of this concept and do not include any financial contributions by a landlord. As in development of any retail locations, there are many variables that may impact your overall costs including landlord contribution, the size of your location, rates for construction (unionized labor may be more expensive) , personnel, freight, vendor pricing and taxes, overall costs and efficiencies in your market. Your cost for developing your location may be higher or lower than the estimates provided. Third-party financing may be available for qualified candidates for some of the leasehold improvement costs, however with such financing comes associated costs and fees which will cause the cost to exceed what is indicated in this chart.

4) These figures represent the purchase of the necessary equipment from suppliers to provide the franchised services. The lower cost is indicative of the selection of standardized and value-priced equipment and certain pre-owned equipment that can be utilized with minimum or no special equipment or modifications made. The higher cost is for a selection of standard equipment of a more prestigious brand as well as some custom manufactured equipment. The costs listed here do not include any transportation or set up costs. Third-party financing may be available for qualified candidates for some of the equipment costs, however, with such financing comes associated costs and fees which will cause the cost to exceed what is indicated in this chart.

5) This estimate is for the cost to produce wall signage to be mounted to the outside of the building as well as all interior signage such as logo graphics for the windows. Additionally, these figures include various other elements of brand identification within the location such as wall graphics. The low estimate is for standard construction and installation of signage and image materials at a smaller location, while the high estimate applies to some custom fabrication of signage for a larger 1,800 square foot location, such as individually crafted dimensional lettering of the brand logo. An insert on any pylon sign will additionally raise the cost.

6) You will need a Point of Sales ("POS") system as well as a general purpose computer. The POS system is the equipment that tracks the sales of your Franchised Business. The difference between the low and the high estimate is determined by the number of screens and stations that a franchisee may install for its location, depending upon the square footage allocated to the front counter.

7) This estimate is for the cost of the initial inventory of food and paper products to support your opening week sales.

Food and paper product deliveries are available on a frequent basis, thus your replenishment orders may be smaller based on business volume.

8) This estimate represents a three (3) month deposit of rent. The low estimate indicates a 1,200 square foot facility in a suburban location while the high estimate indicates a location with 1,800 square feet in a suburban location. Pre-paid rent is generally non-refundable while security or other deposits may be refundable either in full or in part depending upon your lease or rental contract.

9) A credit check may be required by the issuing company prior to the initiation of services, or a higher deposit required for first time customers. These costs will vary depending on the type of services required for the facility and the municipality from which they are being contracted.

10) This estimate is for the cost of deposit in order to obtain the minimum required insurance. You should check with your local carrier for actual premium quotes and costs, as well as the actual cost of the deposit. The cost of coverage will vary

based upon the area in which your Franchised Business will be located, your experience with the insurance carrier, the loss experience of the carrier and other factors beyond our control. You should also check with your insurance agent or broker regarding any additional insurance that you may want to carry. These figures are based on an average cost of

$4,800 per year to insure our Affiliate location, averaging $400 per month.

11) This estimate is for the cost for you or your Operating Principal (defined as the managing shareholder, member or partner of Franchisee if Franchisee is an entity), plus three (3) people to attend the initial training program held in the Philadelphia Metropolitan Area. We do not charge tuition for training up to four (4) people, but you will be responsible for all costs associated with attending the initial training program for you and your staff. Your costs will depend on the number of people attending training, their point of origin, method of travel, class of accommodation and living expenses (food, transportation, etc.). The duration of the training program is Twenty (20) days. This estimate does not include cost of labor.

12) These fees are representative of the costs for engagement of professionals such as attorneys and accountants for the initial review and advisories consistent with the start-up of a Franchised Business. We strongly recommend that you seek the assistance of professional advisors when evaluating this franchise opportunity, this disclosure document and the Franchise Agreement. It is also advisable to consult these professionals to review any lease or other contracts that you will enter into as part of starting your Franchised Business.

13) You are responsible for applying for, obtaining and maintaining all required permits and licenses necessary to operate your Franchised Business.

14) This figure is primarily for printing a start-up order of stationery and business cards bearing the Principal Trademarks and a supply of office materials.

15) This is an estimate of the amount of additional operating capital that you may need to operate your Franchised Business during the first three (3) months after commencing operations. We cannot guarantee that you will not incur additional expenses in starting the business that may exceed this estimate. This estimate also includes such items as initial payroll and payroll taxes, Royalties (as described in this disclosure document), Brand Fund Contributions (if any), additional advertising, marketing and/or promotional activities, repairs and maintenance, bank charges, miscellaneous supplies and equipment, initial staff recruiting expenses, state tax and license fees, deposits and prepaid expenses (if applicable) and other miscellaneous items as offset by the revenue you take into the Franchised Business. These items are by no means all inclusive of the extent of the expense categorization. The expenses you incur during the initial start-up period will depend on factors such as the time of the year that you open, both local economic and market conditions, as well as whether your Franchised Business is located in a new or mature market and your business experience.

16) This total amount is based upon the historical experience of our Affiliate and information we have obtained relating to the construction of similar retail stores between 1200 and 1800 square feet. Your costs may vary based on a

number of factors including but not limited to the geographic area in which you open, local market conditions, the location selected, the time it takes to build sales of the establishment and your skills at operating a business. We strongly recommend that you use these categories and estimates as a guide to develop your own business plan and budget and investigate specific costs in your area.

ITEM 8: RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES

In operating your Lee's Hoagie House sandwich Restaurant, you must follow our comprehensive specifications which cover all aspects of operations including: (i) food and beverage items which you must offer to sell and those food and beverage items that you may offer to sell; (ii) Proprietary Products and Collateral Logo Merchandise; (iii) customer service; (iv) ingredients, brands, recipes, suppliers, materials, tableware, small wares and equipment; (v) interior and exterior design including artwork, music, general decor, fixtures, furnishings and trade dress; (vi) location and type of premises; (vii) operating standards and procedures; (viii) use of the our approved POS computer system, financial accounting and reporting requirements; (ix) advertising and promotional activities; and (x) use of Lee's Hoagie House intellectual property, which includes our Proprietary Marks. As we disclose in Item 1, we distinguish Lee's Hoagie House menu selections by incorporating Proprietary Recipes, Proprietary Products and high quality ingredients. You must follow our Proprietary Recipes in preparing all menu selections.

Our comprehensive specifications and standards promote uniformity among Lee's Hoagie House sandwich Restaurants to ensure consistency in the quality of the products and services that Restaurants serve to customers, and strengthen customer confidence in the Lee's Hoagie House brand name. We explain these specifications in the Confidential Operating Manual and other proprietary manuals (collectively, the "Manuals"). We may revise our specifications, in our discretion, as frequently as we believe is necessary through written supplements to the Confidential Operating Manual and other Manuals, which we may update via electronic email, extranet or any other manner. You must conform to all changes in our specifications, at your cost, within the time we allow. If you wish to obtain a required product/service from a non-approved supplier (as discussed more fully below), we may provide the third-party supplier a copy of our specifications and standards with respect to that product provided the supplier enters into a confidentiality and non-disclosure agreement.

<u>Proprietary Products and Non-Proprietary Products</u>

You must use or sell all of the Proprietary Products that we designate and purchase them from the suppliers that we designate. The Confidential Operating Manual shall identify all mandatory purchasing requirements and designated suppliers. At this time, our Proprietary Products include, but are not limited to products such as chips and other items branded with our Proprietary Marks and/or produced or prepared for us according to our specifications.

Our Confidential Operating Manual also identifies the specifications and requirements for all non-proprietary products you are required to purchase, along with any suppliers we approve or recommend for these purchases. In many cases, we identify certain non-proprietary products that you must offer your customers, by brand name and you must buy those products only from an approved supplier. As we disclose in this Item 8, with our prior written approval you may purchase non-proprietary products meeting our specifications from an alternative supplier whom we have not previously approved or recommended. As described in Item 1, we may add to and modify the list of Proprietary Products that you must use and/or sell in operating your Restaurant(s), and we also reserve the right to change and/or add approved suppliers of any required purchase.

Presently, we are not the only approved supplier of any Proprietary Products or non-proprietary products that you are required to purchase in the operation of your Restaurant. We reserve the right to designate an affiliate (if an affiliate is created) or ourselves as an approved supplier (or exclusive supplier) of certain required purchases in the future. If we notify you that we or our affiliate is an approved supplier of any required purchase, we and our affiliate reserve the right to generate revenue from the sale of these goods/services to you. Currently, no persons affiliated with the franchisor are approved suppliers.

Collateral Logo Merchandise

You must offer to sell all of the Collateral Logo Merchandise that we designate in the Confidential Operating Manual, which we may modify from time to time. We may add to and modify the list of Collateral Logo Merchandise in the future and will list all authorized Collateral Logo Merchandise in the Confidential Operating Manual. The Collateral Logo Merchandise is also a Proprietary Product because of its special design and branding and we therefore require you to purchase all of your Collateral Logo Merchandise from us or our designated suppliers.

Signage

You must purchase interior and exterior signs meeting our specifications only from an approved sign supplier.

Professional Services

Once you sign the lease for your Restaurant, you must engage our designated/approved supplier(s) to prepare your construction drawings and other professional design services for your Restaurant. You may propose other alternative suppliers as described more fully in this Item 8, and we reserve the right to supplement and/or substitute this approved supplier list.

POS System

As we disclose in Items 7 and 11, you must currently lease or purchase the POS computer system that we designate in the Confidential Operating Manual. We reserve the right to supplement and/or substitute this approved supplier.

We reserve the right to have unlimited remote access to the data accessible from the POS system enabling us to monitor the financial results of your Lee's Hoagie House Restaurant. See additional disclosures regarding the POS computer system in Item 11.

Purchasing Arrangements and Right to Receive Rebates

We have and continue to reserve the right to negotiate purchase arrangements with suppliers or vendors to obtain price terms for our franchisees when possible. During our fiscal year ending December 31, 2021, we received $12,752.72 from vendors on account of required purchases by franchisees, representing 16.7% of our total revenue which totaled $76,199. All of the monies we received from these suppliers or vendors have been deposited into the Brand Development Fund.

No Franchisor officer owns an interest in any supplier.

We estimate that your purchase or lease of products, supplies and services from approved suppliers (or those which meet our specifications) will represent approximately 0.04% of your cost to establish your Franchised Business and approximately 0.35% of your costs for ongoing operation.

Non-Approved Products and Alternative Suppliers - Approval Process.

In some instances, we may permit you to purchase or obtain a non-proprietary product that is not an approved product of our System, or otherwise purchase an approved non-proprietary product from an alternative supplier that has not been previously approved or recommend by us in the Confidential Operating Manual. If you wish to undertake either of these actions, you must request our approval in writing before using or buying the Non-Proprietary Product. As previously discussed in this Item 8, the Confidential Operating Manual identifies the recommended and pre-approved suppliers that we currently recommend for these purchases, and this list may be revised as we see fit from time to time. The Confidential Operating Manual also explains the procedures you must follow to apply for our approval to use or sell a particular non-proprietary product that we do not specify as an approved product of our System, or buy non-proprietary products from an alternative supplier not pre-approved by us or on our recommended list.

In some cases, we may ask you to submit samples or information so that we can make an informed decision whether the goods, equipment, supplies or supplier meet our specifications and quality standards. In evaluating a supplier that you propose to us, we consider not only the quality of the particular non-proprietary products, but the supplier's production and delivery capability, overall business reputation and financial condition. We may inspect a proposed supplier's facilities and test its products. We charge a testing fee of $500, plus our actual costs associated with the testing/inspection. Both the testing fee and our costs associated with the testing/inspection will be refunded to you in the event that we approve the supplier for use in the entire system. Since the fee, if we impose one, will cover our direct costs, we cannot estimate the exact fee or provide you with a probable range in advance. We will notify you in writing within thirty (30) days after we receive all supporting information from you and complete our inspection or testing to advise you if we approve the proposed item and/or supplier. However, our failure to send you written notice by the end of thirty (30) days signifies that we disapprove the proposed item and/or supplier. Each supplier that we approve of must comply with our usual and customary requirements regarding insurance, indemnification and non-disclosure.

We may re-inspect and/or revoke our approval of a supplier or item at any time and for any reason to protect the best interests and goodwill of our System and Proprietary Marks. The revocation of a previously approved product or alternative supplier is effective immediately when you receive written notice from us of revocation and, following receipt of our notice, you may not place any new orders for the revoked product, or with the revoked supplier.

Any changes or additions to our purchasing standards or procedures are made in writing through supplements to the Confidential Operating Manual. We may modify our specifications, recommended suppliers and purchasing procedures in our discretion and you must promptly conform to all changes at your sole expense.

We estimate that your purchases from us will be between 50% and 80% of the total amount of food purchases you will make on an ongoing basis. We do not provide material benefits to franchisees (for example, discounts, Successor Agreements or granting additional franchises) based on the fact that you purchase any required goods or service from us or any recommended or designated suppliers. We may, however, terminate your franchise if you purchase or use unapproved products in connection with the operation of your Restaurant, or otherwise purchase a required product or service from an unapproved supplier.

Lease and Required Addendum

Prior to entering into a lease for the premises of your Restaurant (the "Lease"), you must obtain our written approval of the premises location and Lease. One of the conditions for our approval of the Lease is that you and the landlord sign the form of addendum to the Lease attached to the Franchise Agreement as Schedule C **(**the "Lease Addendum"). The Lease Addendum is a contract between you and the landlord of the premises that gives us the option to assume your lease if the Franchise Agreement expires or terminates for any reason. See additional disclosures regarding in Item 11.

UCC-1 Financing Statement

To secure your performance under the Franchise Agreement, you are required to grant us a security interest in and to all of your tangible and intangible property that you use to operate your Restaurant. Our rights as a secured party are subject to applicable law. Except with our prior written consent, you may not grant another person a security interest in the tangible or intangible assets of your Restaurant even if their security interest is subordinate to ours.

Employee Uniform Standards

You must buy all employee uniforms we specify, in the Confidential Operating Manual. All managers and employees must adhere to the uniform guidelines detailed in Confidential Operating Manual. We will designate one or more suppliers of each of these items. At this time, neither we nor our affiliates derive any revenue or other material benefits on account of your purchases of employee work wear from our designated supplier, but may do so in the future from this or another supplier of employee work wear that we designate.

Advertising

We must approve any and all advertising in writing prior to your use of the advertising in the promotion of your Restaurant. Please see Item 11 for additional information.

Insurance.

You must carry insurance covering the risks and meeting the minimum coverage conditions that we prescribe in the Confidential Operating Manual protecting you and naming us as an additional insured. You need to evaluate if your business will require greater coverage or other types of insurance. We show our minimum, mandatory insurance requirements for each Restaurant in the chart below. If our minimums are lower than the coverage requirements in your premises lease, you must maintain the higher coverage levels required by your premises lease. In addition to our requirements, you must maintain any other insurance required by applicable law.

REQUIRED COVERAGE	MINIMUM LIMITS OF COVERAGE
Comprehensive general liability insurance including broad form contractual liability, products and completed operations liability, personal and advertising injury, motor vehicle liability, bodily and personal injury/death, and property damage liability	$2,000,000 (Aggregate) $1,000,000 (Per Occurrence)
Fire/Tenant Liability insuring against actions by the landlord due to tenant's negligence (any one fire)	$150,000
Food Borne Illness Liability	$100,000
Contamination Shutdown Liability	$50,000
Employment Practices Liability Insurance with Franchisor Defense coverage	$1,000,000
All "Risks" or "Special" form general property insurance, including fire and extended coverage, vandalism and malicious mischief insurance covering the premises, any vehicle that you use in your business and their contents	Full replacement value
Non-owned automobile liability insurance	$1,000,000

Workers' Compensation and Employer's Liability Insurance	As required by law

Additionally, any person that you hire as a general contractor or to perform comparable services must maintain general liability and builder's risk insurance with comprehensive automobile liability coverage and worker's compensation insurance in the minimum amount of $1,000,000 plus additional insurance that protects against damage to the premises and structure and other course of construction hazards. We recommend, but do not require, that you have business interruption insurance covering actual losses for twelve (12) months. We may periodically modify all minimum amounts to reflect inflation, general industry standards or our future experience with claims. If you do not maintain the insurance coverage we require, we may obtain the above insurance coverage for you and charge you a service fee for obtaining this insurance as described more fully in Item 6 of this disclosure document.

For additional conditions applicable to mandatory insurance, see the Franchise Agreement (attached as Exhibit B to this disclosure document). While we may be a beneficiary of your insurance, we do not derive any revenue from the insurance policies that you obtain for your business.

Camera and Monitoring System

We may require you to install and maintain at your own expense the specific network camera monitoring system that we specify giving us remote monitoring access at any time to observe activities from different vantage points in your Restaurant.

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 Franchise Agreement	Disclosure Document Item
a. Site selection and acquisition/lease	Sections 1.2, 5.1 and 5.3	Item 7, 11 and 12
b. Pre-opening purchases/leases	Sections 5.1, 7.4 and 7.6	Items 7 and 8
c. Site development and other pre-opening requirements	Sections 5, 6 and 7.4	Items 6, 7, 8 and 11
d. Initial and ongoing training	Section 6	Items 6 and 11
e. Opening	Section 5	Item 11

f. Fees	Sections 2.2.9, 4, 6.3 through 6.6, 12, 14.3.12 and 16.7	Items 5, 6 and 11
g. Compliance with standards and policies/Confidential Operating Manual	Sections 1.1, 7.1 through 7.5, 7.13 and Section 9	Items 8 and 11
h. Trademarks and proprietary information	Sections 8 through 10	Items 13 and 14
i. Restrictions on products/services offered	Sections 7.2 through 7.6	Items 8, 16
j. Warranty and customer service requirements	Section 7.2	Not Applicable.
k. Territorial development and sales quotas	Not Applicable.	Items 12 and 17
l. Ongoing product/service purchases	Sections 7.3, 7.5 and 7.10	Items 8 and 11
m. Maintenance, appearance and remodeling requirements	Section 7.9 through 7.10 and 8.3.7	Items 6, 8 and 11
n. Insurance	Section 13	Items 6, 7 and 8
o. Advertising	Sections 4, 7.8 and 12	Items 6 and 11
p. Indemnification	Sections 18.4 and 20.3	Item 6
q. Owner's participation/ management/staffing	Sections 7.2, 7.11 through 7.12 and 17.1	Items 11 and 15
r. Records and reports	Sections 4.5 and 11	Item 6
s. Inspection and audits	Section 3.6, 7.7, 11.4 and 11.51	Items 6 and 11
t. Transfer	Section 14	Items 6 and 17
u. Renewal	Section 2	Items 6 and 17
v. Post-termination obligations	Section 16	Items 6 and 17
w. Non-competition covenants	Section 16.11 and 17	Item 17
x. Dispute resolution	Section 26	Item 17
y. Liquidated damages	Section 16.7	Item 6
z. Purchase Options	Section 16.10	Item 17.

ITEM 10: FINANCING

We do not offer direct or indirect financing, nor do we guarantee your obligations.

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

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

Opening Obligations

Before you open your Restaurant, we will provide you with the following assistance:

If we have not approved of a location for your Restaurant at the time you execute your Franchise Agreement, we will provide you with our site selection criteria in an effort to assist you in selecting an Approved Location as described more fully below in this Item. Once you have obtained an Approved Location, we will provide you with our standard specifications for the floor-plan and build out of the Restaurant as described in this Item, as well as a list of our approved/designated contractors and suppliers that you must use in connection with the construction and build-out of your Restaurant. (Franchise Agreement, Sections 3.1 and 5.1 through 5.3).

We will provide you with initial training, subject to the availability of our training personnel. Our Initial Training Program is described more fully within this **Item 11**. (Franchise Agreement, Section 6).

We will loan you one (1) copy of our Confidential Operating Manual , in written or electronic format (or both), for your records. (Franchise Agreement, Section 9.1). We will provide you with a copy of the Confidential Operating Manual at the later of: (i) 30 days prior to the opening of your Restaurant; or (ii) your completion of our Initial Training Program to our satisfaction. We may supplement the Confidential Operating Manual with other additional manuals (collectively, the "Manuals"), which may consist of multiple volumes of printed text, computer disks, other electronically-stored data, DVDs and other media. The Manuals, including the Confidential Operating Manual, are our sole property and you are required to keep them stored on the Restaurant premises in a secure location and maintain the confidentiality of any information contained in the Manuals or described in **Item 14** of this disclosure document. We may modify the Confidential Operating Manual and other Manuals by written or electronic supplements and will notify you immediately of the updates furnishing them either in hard or electronic format. The table of contents of our current version of the Confidential Operating Manual with the number of pages devoted to each subject and total number of pages attached as **Exhibit C** to this Disclosure Document :

List of Approved and/or Designated Suppliers and Products. We will provide you with specifications for, and designate, sources of supply from which you are required to purchase certain services, equipment, inventory, goods and supplies necessary for the start-up and ongoing operations of your Restaurant. (Franchise Agreement, Sections 3.7 and 7.3 through 7.5). These specifications include designated and/or approved contractors and suppliers that you are required to retain to construct, renovate and/or build-out your Approved Location so that the premises is suitable for operating the Restaurant. We may continue to refine and develop our System, and reserve the right to create additional Proprietary Products and modify our standards and specifications as described more fully in Items 1 and 8 of this disclosure document.

Grand Opening Advertising. We may, as we deem necessary in our sole discretion, provide you with advice on how to expend your Grand Opening Advertising Requirement. (Franchise Agreement, Section 12.1).

During the Operation of the Franchised Business

After you open your Restaurant, we or our designee will provide the following assistance:

We will provide you with ongoing consultation and advice, as we deem necessary and appropriate in our sole discretion, regarding the management and operation of the Restaurant. (Franchise Agreement, Section 3.8). We may provide this assistance, at our discretion, in person, by telephone, facsimile, intranet or other form of communication. If you require and request additional on-site assistance from us, we may provide up to seven (7) days of such assistance to you over the term of your Franchise Agreement, as we deem necessary in our sole discretion, provided you reimburse us for any travel, lodging and meal expenses. (Franchise Agreement, Section 3.3).

We may modify, add, or discontinue certain approved products and services you are required to use, offer for sale and/or promote in the operation of your Restaurant, including developing new Proprietary Products, Proprietary Recipes and Collateral Logo Merchandise. (Franchise Agreement, Section 7.3).

We will approve or disapprove any marketing or promotional materials you wish to use to promote your Restaurant that have not been previously approved or designated by us. (Franchise Agreement, Sections 3.4 and 12.9). Our approval process is described more fully below in this Item under "Advertising."

We may establish and provide additional training programs, courses or seminars regarding the operation of your Restaurant and we have the right to require you to attend any such training at a location we designate. In the event we require you to attend any additional training, you will be responsible for any expenses incurred by you or your employees in attending the training, including transportation, lodging, meals and wages for your employees. We may also require you to pay us our then-current training tuition fee for each person attending. (Franchise Agreement, Section 6.3). We may also offer Initial Training to persons you hire after your Restaurant is open as described more fully below in this Item. (Franchise Agreement, Section 6.4).

We may conduct an annual meeting of franchisees to address our Proprietary Products, recently-implemented changes in the System, and other topics of common interest to our franchisees, including customer relations, personnel administration, marketing and promotional programs and new approved supply sources. We will determine the length and location of the annual meeting and may require you, your Equity Owner or other persons according to their job classification to attend it. We may charge a registration or equivalent fee to attend the annual meeting. We may select the annual meeting location each year, which may vary from year to year. You are responsible for all travel, lodging and meal expenses incurred with attending these annual meetings. (Franchise Agreement, Section 6.6).

We will periodically revise the Confidential Operating Manual to incorporate new developments and changes in the System (including the development timeline), and will provide you with a copy of all updates in either written or electronic format. Through updates to the Confidential Operating Manual, we will provide you with instructions, advice and guidance about recently-implemented changes in the System, including new Proprietary Products, menu items, recipes, equipment, supplier specifications, and graphics. (Franchise Agreement, Section 9).

We will review your request to use or sell Non-Proprietary Products not already approved by us or to purchase Non-Proprietary Products meeting our specifications from a supplier not on our recommended list. (Franchise Agreement, Section 7.5). See additional disclosures in **Item 8**.

We or our designee may, as we deem necessary in our sole discretion, periodically visit your Restaurant to inspect your operations, observe and interview your employees and review your books and records (including data stored on your computers) to verify your compliance with the Franchise Agreement and the Confidential Operating Manual (Sections 3.6 and 11.4). We may record and photograph these inspections or require you to install and maintain at your own expense a network camera monitoring system that we specify giving us remote monitoring access at any time to observe activities in your Restaurant. (Franchise Agreement, Section 7.18).

We will administer the Brand Development Fund as set forth more fully in this **Item 11**. (Franchise Agreement, Section 12.3).

We will maintain a website promoting our System and the Lee's Hoagie House brand and menu offerings, and may identify all Lee's Hoagie House Restaurants in operation. (Section 12.5). We forbid you to have your own website or other web presence to promote your Lee's Hoagie House Restaurant without our consent. We may require you to maintain listings in certain online directories, at our discretion.

We may set up and supervise a Lee's Hoagie House gift card program. Under this program, you will purchase from us, and offer for sale to your customers, Lee's Hoagie House electronic gift cards that your customers may redeem at any Lee's Hoagie House Restaurant. You must observe the rules of the gift card program that we will incorporate in the Confidential Operating Manual and honor the gift cards if a customer presents them for products. You may not issue, redeem or otherwise authorize any other gift cards, gift certificates or vouchers, except those that we approve of in advance. (Franchise Agreement, Section7.3.11.).

We may, but are under no obligation to, establish a franchisee advisory council ("Advisory Council") to provide us with input and feedback on different System initiatives and programs. We will continue to make determinations of Advisory Council governance rules, including the number of franchisee representatives and method for electing or re-electing representatives. (Franchise Agreement, Section 12.10).

Site Selection

You must operate the Restaurant at the Approved Location that we agree upon. If we have not approved of a location for your Restaurant at the time you execute your Franchise Agreement, we will provide you with our site selection criteria in an effort to assist you in selecting an Approved Location (Franchise Agreement, Sections 3.1 and 5.1). This criteria identifies important demographic and physical characteristics for a Lee's Hoagie House Restaurant, including: (i) foot and vehicular traffic; (ii) general cleanliness and security of the area; (iii) parking availability; (iv) visibility and street exposure; (v) rental rates and lease terms; (vi) placement of a particular site within a multi-tenant development; (vii) lighting; (viii) square footage; (ix) other amenities; (x) compatibility of adjacent tenant mix; (xi) proximity of other Lee's Hoagie House Restaurants and competitors; (xii) convenient ingress and egress; (xiii) availability of daytime population; (xiv) demographic data for the market area served by the proposed Restaurant, including population and household age, size and income levels and residential and commercial usage; (xv) strategic positioning within your market area; and (xvi) building, health, sign and other applicable codes, ordinances, regulations and restrictions. We will also provide you with our prototype layout or floor plan, kitchen design plan and specifications for the design, appearance, trade dress elements and leasehold improvements of a typical Lee's Hoagie House Restaurant, together with standard décor and interior layout plans, which you may need in evaluating the suitability of potential sites. (Franchise Agreement, Section 3.1). We may, but are under no obligation to, propose potential sites to you for your Approved Location.

You must provide us with a site selection package for each proposed site in the form we specify in the Confidential Operating Manual ("Site Proposal Package"). (Franchise Agreement, Section 5.1.2). The site proposal package must include a copy of a proposed letter of intent from the landlord setting forth all of the material terms and conditions that the landlord will agree to: (i) your occupancy and use of the proposed site as a Lee's Hoagie House Restaurant; and (ii) sign our form of Addendum to Lease attached as Schedule C to the Franchise Agreement. You are responsible for negotiating the terms of the lease. After we receive your Site Proposal Package, we may visit the proposed site at our expense if we feel it is necessary to inspect the physical or demographic conditions of your proposed site or neighboring area to evaluate your proposal. Within thirty (30) days of receiving this form, we will approve or disapprove the proposed site as the Approved Location for the Restaurant. If we do not approve a proposed site within thirty (30) days, then the site will be deemed disapproved. If we approve of your proposed location, we will send you a Site Approval Letter for your signature. By approving your proposed location, we do not guarantee or warrant that operation of a Lee's Hoagie House Restaurant at the approved site will be successful or profitable. Our approval signifies only that the site meets our current site criteria. The approval is not effective until we receive a signed copy of the Site Approval Letter from you. (Franchise Agreement, Section 5.1.2).

After we approve your proposed location, you must retain the services of a professional site investigation firm to identify all commercial building permits, zoning requirements and other building conditions that may affect your development costs and the feasibility of this site. We may recommend at least one site investigation firm to you, but you may also choose your own firm. You should complete the site investigation analysis before signing the lease and Addendum to Lease. (Franchise Agreement, Section 5.1.4).

We must review and approve your lease terms prior to your execution prior to you signing the lease, however this review and approval is limited to ensuring that your lease contains our required terms, and our approval should not be considered an endorsement of the overall lease terms as they apply to you. We strongly recommend that you hire an experienced commercial leasing attorney to review and negotiate your lease on your behalf. You must find a site that we approve and enter into a lease for your Approved Location within 120 days from the date you execute your Franchise Agreement. (Franchise Agreement, Section 5.2). If you do not find, and obtain the right to use, an Approved Location within this time period, we may terminate your Franchise Agreement at our option.

Once you have secured a lease for the Approved Location, you must retain the contractors and suppliers we designate in writing, or other third-party that we approve in writing, to prepare the construction and other the architectural and design services for your Restaurant. (Franchise Agreement, Section 5.3). You are solely responsible for the preparation of architectural and working drawings necessary to complete construction and/or build-out of your Restaurant at the Approved Location. You are responsible to making sure that the construction plans developed meet any applicable ordinances, building codes, permit requirements and the American with Disabilities Act ("ADA"). (Franchise Agreement, Section 5.3.1). We must approve all plans before you begin construction, as well as any subsequent, material changes to the plans and drawings before these changes are made. You must also hire a construction manager and must obtain our prior approval before doing so if you want to hire a construction manager who is not a firm that we currently recommend. (Franchise Agreement, Section 5.3).

We currently have arrangements with designated suppliers to provide certain architectural and design services, for the Restaurants in our System, which you are required to use as we designate in writing. (Franchise Agreement, Sections 5.3 and 7.4 through 7.5). We will also provide you with specifications for furniture, fixtures, décor items and other non-kitchen equipment, inventory and supplies, and a list of the suppliers that we currently designate, recommend or approve. We will review your requests for approval of other suppliers in exchange for the testing fee that we disclose in **Item 6**. (Franchise Agreement, Section 7.5).

Time Period To Open

We estimate that it will take approximately six (6) to eighteen (18) months from the date you execute your Franchise Agreement for you to open up your Restaurant. The actual length of time will depend on such factors as your ability to obtain an Approved Location (and lease therefor), acceptable financing arrangements, training schedules, delivery schedules for inventory and equipment, as well as other factors including the time necessary to obtain any required zoning permits, licenses or variances. Under the Franchise Agreement, you are required to open your Restaurant no later than eighteen months of signing your franchise agreement, and: (i) six months from the date you secure a lease for the Approved Location; or (ii) six months from the date you execute your Franchise Agreement provided you already entered into a lease for your Approved Location at the time you entered into the Franchise Agreement. (Franchise Agreement, Sections 5.4 through 5.5). You may not open your Restaurant without our prior written approval. If you have not opened your Restaurant within the prescribed time period, we may, at our sole discretion, elect to terminate your Franchise Agreement. (Franchise Agreement, Sections 5.4 through 5.5).

Training

Initial Training Program

You, and a General Manager are required to complete our Initial Training Program to our satisfaction. They both must complete the Initial Training Program at least thirty (30) days prior to the opening of your Restaurant, except for the initial training that we may provide to you at your Restaurant in the days leading up to, and following, the Restaurant's grand opening as we deem necessary in our sole discretion. We will provide the Initial Training Program to up to four (4) individuals tuition-free, which must include you, provided you all attend the program together within the required time period. The Initial Training Program will be held at a designated training facility in the Philadelphia metropolitan area or other existing Lee's Hoagie House Restaurant location that we designate. You are solely responsible for all expenses associated with your (and your employees') attendance, including any travel, lodging and meal expenses, as well as your employee wages. (Franchise Agreement, Section 6). You are also required to pay us our then-current training tuition fee for each person you enroll in our Initial Training Program in excess of four (4). Currently, this amount is $1,000.00 per week per employee.

Initial franchise training will include the topics identified on the chart below. The Franchisee will be expected to successfully complete ServSafe training or other food safety training course required by their local municipality. Franchisees are expected to review and complete certain pre training documents prior to attending training. Training will be held at the Franchisor's Affiliated operation(s) located in the Philadelphia, Pennsylvania metropolitan area and will last for 4 weeks encompassing 5 long days Monday through Friday, or 5 ½ days Monday through Saturday, depending on the time of year training occurs, as well as the scheduling needs of the franchisor and the franchisee. Five (5) additional days of training will be conducted at the Franchisee's location prior to the "official" Grand Opening of business. The initial training program will be conducted by Allan Lewin and/or John Connell, whose experience is outlined in Item 2 of this document.

TRAINING PROGRAM

SUBJECT	HOURS OF CLASSROOM TRAINING	HOURS OF ON-THE-JOB TRAINING	LOCATION
Welcome, Introduction to Training and History of Lee's Hoagie House	2	0	Lee's Hoagie House Greater Philadelphia locations
Importance of Confidentiality & Protection of the Brand	2	0	Lee's Hoagie House Greater Philadelphia locations
Menu items and recipes	4	8	Lee's Hoagie House Greater Philadelphia locations
Marketing and Developing Sales	2	2	Lee's Hoagie House Greater Philadelphia locations
Product Overview & Instruction	4	24	Lee's Hoagie House Greater Philadelphia locations
The Customer Relationship	2	4	Lee's Hoagie House Greater Philadelphia locations
Handling Customer Conflicts	1	2	Lee's Hoagie House Greater Philadelphia locations
Daily Operating Procedures (Equipment, Inventory, Products)	6	64	Lee's Hoagie House Greater Philadelphia locations
Human Resources: Staffing, Positions, Hiring, Policies, & Scheduling	2	4	Lee's Hoagie House Greater Philadelphia locations
Royalty Reporting & Franchisee Obligations	2	0	Lee's Hoagie House Greater Philadelphia locations
Banking Procedures & Cash Management	2	2	Lee's Hoagie House Greater Philadelphia locations

SUBJECT	HOURS OF CLASSROOM TRAINING	HOURS OF ON-THE-JOB TRAINING	LOCATION
Safety and Security	1	4	Lee's Hoagie House Greater Philadelphia locations
Promoting the Local Business	2	0	Lee's Hoagie House Greater Philadelphia locations
Initial Inventory and Supplies	4	8	Lee's Hoagie House Greater Philadelphia locations
Opening for Business & Grand Opening	2	0	Lee's Hoagie House Greater Philadelphia locations
TOTAL HOURS	**38**	**122**	
TOTAL CLASSROOM & ON THE JOB	**160 Hours**		

Additional hands on training will occur in your location prior to opening reviewing the menu item preparation, menus, customer service and inventory management as well as any areas that need to be re-addressed from initial pre-opening training.

As outlined in the Training Chart above, our Initial Training Program covers the listed aspects of operating a Lee's Hoagie House franchise. You or your General Manager must train any non-management employees that you do not enroll in our training classes in the manner we prescribe in our Confidential Operating Manual or otherwise in writing. Once you open your Restaurant, we may publish a schedule of when we will provide the Initial Training Program in the future and you may enroll later-hires in the program, subject to space availability and payment of our then-current training tuition fee.

Prior to attending training, you or your General Manager and anyone else who you enroll in the training class must complete ServSafe online food handling safety course, complete their testing and obtain their Food Handling Certification.

Additional Training

You may request or we may require you or your management staff to attend one or more additional or remedial training courses or programs ("Additional Training"). Additional Training may be held on an individual Restaurant basis, or on a regional or system-wide basis at locations selected by us and may include new procedures or programs which we deem to be of importance to the operation of the Restaurant. For instance, such Additional Training may relate to our standards, product production techniques, new recipes, marketing, bookkeeping, accounting and general operating procedures, and the establishment, development and improvement of information systems. We may also make optional training programs available to you. (Franchise Agreement, Section 6.4).

Advertising

All advertising and promotion that you use in connection with your Restaurant must be in such media and of such type and format that we approve and shall conform to such standards and requirements that we specify. We may make available to you from time to time, at your expense, certain promotional materials, including coupons, merchandising materials, point-of-purchase materials, menu boards, special promotions, and similar advertising and promotional materials. (Franchise Agreement, Section 12.6). You must also participate in certain promotions and advertising programs that we established as an integral part of our System, including periodic rebates, give-aways and other reasonable advertising that we establish, provided these activities do not contravene regulations and laws of appropriate governmental authorities. (Franchise Agreement, Section 12.7).

If you wish to use any advertising or promotional materials other than those that we have previously approved or designated within the preceding three (3) months, then you must submit the material you wish to use to us for our prior written approval. We will use commercially reasonable efforts to notify you of our approval or disapproval of your proposed materials within twenty (20) days of the date we receive it from you. If you do not receive our written approval during that time period, however, the proposed materials are deemed disapproved and you may not use such materials. (Franchise Agreement, Section 12.9).

Local Advertising

For each month that the Restaurant is open for business, you must spend a minimum of $500 on local marketing, advertising, and promotion in the manner we direct in the Manuals or otherwise in writing from time to time. You will be required to provide satisfactory evidence of all local advertising and promotion expenditures in the manner we require, including submission of a monthly report. (Franchise Agreement, Sections 12.1 and 11.2).

Grand Opening Advertising

You must expend a minimum of ten thousand dollars ($10,000) on advertising and promotion associated with the grand opening of your Restaurant as we direct in writing. These moneys must be spent between 30 days prior and 90 days after the opening of the Restaurant ("Grand Opening Advertising Requirement").

Brand Development Fund

We have established a Brand Development Fund, which we administer for the benefit of all Lee's Hoagie House Restaurants in our System. Currently, we collect a weekly Brand Development Fund Contribution equal to one percent (1%) of Franchisee's Gross Sales from the preceding Business Week. (Franchise Agreement, Section 12.3). We may increase your Brand Development Fund Contribution to up two percent (2%) of your Gross Sales for the preceding Business Week upon written notice. Franchisor-owned restaurants are not required to contribute to the Brand Development Fund. The Brand Development Fund shall be administered as follows:

As the administrator, we direct all advertising and marketing programs and have sole discretion over all creative concepts, materials and endorsements and the geographic, market and media placement of all programs. (Franchise Agreement, Section 12.3). The Brand Development Fund is intended to maximize general public recognition, acceptance, and use of the System. We are not obligated, in administering the Brand Development Fund, to: (i) make expenditures for you or any other franchisee that are equivalent or proportionate to your contribution; (ii) make expenditures in Franchisee's geographical area; or (iii) ensure that Franchisee benefits directly or on a pro rata basis from expenditures or activities of the Brand Development Fund. (Franchise Agreement, Section 12.3.1).

We may use the Brand Development Fund to meet any and all costs of maintaining, administering, directing, conducting and preparing advertising, marketing, public relations, and/or promotional programs and materials, and any other activities which we believe will enhance the image of the System, including, but not limited to, the costs of preparing and conducting radio, television, print, and Internet-based advertising campaigns; leasing billboard space; developing, maintaining, and updating a World Wide Web site for the Lee's Hoagie House brand and System on the Internet; direct mail advertising; marketing surveys; employing advertising and/or public relations agencies to assist therein; purchasing promotional items; purchasing point-of-purchase materials; and providing promotional and other marketing materials and services to the businesses operating under the System. The Brand Development Fund may also be used to provide rebates or reimbursements to franchisees for local expenditures on products, services, or improvements, which we believe promote general public awareness of and favorable support for the System. We may use a portion of the Brand Development Fund for the principal purpose of soliciting new franchise sales although we do not anticipate expending more than 10% of the Brand Development Fund for such purposes in any given year. Upon request, we may agree to provide you with multiple copies of Brand Development Fund marketing, advertising and promotional materials if you pay us to reproduce the materials for you. (Franchise Agreement, Section 12.3.2). We may use the Brand Development Fund to support, among other things, the cost of maintaining the Lee's Hoagie House web site, which will identify all of the Restaurants by address. We will charge the Brand Development Fund for our cost of maintaining a toll-free telephone number and system-wide Intranet if we decide to use each to provide our franchisees with marketing assistance.

All Brand Development Fund Contributions are accounted for separate from our other income and will not be used to defray any of our expenses, except as otherwise provided in this Item. We have the right to reimburse ourselves out of the Brand Development Fund for any direct costs, salaries, travel expenses, administrative costs and other overhead that we incur in maintaining and administering the Brand Development Fund (including rent and salaries in proportion to time devoted to Brand Development Fund matters). We may also receive reimbursement out of the Brand Development Fund for other administrative costs, including expenses to prepare the annual accounting, collecting Brand Development Fund Fees from delinquent franchisees, and conducting the annual meeting of franchisees if we elect to hold one. We will maintain separate bookkeeping accounts for the Brand Development Fund. In the event the funds collected for the Brand Development Fund are not fully expended at the end of a given fiscal year, the remaining funds will rollover to the next fiscal year. We may also carry-over any Brand Development Fund deficit to a future fiscal period. (Franchise Agreement, Section 12.3.3).

We will prepare on an annual basis, and will have available for you within one hundred and twenty (120) days of the end of the fiscal year, a statement of contributions and expenditures for the Brand Development Fund. The statement will be provided to you upon your written request. The Brand Development Fund is not required to be independently audited. (Franchise Agreement, Section 12.3.5).We may cause the Brand Development Fund to be incorporated or operated through an entity separate from us at such time as we deem appropriate, with said entity having all of our rights and duties with respect to the administration of the Brand Development Fund. (Franchise Agreement, Section 12.3.6). The Brand Development Fund is not a trust or our asset and we are not a fiduciary to you with respect to, or a trustee of, the Brand Development Fund. (Franchise Agreement, Section 12.3.7).

The Brand Development Fund is intended to be of perpetual duration, but we reserve the right to terminate the Brand Development Fund. We may not terminate the Brand Development Fund until all monies in the Brand Development Fund have been expended for advertising and/or promotional purposes or returned to its contributors on the basis of their respective contributions. (Franchise Agreement, Section 12.3.8).

During our fiscal year ending December 31, 2021, expenditures from the Brand Development Fund were as follows:47% on Website and Social Media; 3% on print; 43% Media buy print and radio and 7% office advertising.

Regional Cooperative.

We have the right, as we deem necessary in our sole discretion, to designate any geographical area for purposes of establishing a regional advertising and promotional cooperative (a "Cooperative"), and to determine whether a Cooperative is applicable to your Restaurant. If a Cooperative has been established in your area prior to opening the Restaurant, you must become a member of the Cooperative no later than thirty (30) days after opening the Restaurant. If a Cooperative is established after you have opened your Restaurant, you must become a member of the Cooperative no later than thirty (30) days after the date on which the Cooperative commences operation. If your Restaurant is within the geographical Area of more than one Cooperative, you will not be required to be a member of more than one Cooperative within that Area. (Franchise Agreement, Section 12.4).

We have not presently established any Cooperative as of the Issue Date of this disclosure document. In the event we establish Cooperatives in the future, each Cooperative shall be organized and governed in a form and manner, shall commence operation on a specified date, and shall operate pursuant to written governing documents, all of which must be approved in advance by us in writing. Each Cooperative shall be organized for the exclusive purpose of administering regional advertising programs and developing, subject to our approval, standardized advertising materials for use by the members in local advertising. No promotional or advertising plans or materials may be used by a Cooperative or furnished to its members without obtaining our prior approval through the procedure described in this **Item 12**. Each Cooperative shall have the right to require its members to make contributions to the Cooperative in such amounts as determined by the Cooperative; provided, however, that no franchisee will be required to contribute more than the greater of two percent (2%) of Gross Sales during any calendar year or $500 per month, unless the members of the Cooperative vote unanimously in favor of a greater contribution. Your contributions to a Cooperative shall be credited towards the monthly expenditure required to be made in connection with local advertising. (Franchise Agreement, Section 12.4).

All contributions to the Cooperative are forwarded to us by the Cooperative to Franchisor, and we will expend the funds as directed by the duly elected representative of the Cooperative. We may, in our sole discretion, grant you or any other franchisee an exemption for any length of time from the requirement of membership in a Cooperative, upon written request of such franchisee stating the reasons supporting such exemption. We have the power to require the Cooperative to be formed, changed, dissolved, or merged. (Franchise Agreement, Section 12.4.7).

<u>Website</u>

We have the right, but not the obligation, to establish and maintain a system website, that may, without limitation, promote the Proprietary Marks and/or the System (the "Website"). We have sole control all aspects of the Website, including without limitation its design, content, functionality, links to other websites, legal notices, and policies and terms of usage. We also have the right to discontinue operation of the Website at any time without notice to you. **(**Franchise Agreement, Section 12.5.1). We also have the right to designate an approved supplier to establish and maintain our Website.

Unless you obtain our prior written consent, you are prohibited from establishing or maintaining a separate Website, or otherwise maintaining a splash page or other presence on the Internet through any social networking site in connection with the operation of your Restaurant, including Facebook, Twitter Google+, etc. (Franchise Agreement, Section 12.5.2). If you seek and obtain our approval to create a separate website or other web presence, you must establish and operate the Website according to our standards and policies as we describe the Manuals or otherwise in writing from time to time. (Franchise Agreement, Section 12.5.1).

Franchisee Advisory Council

We may, but are under no obligation to, establish an advisory council in your area for the purpose of exchanging ideas and problem-solving methods, advising us on expenditures for system-wide advertising, and coordinating franchisee efforts (an “Advisory Council”). In the event such Advisory Council is established, you must participate actively in the Advisory Council and participate in all Advisory Council meetings as we require. We reserve the right to prepare and amend the governing documents for the Advertising Council from time to time as we deem necessary, and we will determine the topic areas to be considered by the Advisory Council. The Advisory Council shall act in an advisory capacity only, and we shall have the right to form, change, or dissolve the Advisory Council at any time, as we deem necessary in our sole discretion. (Franchise Agreement, Section 12.10).

Other Advertising

You are required to obtain listings and/or advertise with us and other franchisees of the System on electronic yellow pages directories and other on-line directories as Franchisor may designate. We have the right to place, and subsequently modify or remove, such on-line listings and advertisements on your behalf. If we post any such listings on your behalf, you will be required to reimburse us for your pro-rated share of the costs of such listings or advertisements. These expenditures will be credited towards your local advertising requirement. (Franchise Agreement, Section 12.8).

Computer Hardware and Software

You must lease or purchase a custom point-of-sale (POS) computer system package from our approved supplier that meets our hardware and software specifications stated in the Confidential Operating Manual (the “POS System”). (Franchise Agreement, Section 7.17.1). We continually monitor changes in POS technology and may modify the features of our custom POS System, including designating a different enterprise system or supplier, which will require you to incur additional costs during the term of your Franchise Agreement to conform your POS system to our specifications. We may specify different hardware and software systems in the future, including proprietary software that we develop exclusively for our System. Data to be generated and stored in the systems can include sales, customer and financial information. Your cost should range from $10,000 to $15,000 for purchasing or leasing the systems. (Franchise Agreement, Section 7.17.1 through 7.17.5).

The POS System does not perform financial accounting functions. Therefore, you must also have a separate back office computer capable of running QuickBooks, a basic accounting software. (Franchise Agreement, Section 7.17.1). Otherwise, we do not have any minimum hardware or software specifications for the back office computer or office software as long as you can generate the financial reports that we require. You may purchase the back office computer and software applications not in the POS custom software package from any third party vendor. With respect to any and all computer hardware and software that you may buy or license, you must pay all costs to acquire and install the equipment and software and for for all fees relating to software, maintenance, and upgrades. We retain exclusive ownership rights in all customer data. (Franchise Agreement, Section 7.17.3).

Franchisor may require that you allow independent access to the information generated and stored in the systems. (Franchise Agreement, Section 7.17.4).

You are also required to participate in any System-wide computer network, intranet system or extranet system that we establish, and use these systems to perform certain obligations under the Franchise Agreement as we may require. (Franchise Agreement, Section 7.17.6).

ITEM 12: AREA

Approved Location and Relocation

You may only operate your Restaurant at your Approved Location and must obtain our written consent prior to relocating. Requests for relocation of your Restaurant will be evaluated in our sole discretion. Relocation is subject to certain conditions that we specify in the Franchise Agreement. You must use your best efforts to complete relocation without any interruption in the continuous operation of your Restaurant. As a condition of consenting to a temporary closure until you complete relocation, we may require you to pay Royalty Fees and Brand Development Fund Fees based on the average fees paid before the closure.

Protected Area Under a 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. Once we have approved a site for the location of your Restaurant, we will grant you an Area wherein we will not open and operate, or license others to open and operate, a Lee's Hoagie House Restaurant at a traditional location during the term of your agreement. The description of your actual Protected Area will be attached as Schedule A to your Franchise Agreement. Protected Areas vary in size depending on population density and other demographic factors, including: the population base; growth trends of population; apparent degree of affluence of population; the density of residential and business entities; location of competing businesses and major and restricting topographical features which clearly define contiguous areas, such as rivers, mountains, major freeways and underdeveloped land areas.

In general, the Protected Area for your Restaurant will have a daytime population of approximately 100,000 people, unless the Approved Location is in a mall, transportation center (i.e. an airport or train station), college campus or other Non-Traditional Venue (as the term is described below in this **Item 12**). We do not promise, however, that the Protected

Area assigned to each Lee's Hoagie House Restaurant will be identical in size or population.

If your Restaurant is located at a Non-Traditional Site (as described in this **Item 12**), your Protected Area will be based on the actual boundaries of the venue itself rather than population density and other demographic factors. For example, if your Restaurant is located in a regional shopping mall, then the Protected Area is the boundaries of the mall itself, not including the parking lots that serve that mall. If your Restaurant is located in an airport, on the other hand, your Protected Area is limited to the specific concourse where your Restaurant is located and other Restaurants may open and operate in other concourses at the airport.

Your rights in the Protected Area are not contingent on achieving any minimum sales level or other kind of sales or market penetration contingency. We will not subsequently modify your Protected Area that we assign to your Restaurant depending on your performance or changes in the population or other demographic characteristics of your market area. You will retain your Protected Area for the term of your Franchise Agreement so long as you are not in material default under any of the material terms of any agreement you have entered into with us, including the Franchise Agreement (after we have provided you with the applicable period to cure).

Exclusions and Reserved Rights under the Franchise Agreement

Your territorial rights in the Protected Area granted under the Franchise Agreement relate strictly to where we may license another to operate a Lee's Hoagie House Restaurant and not to customers. Put differently, other Restaurants may provide services to a customer that resides in your Protected Area by either: (i) serving that customer at its Approved Location; or (ii) providing delivery or catering services to that customer at the customer's request. You and other franchisees may not use any alternative channels of distribution (as described more fully below) to directly solicit customers outside your Protected Area, including attempting to sell or offer products and service via the Internet, catalog sales, telemarketing or other direct marketing outside your Protected Area.

In addition to the above, we and/or our affiliate(s) expressly reserve the right to: (i) own and operate, and license others the right to own and operate, Restaurants at any locations outside of Franchisee's Protected Area under the Proprietary Marks and System; (ii) own and operate, and license others the right to own and operate, Restaurants under different marks at any locations within or outside the Protected Area; (iii)use the Proprietary Marks and System in connection with services and products, promotional and marketing efforts, or related items, or in any alternative channel of distribution (as described more fully in this **Item 12**), including the sale of any Proprietary Products, menu items or Collateral Logo Merchandise in wholesale and/or retail stores, via the Internet, and through mail order catalog, convenience stores, temporary locations, carts or kiosks, without regard to location; (iv)the exclusive right to operate and license others the right to own and operate Restaurants under the Proprietary Marks and System at the Excepted Locations, including Non-Traditional Sites (as described in this **Item 12**) within or outside the Protected Area;

(v)acquire, merge with, or otherwise affiliate with, and subsequently own and operate, and franchise or license others to own and operate, any business or Restaurant of any kind, including, without limitation, any business that offers products or services the same as or similar to those offered by Franchisee under the System and Proprietary Marks, within or outside Protected Area; (vi) sell to, solicit, directly advertise to or provide promotional materials to customers located in Franchisee's Protected Area; and (vii)use the Proprietary Marks and System, and license others to use the Proprietary Marks and System, to engage in any other activities not expressly prohibited in this Agreement.

With respect to our rights in alternative channels of distribution, we or our designees may distribute certain of our products and services, whether now existing or developed in the future, within your Protected Area in such manner and through such alternate channels of distribution as we, in our sole discretion, determine. These alternate channels of distribution include, but are not limited to, the sale of Proprietary Products, menu items and Collateral Logo Merchandise under the Marks via the Internet, mail order catalog, through wholesale and resale stores, and direct marketing via television and radio.

Nothing in the Franchise Agreement grants you any right to: (i) distribute such products or services in these alternative channels; or (ii) share in any of the proceeds that we or our designee receives from the sale of such goods and services in these channels or that we or our designee otherwise receive from accepting orders from customers within your Protected Area through exercising our reserved rights. Franchisor is not required to pay any compensation for soliciting or accepting orders inside a franchisee's territory.

You must offer and sell products only from the Restaurant, including delivery and catering services out of the Restaurant, in accordance with the requirements of your Franchise Agreement and the procedures provided in our Manuals. You must only offer or sell products to retail customers for their use and consumption and not for resale, without our prior written approval.

Except as we disclose in this **Item 12**, we do not grant any exclusive or territorial rights and we and/or our affiliates may establish other similar and dissimilar businesses anywhere, even if such businesses compete with yours.

Additional Territory

Franchisor offers Franchisees in good standing, who have demonstrated, in our sole discretion, the ability to operate a Lee's Hoagie House Restaurant, the opportunity to acquire additional Restaurants, each with a different Protected Area at a reduced Initial Franchise Fee. Franchisee must enter a separate franchise agreement for each additional Protected Area and operate a Restaurant within that area. Franchisor may approve additional Protected Areas at its sole discretion and no Franchisee is necessarily entitled to an additional franchise. Franchisees are not given options, first refusal rights or similar rights to acquire additional franchises.

ITEM 13: TRADEMARKS

Our Affiliate, Lee's Original, Inc., has granted us the right to use and license to others the right to use the Marks, including the character mark, "LEE'S HOAGIE HOUSE®" (U.S. Reg. No. 1483880) (the "Principal Mark"), which, has been continuously registered with the U.S. Patent and Trademark Office since April 5, 1988 and was renewed on July 6, 2017. During the term of the Franchise Agreement, we license to you, the right to use the Marks in the operation of your Restaurant in accordance with the Franchise Agreement and Confidential Operating Manual.

Licensor has filed all required affidavits.

You must notify us immediately when you learn about an infringement of or challenge to your use of the Principal Mark or other Marks. Lee's Original, Inc., and we will take any action we think appropriate and, if you have given us timely notice and are in full compliance with the Franchise Agreement, we will indemnify you for all expenses and damages arising from any claim challenging your authorized use of the Principal Mark or other Marks. Lee's Original, Inc., and we have the right to control any administrative proceedings or litigation involving the Principal Mark or other Mark licensed by us to you. You must cooperate fully with Lee's Original, Inc. and us in defending and/or settling the litigation.

You must modify or stop using any Mark, including the Principal Mark, if we modify or discontinue it. You must not directly or indirectly contest Lee's Original, Inc.'s or our rights to the Principal Mark or other Marks. In the event we modify, change or discontinue our Principal Mark or other Marks, you will be responsible for and bear the cost of changing and reimaging to conform to our new, updated Principal Mark or other Marks. If any Marks are changed within the first five (5) years of the term of your Franchise Agreement, we will reimburse those costs.

There are no currently effective material determinations of the United States Patent and Trademark Office, the Trademark Trial and Appeals Board, the Trademark Administration of any state, or any court affecting our right to use and license you to use the Marks. There is no pending material federal or state court litigation involving the Principal Mark or other Marks. Franchisor has filed all required affidavits.

There are no currently effective agreements which significantly limit Lee's Original Inc.'s or our rights to use or license the use of the Principal Mark or other Marks in a manner material to the franchise.

As of the date of this Disclosure Document, we know of no superior prior rights or infringing uses that could materially affect your use of the Principal Mark.

ITEM 14: PATENTS, COPYRIGHTS, AND PROPRIETARY INFORMATION

There are no patents that are material to the franchise. Although we have not filed an application to copyright the Confidential Operating Manual that we loan to you, we claim a copyright in the Confidential Operating Manual and regard its content to be proprietary. You may use the Confidential Operating Manual only to operate and promote your franchised business during the term of each Franchise Agreement and only in the manner that we authorize. You may not duplicate, copy, disclose or disseminate the contents of the Confidential Operating Manual without our prior consent. We may modify the Confidential Operating Manual at any time. We will notify you of all changes in writing and you must promptly adopt the changes at your cost.

You must return the Confidential Operating Manual to us when the Franchise Agreement expires or terminates. You must keep the Confidential Operating Manual (or, if we loan you more than one copy, each copy of the Confidential Operating Manual) confidential, updated and, depending on the format that we furnish it, in a secure or locked receptacle when not in use. If there is a dispute over the current version of the Confidential Operating Manual, the terms of our master copy will control. If you lose any volume of the Confidential Operating Manual, we may charge you a replacement fee in the amount that we disclose in **Item 6**.

We are not aware of any agreements or third party claims of infringing uses that might limit our, or your, use of the Confidential Operating Manual. We are not aware of any current determinations of the Copyright Office or any court, or any pending interference, opposition or cancellation proceedings or material litigation involving any materials in which we claim a copyright or regard as proprietary or as our trade secret.

You may not divulge confidential information about the Lee's Hoagie House System or the results of your Restaurant's operations to any person, except to your employees and representatives who must know the information to carry on their employment duties or render professional advice to you. We may require those to whom you must disclose confidential information to sign our Confidentiality Agreement (attached to the Franchise Agreement and Schedule E) which gives us the right to seek equitable remedies, including restraining orders and injunctive relief, to prevent the unauthorized use of our confidential information. Under the Franchise Agreement, you are required to have certain employees with management responsibility sign a confidentiality and non-competition agreement that prohibits these employees from working with a Competing Business during their employment with you. The non-competition restrictions do not forbid ownership of up to 5% of the voting securities of a public company. See additional disclosures in **Items 15** and **17**.

If you develop any improvements to Lee's Hoagie House System in operating your Lee's Hoagie House Restaurant, they benefit us alone and become our exclusive property. You must sign the agreements that we believe are necessary to give us exclusive ownership of the improvements, without compensation, and agree that we may use and incorporate the improvements and any ideas that you may originate in the Lee's Hoagie House System.

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

You covenant that during the term of your Franchise Agreement, you, or if franchisee is a business entity, a principal, general partner or member of the franchisee ("Equity Owner") who has completed our Initial Training, shall devote full time, energy and best efforts to the management and operation of the Restaurant. Specifically, each of your Restaurants must be under the direct, full-time supervision of at least one (1) full-time Equity Owner (as defined in this **Item 15**) that has completed the Initial Training Program to our satisfaction and devotes full-time attention to supervising the day-to-day operations of the Restaurant. An Equity Owner may be the Franchisee or a person who owns ten percent (10%) or more of the equity or voting shares of Franchisee in the event Franchisee is a business entity.

You must also employ a manager ("Manager") to assist in the day-to-day operation of the Restaurant, to whom you may delegate certain responsibilities of the Equity Owner, however the Manager must report directly to you or an Equity Owner and you must keep us informed of the identity of your employees with management responsibility.

As the owner of the franchise rights, you will control the manner and means of operating your Lee's Hoagie House Restaurant and exercise complete control over and responsibility for your employees, including your Manager. You must prominently display appropriate notices in a format that we designate to inform the public that you independently own and operate your Restaurant under a license from us and are not our agent.

Each of your owner, officers, directors, managers and other employees that we designate who have access to any information that we deem to be proprietary or confidential must enter into a written confidentiality agreement either with us or with you (attached to the Franchise Agreement as Schedule E). This confidentiality agreement also contains an in-term covenant not to compete prohibiting that person from being involved with any Competing Business during their employment or service with you. Each of your Equity Owners must also execute our Personal Guaranty, which includes provisions regarding confidentiality, non-disclosure, in-term non-competition and post-termination non-competition for a period of two years after your Franchise Agreement has been transferred, terminated or otherwise expired (including if we exercise our right to purchase your franchise). The post-termination non-competition agreement forbids you from directly or indirectly engaging in a Competing Business within certain geographic locations, as well soliciting or attempting to divert business, for the two-year period and should be carefully reviewed by you with your Equity Owners. We may also require that the spouse of each Equity Owner also execute our Personal Guaranty.

The Franchise Agreement defines a Competing Business as any type of sandwich shop or deli business, whether quick-casual, take-out, full-service or otherwise that: (i) is the same as, or substantially similar to, a Lee's Hoagie House Restaurant; or (ii) offers to sell or sells any menu items or food products which are the same as, or substantially similar to, any of the menu items or food products offered by a Lee's Hoagie House Restaurant where the sale of such menu items or food products constitutes 10% or more of the gross sales of such retail business (a "Competing Business"). The non-competition restrictions do not forbid ownership of up to 5% of the voting securities of a public company.

If you are a corporation, limited liability company or other business entity, then each person who owns 10% or more of the equity or voting interests of the business entity must sign a Personal Guaranty (attached as Schedule D to the Franchise Agreement) agreeing to be jointly and individually liable for all of your obligations under the Franchise Agreement. This applies also to persons who acquire a 10% or greater interest after you sign the applicable contract.

You are an independent contractor and not our representative, partner or employee. You have no authority to make any contract, agreement, warranty or representation or to create any obligation binding on us.

ITEM 16: RESTRICTIONS ON WHAT THE FRANCHISEE MAY SELL

You may operate your Lee's Hoagie House Restaurant only at the location that we approve and nowhere else, except with our prior written approval.

You must offer all of the goods and services that we designate are part of Lee's Hoagie House System, and nothing else, except with our prior written approval. Among other changes that we may implement, we may require you to (i) change certain recipes, menu items or designations, goods or services, Proprietary Products or Collateral Logo Merchandise that we permit you to use or sell at your Lee's Hoagie House Restaurant; (ii) add additional recipes, menu items or designations, goods or services, Proprietary Products or Collateral Logo Merchandise; and (iii) add, modify and discontinue our approval of suppliers from whom you may, or must, buy Proprietary Products and non-proprietary Products. We communicate all changes by written or electronic bulletins or revisions to the Confidential Operating Manual. No limits apply to our right to impose these modifications. You will be given a reasonable time period after notice from us to implement these changes and discontinue selling particular items which we delete from the approved list. You may not place new orders with any suppliers who are no longer on our approved list.

You may sell only to retail customers at or from the premises of your Lee's Hoagie House Restaurant. You may also offer and engage in off-premises catering services and delivery services within your Restaurant's Protected Area and contiguous geographic areas in accordance with the requirements and restrictions provided in our Confidential Operating Manual. The Confidential Operating Manual specifies requirements for food handling, decoration of the delivery vehicle, insurance, and similar matters. In the future, we may require all Lee's Hoagie House Restaurants to provide delivery and catering services.

You may not conduct any other business at your Restaurant location. Vending machines, video games or any similar coin-operated machines may not be used on your premises without our prior written consent. Also, marketing or solicitation materials for other businesses not associated with the Lee's Hoagie House system are not permitted without our prior written consent.

Except as we disclose in this **Item 16** and in **Item 12**, we do not impose any restrictions regarding the customers to whom you may sell authorized goods and services. We forbid you to sell Proprietary Products, Collateral Logo Merchandise or any other authorized ingredients, foods or beverages by any alternative channel of distribution, except for local delivery and catering services within your Protected Area.

We may use the Brand Development Fund to advertise goods and services at suggested resale prices, but we do not set the prices at which you sell any products or services. Our marketing plan may include certain temporary and promotional pricing strategies which we will require you to follow, however we do not fix or control your retail prices.

Your operations must comply with all applicable laws. These include the laws that we describe in **Item 1**, and laws pertaining to the sale of food, food handling and storage, health and sanitation, and the American with Disabilities Act. You must investigate what laws apply to your business and ensure that you comply with them.

We will promote the Lee's Hoagie House brand, menu and experience and will identify all operating Lee's Hoagie House Restaurants on our web site. As we note in **Item 13**, you may not use the Proprietary Marks in any electronic mail address or in any domain name or advertise on the Internet or on any other public computer network, or any other kind of public modality, using the Proprietary Marks without our prior written consent, which may be withheld in our sole and absolute discretion.

Any variation from our mandatory requirements requires our prior written approval. We grant approval only in exceptional cases in our discretion. Any exception made for another franchisee does not have to be made for you.

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

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

Provision	Section in Franchise Agreement	Summary
a. Length of the franchise term	2.1	10 years
b. Renewal or extension	2.2	If you are in good standing, and subject to contractual requirements, you may sign a successor agreement for two (2) 5-year terms each, unless we have determined, in our sole

Provision	Section in Franchise Agreement	Summary
		discretion , to withdraw from the geographical area your restaurant is located.
c. Requirement for franchisee to renew or extend	2.2	Under the Franchise Agreement, a Successor Agreement is defined as entering into our then-current form of franchise agreement to operate your Lee's Hoagie House restaurant for an additional five (5) year term that commences upon the expiration of your current franchise agreement. If you seek to enter into a Successor Franchise Agreement, your franchise at the expiration of the initial term or any successor term, you may be asked to sign a new franchise agreement that contains terms and conditions materially different from those in your previous franchise agreement, such as different fee requirements and territorial rights. If you wish to enter into a Succssor Franchise Agreement, you must: (i) provide notice no fewer than 6 months and no greater than 12 months prior to the end of the term; (ii) renovate and modernize the premises as we deem necessary and require of our then-current franchisees; (iii) not be in default of any provision of the Franchise Agreement or any other agreement with us or our suppliers; (iv) satisfy all monetary obligations that are outstanding; (v) secure a lease for the premises of the Restaurant; (vi) execute our then-current form of Franchise Agreement, which may contain terms that differ materially from the terms of this Agreement, including, without limitation, redefining your Protected Territory and increasing your required royalty fees, promotional fund and other advertising contributions, and other fees, except that you shall not be required to pay another initial franchise fee; (vii) execute a general release; (viii) comply with our then-current training obligations; (ix) pay a Successor Agreement fee equal to 25% of our then-current franchise fee (subject to a $7250 minimum); and (x) be current with all obligations to lessor, supplier and any others that you do business with in connection with the Restaurant.
d. Termination by Franchisee	Not Applicable.	You may seek termination upon any grounds available by state law.
e. Termination by franchisor without cause	Not Applicable.	The Franchise Agreement will terminate upon your death or permanent disability and the Franchised Business must be transferred within six months to a replacement franchisee that we approve
f. Termination by franchisor with cause	15	We may terminate your agreement upon your default and, in some instances, failure to cure.

PROVISION	SECTION IN FRANCHISE AGREEMENT	SUMMARY
g. "Cause" defined – curable defaults	15.3	Except for those defaults set forth in Sections 15.1 and 15.2 of the Franchise Agreement, you have 30 days to cure any other default under the Franchise Agreement from the date your receive notice of your that default from us, unless you have failed to make nay required payment under the Franchise Agreement or other agreement with us (in which case you have 10 days to cure this monetary default from the date you receive notice from us).
h. "Cause" defined – non-curable defaults	15.1 and 15.2	The Franchise Agreement defines non-curable defaults, which include: (i) insolvency or making a general assignment for the benefit of creditors; (ii) filing for bankruptcy or having such a filing made against you and not opposing; (iii) adjudication of bankruptcy or insolvent; (iv) a receiver being appointed with respect to your assets/property or any part thereof by a court; (v) proceedings for a composition of creditors is instituted against you; (vi) a final judgment against you remains unsatisfied or of record for 30 days or more; (vii) you are dissolved or an execution is levied against your franchised business or property; (viii) a suit to foreclose any lien or mortgage against the Restaurant premises or equipment is instituted against you and not dismissed within 30 days; and (ix) the real or personal property of the Restaurant is sold after lever by a sheriff. Other non-curable defaults that result in your termination upon notice include: (i) if you are unable to secure an Approved Location or construct and open the Restaurant within the required time periods; (ii) if you or your full-time manager fail to complete Initial Training in required time period; (iii) if you abandon the Restaurant, as abandonment is defined in the Franchise Agreement; (iv) if you or any of your officers is convicted of a felony, crime of moral turpitude or any other crime that we believe is likely to have an adverse effect of our System; (v) if you engage in any other behavior that we believe is likely to have an adverse effect on the System, including any fraudulent, unfair or unethical acts; (vi) if a threat or danger to public health or safety results from the construction or operation of the Restaurant; (vii) if you attempt to assign the franchised business without our prior approval or you fail to effectuate an assignment within the time period allowed following a death or mental incapacity; (viii) breaching the in-term covenants not to compete; (ix) disclosing confidential information, including the Manuals; (x) intentionally underreporting sales or knowingly maintaining false books; (xi) misusing the Proprietary Marks; (xii) refusing to allow us to inspect the Restaurant premises; (xiii) committing the same default three times, regardless of whether or not the prior default were cured or not; (xiv) selling any product not previously approved or designated by us in your Restaurant; and (xv) breaching any other Franchise Agreement that you have entered into with us

PROVISION	SECTION IN FRANCHISE AGREEMENT	SUMMARY
i. Franchisee's obligations on termination/ non-renewal	16	Upon termination, your obligations include: (i) to cease operations of your Restaurant; (ii) cease using our confidential information and Proprietary Marks and returning our Manuals and any other proprietary materials; (iii) cancelling any registrations that contain any portion of our Proprietary Marks within 5 days; (iv) at our option, assigning us any interest you have in the Lease for the Restaurant premises; (v) payment of any outstanding fees due under the Franchise Agreement, including attorneys' fees that we incurred as a result of the default; (vi) cease any and all use of any websites or other Internet presence that uses any confusing similar domain name or URL; (vii) compliance with the post-term covenants not to compete; and (viii) execution of any agreements that we reasonably request, including a general release. We have the right to purchase any and all of your equipment, signs and fixtures related to the Restaurant within 30 days of your termination at the lesser of fair market value or at 60% of your original investment, and to purchase any of your supplies and inventory at cost or fair market value, whichever is less. If the parties cannot agree on a price, an independent auditor will be engaged at your expense to appraise the materials and his decision will be binding. If we elect to exercise our right to purchase under Section 16.10 of the Agreement, then we have the right to offset all amounts you owe us (and the costs of the appraisal) against the purchase price. You must also pay liquidated damages as described in this Item 17.
j. Assignment of contract by franchisor	14.1	Unrestricted
k. "Transfer" by franchisee-defined	14.2	Sale, assignment, transfer, conveyance, pledge, encumbrance, merger or gift (collectively, "Transfer") of this Agreement, any direct or indirect interest in Franchisee, or in all or substantially all of the assets of the Restaurant.
l. Franchisor approval of transfer by franchisee	14.2	Any Transfer requires our prior written consent, which we agree not to unreasonably withhold.

PROVISION	SECTION IN FRANCHISE AGREEMENT	SUMMARY
m. Conditions for franchisor approval of transfer	14.3	All obligations under Franchise Agreement and related agreements must be satisfied and there are no defaults under the Franchise Agreement; Transferor must execute a general release in favor of us; Proposed buyer must submit an application to us and meet our qualifications and sign our then-current Franchise Agreement and related agreements (which may materially vary from your Franchise Agreement) for a term equal to the remainder of your franchise term and any unexercised successor term; the principals of the transferee must sign a personal guaranty; the transferee and his manager and appropriate number of employees complete our Initial Training Program as we require; you or proposed buyer pay us a transfer fee equal to Twelve Thousand Five Hundred Dollars ($12,500) or fifty percent (50%) of Franchisor's then- current initial franchise fee at the time of transfer, which will be different depending on whether the Transfer Fee is a normal Transfer, a Qualified Transfer or involves a Public or Private Offering.
n. Franchisor's right of first refusal to acquire franchisee's business	14.5	We can match any third party offer to buy your franchise rights, assets or controlling interest which is the subject of a proposed Transfer. We have 30 days in which to exercise our right of first refusal.
o. Franchisor's option to purchase franchisee's business	16.4, 16.10	Upon termination or expiration of the Franchise Agreement, we may purchase the remaining assets of your Restaurant and require you to assign us your leasehold interest pursuant to the Conditional Assignment of Lease.
p. Death or disability of franchisee	14.6	The Franchise Agreement will terminate upon the death or permanent disability and the Franchised Business must be transferred within six months to a replacement franchisee we approve.
q. Non-competition covenants during the term of the franchise	17.2	During the term of the Franchise Agreement, you are prohibited from: (i) diverting or attempting to divert any prospective business or customer to a competitive business; (ii) employing or seeking to employ any person that is employed by us or one of our other franchisees, or inducing such employment; (iii) owning, operating, engaging, acting as consultant for, performing services for or having any interest in: (a) any business that is the same or substantially similar to your Restaurant; or (b) any business that offers and/or sells any menu items or food products that are substantially similar to any of the menu items or food products offered by the Restaurant where these items constitute 10% of more of the competing businesses Gross Sales (collectively, a "Competing Business").

Provision	Section in Franchise Agreement	Summary
r. Non-competition covenants after the franchise is terminated or expires	17.3	Same as in-term limitations, for a period of 2 years, within 10 miles of any company owned or franchised location.
s. Modification of agreement	24	The Franchise Agreement may not be modified except by a written agreement signed by you and us. We can modify or change the Lee's Hoagie House system through changes in the Operations Manual as we deem necessary in our sole discretion.
t. Integration/merger clause	24	Only the terms of the Franchise Agreement are binding. Nothing contained in this Section, or any other section of the Franchise Agreement or related agreement, is intended to disclaim the representations we made in this disclosure document.
u. Dispute resolution by arbitration or mediation	26.2	All claims arising under the Franchise Agreement must first be brought to our President and/or CEO to determine whether the dispute can be resolved by Internal Dispute Resolution.
	26.3	Any disputes and claims that are unable to be resolved by Internal Dispute Resolution must be submitted to mediation, where the parties will make a good faith effort to resolve the dispute prior to resorting to litigation. The mediation will take place in front of a single mediator at our corporate headquarters. The following claims are not required to be submitted to mediation: (i) any claim or dispute involving any of your payment obligations that is more than 45 days past due; (ii) any claim or dispute involving the ownership, validity or use of the Proprietary Marks or disclosure of our confidential information; (iii) any claim involving the insurance and indemnification provisions of the Franchise Agreement; and (iv) any action brought by us to enforce the covenants contained in Section 17 (in term and post term).
v. Choice of forum	26.4	Litigation must be brought in the federal or state courts in Pennsylvania where, at the time the action is commenced, our corporate headquarters is located. (subject to state law)
w. Choice of law	26.1	Pennsylvania law governs the Franchise Agreement, and the laws of Pennsylvania shall prevail in the event of any conflict of law. (subject to state law)
x. Waiver of jury trial	26.11	By both parties. (subject to state law)

ITEM 18: PUBLIC FIGURES

We do not currently 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 the disclosure document. Financial performance information that differs from that included in Item 19 may be given only if: (1) a franchisor provides the actual records of an existing outlet you are considering buying; or (2) a franchisor supplements the information provided in this Item 19, for example, by providing information about possible performance at a particular location or under particular circumstances.

As of December 31, 2021 our Affiliates and Franchisees operated four (4) Lee's Hoagie House locations. JL Hoagie House Inc. operates a Lee's Hoagie House in Southampton, PA. Merbin, Inc. operates a Lee's Hoagie House in Philadelphia, PA.

The table below summarizes the performance of the two (2) restaurants owned by our Affiliates listed above for the period January 1, 2021 through December 31, 2021. These results were achieved by restaurants owned and operated by our Affiliates for a number of years, including two in operation since 1983 and 1994. These Affiliates operated independently of one another and of the Franchisor, and therefore we not subject to many of the standards and mandatory procedures under which you will operate; however, in designing the franchise system, the principals have incorporated many of their standard practices and procedures into the operations manual. The above named affiliate-owned outlets are substantially similar to the franchised outlets being offered. The only material difference between the Affiliate owned stores and franchised locations are the Affiliate owned stores are not required to contribute to the Brand Development Fund.

Gross Sales - Affiliates 1/1/21 – 12/31/21	
Restaurant #1	$ 699,414
Restaurant #2	$ 393,112
MEDIAN	$ 546,263
AVERAGE	$ 546,263

Our third Affiliate LHHSH LLC operates a Lee's Hoagie House in Stone Harbor NJ. Stone Harbor NJ is a resort location with demographics and seasonality that is not typical of the franchise being offered. The results of the Stone Harbor NJ location are not included in this Item 19.

The table below summarizes the performance of our franchisee owned restaurants in operation during the entire fiscal year ending December 31, 2021, excluding our franchise restaurant in operation for less than 12 months.

Gross Sales - Franchisees 1/1/21 – 12/31/21	
Restaurant #1	$ 651,196
Restaurant #2	$ 546,740
MEDIAN	$ 596,968
AVERAGE	$ 596.968

<u>Notes regarding the above information:</u>

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

Gross Sales does not include (i) bona fide refunds to customers, (ii) sales taxes collected, (iii) sale of used equipment not in the ordinary course of business, or (iv) sales of prepaid cards or similar products (but the redemption of any such card or product will be included in Gross Sales).

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

Other than the preceding financial performance representation, Lee' s Hoagie House Franchise Group LLC 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 Restaurant, however, we may provide you with the actual records of that Restaurant. If you receive any other financial performance information or projections of your future income, you should report it to our management by contacting Allan Lewin at our corporate office at 26 Second Street Pike, Southampton, PA 18966 or by telephone at (267) 460-8278, the Federal Trade Commission, and the appropriate state regulatory agencies.

ITEM 20: OUTLETS AND FRANCHISEE INFORMATION

Table No. 1:
Franchise System-wide Outlet Summary*
For Years 2019, 2020, 2021

Outlet Type	Year	Outlets at Start of Year	Outlets at the End of the Year	Net Change
Franchised*	2019	4	4	0
	2020	4	2	-2
	2021	2	2	0
Company Owned**	2019	2	2	0
	2020	2	2	0
	2020	2	2	0
Total	2019	6	6	0
	2020	6	4	-2
	2021	4	4	0

* Excludes 11 licensee operated outlets in NJ & PA that may or may not be substantially similar to the franchise being offered. A list of such outlets is included in Exhibit E.

** Includes Affiliate owned outlets that are substantially similar to the franchise being offered. *An affiliate owned outlet in Stone Harbor, New Jersey is not included because it is not substantially similar and only open during part of the year.*

Table No. 2:
Transfers of Outlets from Franchisees to New Owners (other than the Franchisor) For years 2017 through 2019

State	Year	Transfers
None	2019	0
	2020	0
	2021	0
Total	2019	0
	2020	0
	2021	0

Table No. 3:
Status of Franchised
Outlets* For years 2019
through 2021

State	Year	Outlets at Start of Year	Outlets Opened	Termi-nations	Non-Renewals	Reacquired by Franchisor	Ceased Operations Other Reason	Outlets at End of the Year
NC	2019	1	0	0	0	0	1	0
	2020	0	0	0	0	0	0	0
	2021	0	0	0	0	0	0	0
PA	2019	2	1	0	0	0	0	3
	2020	3	0	0	0	0	2	1
	2021	1	0	0	0	0	0	1
SC	2019	1	0	0	0	0	0	1
	2020	1	0	0	0	0	0	1
	2021	1	0	0	0	0	0	1
Total	2019	4	1	0	0	0	1	4
	2020	4	0	0	0	0	2	2
	2021	2	0	0	0	0	0	2

* Excludes 11 licensee operated outlets in NJ & PA that may or may not be substantially similar to the franchise being offered. A list of such outlets is included in Exhibit E.

Table No. 4:
Status of Company-Owned Outlets*
For years 2019 through 2021

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**
PA	2019	2	0	0	0	0	2
	2020	2	0	0	0	0	2
	2021	2	0	0	0	0	2
Total	2019	2	0	0	0	0	2
	2020	2	0	0	0	0	2
	2021	2	0	0	0	0	2

* Includes Affiliate owned outlets that are substantially similar to the franchise being offered. *An affiliate owned outlet in Stone Harbor, New Jersey is not included because it is not substantially similar and only open during part of the year.*

Table No. 5:
Projected Openings as of December 31, 2021

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
DE	0	0	0
NJ	0	0	0
PA	0	0	0
Washington DC	0	0	0
NC	1	1	0
Total	1	1	0

Exhibit E is a current list of Lee's Hoagie House® businesses operated by our Franchisees, Licensees and our Affiliated entities. We also do not have any franchisees who had a business terminated, cancelled, not renewed or otherwise voluntarily or involuntarily ceased to do business under the Franchise Agreement during the most recently completed fiscal year or who has not communicated with us within 10 weeks of the issuance date of this disclosure document. In the future, all of these individuals plus all active franchisees will be listed in an Exhibit to this disclosure document when applicable. **If you buy this franchise, your contact information may be disclosed to other buyers when you leave the franchise system.**

During the last three fiscal years, we have not had any franchisees sign confidentiality provisions that would restrict their ability to speak openly about their experience with the Lee's Hoagie House System.

There are no trademark-specific organizations formed by our franchisees that are associated with Lee's Hoagie House System.

ITEM 21: FINANCIAL STATEMENTS

Lee's Hoagie House Franchise Group LLC, was formed January 17, 2014. In **Exhibit D**, we have included audited financials as of December 31, 2021, December 31, 2020 and December 31, 2019.

Our fiscal year end is December 31.

ITEM 22: CONTRACTS

Copies of all proposed agreements regarding the franchise offering are included in **Exhibit B**. These include our Franchise Agreement and all schedules and exhibits to it (Franchisee Information, Site Selection Addendum, Lease Addendum, Personal Guaranty, General Release, Franchisee's Principal Guaranty, Form of Confidentiality and Restrictive Covenant Agreement, Electronic Funds Withdrawal Authorization, Conditional Assignment of Telephone Number's and Domain Names, Authorization to Proceed with Construction, Disclosure Acknowledgement Statement).

ITEM 23: RECEIPTS

A receipt in duplicate is attached to this Disclosure Document as **Exhibit G**. You should sign both copies of the receipt. Keep one copy for your own records and return the other signed copy to Allan Lewin at our corporate office at 26 Second Street Pike, Southampton, PA 18966.

EXHIBIT A: AGENCIES/AGENTS FOR SERVICE OF PROCESS

This list includes the names, addresses and telephone numbers of state agencies having responsibility for franchising disclosure/registration laws, and serving as our agents for service of process (to the extent that we are registered in their states). This list also includes the names, addresses and telephone numbers of other agencies, companies or entities serving as our agents for service of process.

State	State Agency	Agent for Service of Process
CALIFORNIA	Commissioner of the Department of Financial Protection and Innovation Department of Financial Protection and Innovation 320 West 4th Street, Suite 750 Los Angeles, CA 90013 (213) 576-7505 Toll-free (866-275-2677)	Commissioner of the Department of Financial Protection and Innovation
CONNECTICUT	State of Connecticut Department of Banking Securities & Business Investments Division 260 Constitution Plaza Hartford, CT 06103-1800 (860) 240-8230	Banking Commissioner
HAWAII	Business Registration Division Department of Commerce and Consumer Affairs 335 Merchant Street, Room 203 Honolulu, HI 96813 (808) 586-2722	Commissioner of Securities of the State of Hawaii
ILLINOIS	Office of Attorney General Franchise Division 500 South Second Street Springfield, IL 62706 (217) 782-4465	Illinois Attorney General
INDIANA	Indiana Secretary of State Securities Division 302 West Washington St., Room E-111 Indianapolis, IN 46204 (317) 232-6681	Indiana Secretary of State 201 State House Indianapolis, IN 46204
MARYLAND	Office of the Attorney General Division of Securities 200 St. Paul Place Baltimore, MD 21202-2020 (410) 576-6360	Maryland Securities Commissioner 200 St. Paul Place Baltimore, MD 21202-2020 (410) 576-6360
MICHIGAN	Michigan Department of Attorney General Consumer Protection Division Antitrust and Franchise Unit 670 Law Building Lansing, MI 48913 (517) 373-7117	Michigan Department of Commerce, Corporations and Securities Bureau
MINNESOTA	Minnesota Department of Commerce 85 7th Place East, Suite 280 St. Paul, MN 55101-2198 (651) 539-1500	Minnesota Commissioner of Commerce

State	State Agency	Agent for Service of Process
NEW YORK	Office of the New York State Attorney General Investor Protection Bureau 28 Liberty Street, 21st Floor New York, NY 10005 (212) 416-8211 Phone (212) 416-6042 Fax	Attention: New York Secretary of State New York Department of State One Commerce Plaza 99 Washington Avenue, 6th Floor Albany, NY 11231-0001 (518) 473-2492
NORTH DAKOTA	North Dakota Securities Department 600 East Boulevard, 5th Floor Bismarck, ND 58505-0510 (701) 328-4712	North Dakota Securities Commissioner
OREGON	Department of Consumer and Business Services Division of Finance and Corporate Labor and Industries Building Salem, Oregon 97310 (503) 378-4387	Director of the Department of Consumer and Business Services
RHODE ISLAND	Department of Business Regulation Division of Securities 1511 Pontiac Avenue, Building 69-1 Cranston, RI 02920 (401) 462-9585	Director of Rhode Island Department of Business Regulation
SOUTH DAKOTA	Division of Insurance Securities Regulation 124 South Euclid, Suite 104 Pierre, SD 57501 (605) 773-3563	Director of Insurance-Securities Regulation
VIRGINIA	State Corporation Commission Division of Securities and Retail Franchising 1300 East Main Street, 9th Floor Richmond, VA 23219 (804) 371-9051	Clerk of State Corporation Commission 1300 East Main Street, 1st Floor Richmond, VA 23219 (804) 371-9733
WASHINGTON	Department of Financial Institutions Securities Division P.O. Box 9033 Olympia, WA 98507-9033 (360) 902-8760	Director of Washington Financial Institutions Securities Division 150 Israel Road, SW Tumwater, WA 98501
WISCONSIN	Wisconsin Securities Commissioner Securities and Franchise Registration 345 W. Washington Avenue Madison, WI 53703 (608) 266-8559	Commissioner of Securities of Wisconsin

EXHIBIT B: FRANCHISE AGREEMENT

LEE'S HOAGIE HOUSE
FRANCHISE AGREEMENT

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THIS FRANCHISE AGREEMENT (this "Agreement") is being entered into this day of ______________________, (the "Effective Date") by and between Lee's Hoagie House Franchise Group, LLC, a Pennsylvania limited liability company with its principal place of business at 26 Second Street Pike, Southampton, PA 18966 (herein "Franchisor") and ______________________ ________________________________, a(n) ____ _________________________, with its principal place of business located at_________________ _________________________ and ______________________________'s principals _________ __________________, an individual residing at ____ and ___________________________, an individual residing at ____________________________ __________________ ("Principal(s)"). _____________________________ and Principal(s) shall be collectively referred to in this Agreement as the "Franchisee".

RECITALS

A. Franchisor and its principals and affiliates have expended a considerable amount of time, effort, and money to develop a system for the operation of a unique Philadelphia style sandwich restaurant offering freshly made hoagies, steak sandwiches, salads, chicken wings, beverages and more under the proprietary mark of "Lee's Hoagie House" (the "Restaurant").

B. Franchisor is engaged in the business of granting franchises to operate a Restaurant.

C. Franchisee desires to enter into an agreement with Franchisor to obtain the rights to operate a Restaurant using the system developed by Franchisor, the distinguishing characteristics of which include: (i) unique food and drink menu items and proprietary recipes (the "Proprietary Recipes"); (ii) uniform specifications for food and beverage preparation and presentation; (iii) distinctive interior and exterior Restaurant design, decor and color schemes; (iv) uniform specifications for furniture, fixtures, equipment, and signage; (v) merchandising, marketing, advertising, and inventory management systems; (vi) collateral merchandise featuring Franchisor's proprietary marks (including those "Proprietary Marks" as defined herein) (collectively, the "Collateral Merchandise"); and (vii) other standards and procedures for operation and management of a Restaurant in the manner set forth in this Agreement and in Franchisor's proprietary and confidential operations manual (the "Operations Manual") provided by Franchisor, which Franchisor may periodically modify as it deems necessary in its sole discretion (the "System").

D. Franchisor and its franchisees use various trade names, logos, designs, trade dress, trademarks, and service marks including, without limitation, the proprietary mark "Lee's Hoagie House" in connection with the System, which may hereafter be modified, supplemented or discontinued in any manner Franchisor determines necessary in its sole discretion (the "Proprietary Marks"). The rights to all such Proprietary Marks as are now, or shall hereafter be, designated as part of the System will be owned exclusively by Franchisor and any goodwill garnered in the Proprietary Marks shall belong to the Franchisor and be used for the benefit of Franchisor and Franchisor's franchisees to identify to the public the source of the products and services marketed thereunder.

E. Franchisee has applied to Franchisor for a franchise to operate a Restaurant and such application has been approved based on Franchisor's reliance upon all of the representations made therein.

F. Franchisee hereby acknowledges that adherence to the terms of this Agreement and the standards and specifications of Franchisor are essential to the operation of its Restaurant and to the operations of the System.

NOW, THEREFORE, the parties, in consideration of the undertakings and commitments of each party to the other party set forth herein, agree as follows:

1. GRANT

1.1. Grant of Franchise. Franchisor grants to Franchisee the right, and Franchisee undertakes the obligation, upon the express terms and conditions set forth in this Agreement, to establish and operate a Lee's Hoagie House Restaurant under the Proprietary Marks and the System and to use the Proprietary Marks and the System, as they may be changed and improved from time to time at Franchisor's sole discretion, solely in connection therewith and only at the location set forth in Section 1.2 below. Franchisor has the right to supplement, improve or otherwise modify the System from time to time in Franchisor's sole discretion, and Franchisee agrees to comply will all changes which may include, without limitation, the offer and sale of new or different products or services as Franchisor may specify. The foregoing grant to Franchisee does not include: (i) any right to offer any product or service via e-commerce; (ii) any right to establish an independent website or to establish a URL incorporating the Proprietary Marks or any variation thereof; (iii) any right to sell merchandise via wholesale; or (iv) any right to otherwise distribute, market, or implement Franchisor's products and services in any channel of distribution not specifically identified in this Agreement or the Operations Manual. Franchisor also grants Franchisee the non-exclusive right to provide delivery and catering services to those customers located within Franchisee's Protected Area (as defined in Section 1.4 below), as well as customers located in areas contiguous to the Protected Area, provided: (i) Franchisee does not actively solicit or otherwise market and promote delivery and catering services in the protected Area granted to another franchisee or company-owned Restaurant (however, general direct mail or non-catering promotions for the Restaurant is allowed in all areas, including the Protected Areas of other System franchisees); and (ii) Franchisee provides the catering and delivery services in accordance with Franchisor's standards and specifications as set forth more fully in the Operations Manual.

1.2. Approved Location. Franchisee shall operate the Restaurant only at a location approved by Franchisor (the "Approved Location"). Franchisee may not operate any other type of business from the Approved Location during the term of this Agreement. If, at the time of execution of this Agreement, the parties have agreed on an Approved Location, the exact street address of the Approved Location shall be set forth in Schedule A attached hereto. If, at the time of execution of this Agreement, a location for the Restaurant has not been both obtained by Franchisee and approved by Franchisor, Franchisee shall lease or acquire a location within one hundred twenty (120) days after the date of this Agreement, subject to Franchisor's approval, as provided for in the Site Selection Addendum attached hereto as Schedule B. Franchisee shall not relocate its Restaurant without the prior written approval of Franchisor. Franchisor shall have the right, in its sole discretion, to withhold approval of relocation.

1.3. Reservation of Rights. Franchisee expressly understands and agrees that Franchisor and Franchisor's affiliates shall have the right, in Franchisor's sole discretion, to:

1.3.1. Own and operate Restaurants at any location(s) outside of Franchisee's Protected Area (as defined in Section 1.4 below) under the Proprietary Marks, or to license others the right to own and operate Restaurants at any location(s) outside of Franchisee's Protected Area under the Proprietary Marks and System;

1.3.2. Own and operate Restaurants under different marks at any location(s) inside or outside of Franchisee's Protected Area, or license to others the right to own and operate Restaurants under different marks at any location(s) inside or outside of Franchisee's Protected Area;

1.3.3. Use the Proprietary Marks and System in connection with services and products, promotional and marketing efforts, or related items, or in any alternative channel of distribution (as described more fully in Section 1.6 below), including the sale of any Proprietary Products, menu items or Collateral Merchandise in wholesale and/or retail stores, via the Internet, and through mail order catalog, convenience stores, temporary locations, carts or kiosks, without regard to location;

1.3.4. The exclusive right to operate and license others the right to own and operate Restaurants under the Proprietary Marks and System in non-traditional sites, including office buildings, indoor shopping malls, retail stores, grocery stores, and supermarkets, hospitals, airports, bus and train stations and other transportation terminals, entertainment facilities (including, without limitation, sports stadiums, theatres, and theme parks), rest stops/plazas (and similar locations accessible from limited access or toll highways), and colleges, universities, and other educational institutions (collectively, "Non-Traditional Sites"), within or outside Franchisee's Protected Area;

1.3.5. Notwithstanding any other provision hereof, to acquire, merge with, or otherwise affiliate with, and thereafter own and operate, and franchise or license others to own and operate, any business or Restaurant of any kind, including, without limitation, any business that offers products or services the same as or similar to those offered by Franchisee under the System and Proprietary Marks, within or outside Franchisee's Protected Area;

1.3.6. To sell to, solicit, or direct advertising or promotional materials to customers located in Franchisee's Protected Area.

1.3.7. Use the Proprietary Marks and System, and license others to use the Marks and System to engage in any other activities not expressly prohibited in this Agreement.

1.4. Protected Area. Franchisee shall receive a protected area which may vary in size and dimensions from that of other System franchisees. Franchisor shall not establish or operate, nor license to any party other than Franchisee the right to establish and operate, a Restaurant under the System and Proprietary Marks within this protected area (the "Protected Area"), during the term hereof. The Protected Area is detailed more fully in Schedule "A" hereto.

1.4.1. <u>Exclusions From Area.</u> However, the interior rental space of all enclosed shopping malls, and with regard to all highway facilities (that is, state-owned or state-operated facilities within the rights-of-way of major limited access parkways, throughways, or toll roads), airport concourses, professional sports facilities, college campuses, and military installations, which either currently exist or which may be developed are specifically excluded from any protection granted under Section 1.4 of this Agreement.

1.4.2. Determination of the Protected Area. The criteria used for determining the boundaries of the Protected Area may include: the population base; density of population; the daytime population; growth trends of population; apparent degree of affluence of population; the density of residential and business entities; location of competing businesses and major and restricting topographical features which clearly define contiguous areas, such as rivers, mountains, major freeways and underdeveloped land areas. As a result of these considerations, one Protected Area will vary in size, population density, and other features from the Protected Areas of other franchisees. Site approval and determination of a corresponding Protected Area shall be completed by Franchisor following receipt of a proposed area and site description from Franchisee. The determination of the Protected Area shall be made and agreed upon between Franchisor and Franchisee. Failure to agree upon a Protected Area may result in Franchisor's disapproval of the proposed site as a Franchised Restaurant location for the said Franchisee. As set forth above, the Protected Area selected is described in writing in Schedule A hereto and is hereby made a part of this Agreement.

1.4.3. Overlap of Protected Areas. The goal of the Protected Area is to keep each Restaurant at a reasonable commercial distance from each other Restaurant. It may be determined that an approved location for another System franchisee could be located directly outside of your Protected Area and the Protected Area of that franchisee could overlap with your Protected Area.

1.4.4. Protected Area for Certain Approved Locations. In the event the Approved Location is within an enclosed shopping mall, Franchisee’s Protected Area will be limited to the interior rental space in the mall itself. If the Approved Location is located in an airport, Franchisee’s Protected Area shall be the concourse where the Restaurant is located.

1.5 Retention of Protected Area. Franchisor's grant of the Protected Area in Section 1.4 above shall remain in effect so long as this Agreement is in force and effect and Franchisee is not in material default under any of the material terms hereof (after expiration of all applicable cure periods). Franchisor has the right, in its sole discretion, to operate, or to grant to others franchises to operate, at locations outside of the Protected Area as Franchisor, in its sole and exclusive discretion, deems appropriate, regardless of the proximity to Franchisee’s Protected Area.

1.6 Alternative Channels of Distribution. Franchisee acknowledges and agrees that certain of Franchisor’s or its affiliates’ products or services, whether now existing or developed in the future, may be distributed in Franchisee’s Protected Area by Franchisor, its affiliates, or Franchisor’s franchisees, licensees, designees, in such manner and through such channels of distribution as Franchisor, in its sole discretion, shall determine. These alternate channels of distribution include, but are not limited to, the sale of Proprietary Products, menu items and Collateral Merchandise bearing the Marks via the Internet, mail order catalog, through wholesale and retail stores, and direct marketing via television and radio. Franchisee understands that this Agreement grants Franchisee no rights to: (1) distribute such products or services described in this Section 1.6; or (ii) share in any of the proceeds received therefrom. Franchisee shall offer and sell products only from the Restaurant and only in accordance with the requirements of this

Agreement and the procedures set forth in the Operations Manual. Franchisee shall not offer or sell products through any other means or locations. Franchisee shall only offer or sell products to retail customers for their use and consumption and not for resale.

2. TERM AND SUCCESSOR OPTION

2.1. Term. This Agreement shall be in effect upon its acceptance and execution by Franchisor and, except as otherwise provided herein, the term of this Agreement shall be ten (10) years from the date the Restaurant opens for business, unless this Agreement is sooner terminated pursuant to its terms.

2.2. Successor Option. If you satisfy each of the following requirements set forth below, you may enter into a new franchise agreement and other agreements and legal instruments and documents customarily employed by us and in the form then generally being offered to prospective franchisees in the state in which the Franchised Business is located (the "Successor Franchise Agreement) for two (2) successive five (5) year terms.

2.2.1. Franchisee shall give Franchisor written notice of Franchisee's election to enter into a Successor Franchise Agreement no fewer than six (6) months, and no more than twelve (12) months prior, to the end of the then-current term;

2.2.2. Franchisee shall make or provide for, in a manner satisfactory to Franchisor, such renovation and modernization of the premises of the Restaurant (the "Premises") as Franchisor may reasonably require, including, without limitation, installation of new equipment and renovation of signs, furnishings, fixtures, and décor, including any modifications to the trade dress and trademarks as set forth in Section 8 of this Agreement, to reflect the then-current standards and image of the System;

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

2.2.4. Franchisee shall have satisfied all monetary obligations due and owed by Franchisee to Franchisor and its subsidiaries and affiliates, and to the Brand Development Fund (defined in Section 12.3 below), and shall have timely met those obligations throughout the term of this Agreement;

2.2.5. Franchisee shall present evidence satisfactory to Franchisor that Franchisee has the right to remain in possession of the Premises for the duration of the successor term or shall obtain Franchisor's approval, which may be withheld in Franchisor's sole discretion, of a new location for the Restaurant for the duration of the renewal term;

2.2.6. Franchisee shall, at Franchisor's option, execute Franchisor's then-current form of franchise agreement (but only for such successor terms as are provided by this

Agreement), which shall supersede this Agreement in all respects, and the terms of which may differ materially from the terms of this Agreement, including, without limitation, redefining Franchisee's Area and increasing Franchisee's required royalty fees, Brand Development Fund and other advertising contributions, and other fees, as determined by Franchisor, except that Franchisee shall not be required to pay another initial franchise fee;

2.2.7. Franchisee shall execute a general release, in a form prescribed by Franchisor, of any and all claims, known or unknown, that Franchisee might have against Franchisor or its subsidiaries or affiliates, or their respective officers, directors, agents, or employees;

2.2.8. Franchisee shall comply with Franchisor's then-current qualification and training requirements;

2.2.9. Franchisee shall pay Franchisor a Successor Agreement fee ("Renewal Fee") in an amount equal to the higher of seven thousand five hundred dollars ($7,500) or twenty five percent (25%) of Franchisor's then-current initial franchise fee at the time of the successor term; and

2.2.10. Franchisee shall be current with respect to its obligations to lessor, suppliers, and any others with whom Franchisee does business.

2.2.11. If any of the above requirements have not been satisfied, the Franchise will not begin a successor term and will expire at the end of the then-current term. The parties agree that Franchisor's refusal to enter into an Successor Agreement, if any of the above requirements has not been satisfied constitutes "good cause" or "just cause" as those terms are defined by applicable state law.

3. DUTIES OF FRANCHISOR

3.1. Site Selection, Plans and Specifications. Franchisor will review any site selection proposals submitted by Franchisee and approve or reject such proposals as set forth more fully in Section 5.1 of this Agreement. Franchisor shall make available, at no charge to Franchisee, its standard specifications for a prototypical Lee's Hoagie House Restaurant, including exterior and interior design and layout, fixtures, furnishings and signs. Franchisee acknowledges that such specifications shall not contain the requirements of any federal, state or local law, code or regulation (including, without limitation, those laws and regulations concerning the Americans with Disabilities Act or similar rules governing public accommodations or commercial facilities for persons with disabilities), nor shall such plans contain the requirements of, or be used for, construction drawings or other documentation necessary to obtain permits or authorization to build a specific Restaurant, compliance with all of which shall be Franchisee's responsibility and at Franchisee's expense.

3.2. Training. Franchisor shall provide initial training prior to the opening of Franchisee's Restaurant as set forth more fully in Section 6 hereof, subject to the availability of Franchisor's training staff.

3.3. On-Site Assistance. During the term of this Agreement, Franchisor may provide up to a maximum of seven (7) days of on-site assistance if Franchisee determines, in its sole discretion, that such assistance in necessary to facilitate the pre-opening, opening, or ongoing operation, of Franchisee's Restaurant. In the event Franchisor provides on-site assistance under this Section, Franchisee agrees to pay all travel, lodging and meal expenses associated with Franchisor's staff's on-site visit for the time such assistance is provided.

3.4. Advertising and Promotional Materials. Franchisor shall approve or disapprove any marketing that Franchisee wishes to use to promote and/or advertise Franchisee's Restaurant as set forth more fully in Section 12 hereof. In some instances, Franchisor may provide certain advertising materials and promotional campaigns to Franchisee for use in connection with its Restaurant, as Franchisor deems necessary in its sole discretion. All advertising and promotional items provided, or approved, by Franchisor is Franchisor's proprietary property and must be used in the manner and form prescribed by Franchisor.

3.5. Operations Manual. At least thirty (30) days prior to the opening of the Restaurant, Franchisor shall provide Franchisee with one (1) copy of Franchisor's confidential operating manuals, including the Operations Manual (collectively, the "Manuals"), as set forth more fully in Section 9 hereof.

3.6. Inspection of Premises. Franchisor may conduct, as it deems advisable in its sole discretion, inspections of the Premises and Franchisee's operation of the Restaurant at any time with or without notice to Franchisee and Franchisee expressly acknowledges Franchisor's right to conduct such inspection(s).

3.7. Equipment and Inventory Lists. Prior to opening, Franchisor shall provide to Franchisee a list of the initial inventory and furniture, fixtures and equipment that Franchisee is required to purchase from approved suppliers designated by Franchisor prior to opening its Restaurant.

3.8. Ongoing Advice. After Franchisee's Restaurant opens, Franchisor may provide, as it deems necessary in its sole discretion, certain advice, assistance, and written materials regarding the operation of the Restaurant, including new recipes, Propriety Products and other menu items, new developments and/or techniques in food preparation, cleaning and food storage, and other information regarding the general operation of a Restaurant in the System.

3.9. Lee's Hoagie House Brand Fund. Franchisor has established a Lee's Hoagie House Brand Development Fund as set forth more fully in Section 12 of this Agreement. Franchisor shall have the right, without the obligation, to continue administering the Brand Development Fund as set forth more fully in Section 12.

3.10. Performance by Designee. Franchisee acknowledges and agrees that any duty or obligation imposed on Franchisor by this Agreement may be performed by any designee, employee, or agent of Franchisor, as Franchisor may direct.

4. FEES

4.1. Initial Franchise Fee. Franchisee shall pay to Franchisor, on execution of this Agreement, a non-refundable initial franchise fee of **thirty thousand dollars ($30,000**) (the "Initial Franchise Fee"). The entire Initial Franchise Fee is fully earned and non-refundable upon payment in consideration of administrative and other expenses incurred by Franchisor in granting this franchise and for Franchisor's lost or deferred opportunity to enter into this Agreement with others.

4.2. Royalty Fee. Beginning the week Franchisee opens for business, the Franchisee shall pay to Franchisor a continuing royalty fee (the "Royalty") the greater of (i) an amount equal to five percent (5%) of Gross Sales (as that term is defined in Section 4.3 below) or (ii) Two Hundred Dollars ($200) per week, which shall be paid to Franchisor weekly in accordance with Section 4.5 of this Agreement.

4.3. Definition of Gross Sales. "Gross Sales" means all revenues generated by Franchisee's Restaurant conducted upon, from or with respect to the Restaurant, whether such sales are evidenced by cash, check, credit, charge, account, barter or exchange. Gross Sales shall include, without limitation, all monies or credit received from the sale of products, from tangible property of every kind and nature, promotional or otherwise, and for services performed from or at the Restaurant, including without limitation such off-premises services as delivery and catering. Gross Sales shall not include the sale of all food and beverage products for which refunds have been made in good faith to customers, the sale of equipment used in the operation of the Restaurant, any sales taxes or other taxes collected from customers by Franchisee and paid directly to the appropriate taxing authority, and any reduction in revenue due to coupon sales.

4.4. Brand Development Expenditures and Contributions. Franchisee shall contribute to the Brand Development Fund (the "Brand Development Fund Contribution") and any other regional or local advertising cooperatives established by Franchisor now or in the future, as set forth more fully in Section 12 of this Agreement.

4.5. Gross Sales Reports. Franchisee must send Franchisor a signed Gross Sales report ("Gross Sales Reports") on Monday of each week for Gross Sales generated during the immediately preceding business week, which begins on the opening of the Restaurant on Monday morning and ends at the close of business on Sunday (the "Business Week"). The Gross Sales Reports must set forth Franchisee's Gross Sales generated during the previous Business Week, as well as Franchisee's calculation of the required Royalty, Brand Development Fund Contribution and any other information Franchisor may require for that Business Week. Franchisor may, as it deems necessary in its sole discretion, change the form and content of the Gross Sales Reports from time to time.

4.6. Method of Payment. Franchisee shall pay the Royalty on a weekly basis following receipt of the Gross Sales Reports through an electronic funds transfer program (the "EFT Program") on a day of the week chosen by Franchisor under which Franchisor automatically deducts all payments owed to Franchisor under this Agreement, or any other agreement between Franchisee and Franchisor, from the bank account Franchisee provides to Franchisor for use in connection with EFT Program. Franchisee shall deposit all revenues from operation of the Restaurant into this bank account within two (2) days of receipt, including cash, checks, and credit card receipts. Franchisor reserves the right to require Franchisee to pay any fees due under this agreement by such other means as Franchisor may specify from time to time.

4.6.1. Setting Up the EFT Program. At least ten (10) days prior to opening the Restaurant, Franchisee shall provide Franchisor with: (i) Franchisee's bank name, address and account number; (ii) a voided check from such bank account. Contemporaneous with the execution of this Agreement, Franchisee shall and sign and provide to Franchisor and Franchisee's bank, all documents, including Schedule F to this Agreement, necessary to effectuate the EFT Program and Franchisor's ability to withdraw funds from such bank account via electronic funds transfer. Franchisee shall immediately notify Franchisor of any change in Franchisee's banking relationship, including changes in account numbers.

4.6.2. Non-Submission of Gross Sales Reports. If the Gross Sales Report has not been received within the time period required by this Agreement, then Franchisor may process an EFT for the subject week based on an estimated Gross Sales of 120% of the most recent Gross Sales Report provided by Franchisee to Franchisor, provided, that if a Gross Sales Report for the subject week is subsequently received and reflects (i) that the actual amount of the fee due was more than the amount of the EFT, then Franchisor shall be entitled to withdraw additional funds through EFT from Franchisee's designated bank account for the difference; or (ii) that the actual amount of the fee due was less than the amount of the EFT, then Franchisor shall credit the excess amount to the payment of Franchisee's future obligations.

4.7. Insufficient Funds and Right to Withdraw. As part of Franchisee's participation in the EFT Program, if the funds in Franchisee's bank account are insufficient to cover any amounts due under this Agreement on the date such funds are due, in addition to the overdue amount, Franchisor has the right to immediately debit from Franchisee's bank account interest on such amount from the date it was due until all past due amounts are paid, at a rate of the lesser of 18% per annum or the maximum rate permitted by law. Should any EFT not be honored by Franchisee's bank for any reason, Franchisee agrees that Franchisee shall be responsible for that payment and any service charge. If any payments are not received when due, Franchisee shall be charged interest at a rate of the lesser of 18% per annum or the maximum rate permitted by law.

4.8. Late and/or Under Payments and Interest. Any late payment or underpayment of the Royalty or any advertising contribution, and any other charges or fees Franchisee owes Franchisor or Franchisor's affiliates, will bear interest from the due date until paid at the lesser of 18% interest per year or the highest lawful interest rate which may be charged for commercial transactions in the state where the Restaurant is located. Nothing contained in this Section shall prevent Franchisor from exercising, in Franchisor's sole judgment, any other rights or remedies available to Franchisor under this Agreement.

4.9. No Right to Off Set. Franchisee shall not be entitled to set off any payments required to be made under this Section 4 against any monetary claim it may have against Franchisor.

4.10. Non-Exclusive Remedies. Franchisor's right to recover interest and late payment fees under this Section shall not prevent Franchisor from obtaining, or otherwise waiving, any other remedy available to Franchisor for Franchisee's breach of this Section as set forth in this Agreement or under applicable law.

5. OPENING OF FRANCHISED BUSINESS

5.1. Site Selection. If Franchisee has not obtained an Approved Location that is acceptable to Franchisor prior to the execution of this Agreement, Franchisee is required to obtain a lease for an Approved Location that is acceptable to Franchisor within one hundred twenty (120) days.

5.1.1. Site Selection Criteria. Franchisor will provide Franchisee with its site selection criteria identifying important demographic and physical characteristics for a prototypical Lee's Hoagie House Restaurant. Upon Franchisee's written request, Franchisor will also provide Franchisee with the prototype floor plan, kitchen design plan and specifications for the design, appearance, trade dress elements and leasehold improvements of a Lee's Hoagie House Restaurant, together with standard decor and interior layout plans. Franchisor may, but is under no obligation to, propose potential sites to Franchisee for the Approved Location.

5.1.2. Site Selection Procedure. Franchisee shall provide Franchisor with a site selection package for each proposed location for the Restaurant in the form Franchisor specifies in the Operations Manual or otherwise in writing (the "Site Proposal Package"), which shall include a copy of a proposed letter of intent from the landlord setting forth all of the material terms and conditions that the landlord will agree to: (i) Franchisee's occupancy and use of the proposed site as a Lee's Hoagie House Restaurant; and (ii) sign Franchisor's form of addendum to the lease for the proposed location. Franchisee is solely responsible for negotiating the terms of lease for the Approved Location. Upon receipt of Franchisee's Site Selection Proposal, Franchisor may visit the area at Franchisor's expense if Franchisor deems necessary in its sole discretion. Franchisor will use commercially reasonable efforts to approve or disapprove of the Site Proposal Package as the Approved Location within thirty (30) days of its receipt thereof. If Franchisor does not approve the Site Proposal Package within this time period, then the site will be deemed disapproved. Franchisor will send Franchisee a site approval letter in the event Franchisor approves the Site Proposal Package. Franchisor's approval under this Section does not guaranty or warrant that the operation of a Lee's Hoagie House Restaurant at the approved site will be successful or profitable. Franchisor's approval signifies only that the site meets its current site criteria. Franchisor's approval of an Approved Location is not effective until we receive a signed copy of the Site Approval Letter from Franchisee (attached hereto as Schedule H).

5.1.3. Site Investigation. Upon obtaining Franchisor's approval of a Site Proposal Package, Franchisee must retain the services of a professional site investigation firm to identify all commercial building permits, zoning requirements and other building conditions that may affect Franchisee's development costs and the feasibility of this site. Franchisee should complete the site investigation analysis before signing the lease, and Franchisor's addendum to the lease, for the Approved Location.

5.2. Lease Approval. Franchisee shall provide a copy of the proposed lease for the Approved Location and Franchisor must approve the lease prior to Franchisee's execution thereof. Franchisor may condition its approval of the proposed lease on a number of factors, including the agreement of Franchisee and the landlord to execute and consent to a collateral assignment of lease and Lease Addendum in the form prescribed by Franchisor and attached hereto as Schedule D.

5.3. Construction, Permits and Build-out. Once Franchisee has secured a lease for the Approved Location, Franchisee shall retain Franchisor's designated contractors and suppliers, or other third-parties that Franchisor approves in writing, to prepare the construction and other the architectural and design services for the Restaurant in accordance with Franchisor's standards and specifications. Franchisee is solely responsible for the preparation of architectural and working drawings necessary to complete construction and/or build-out of the Restaurant at the Approved Location and shall ensure that the construction plans developed meet any applicable ordinances, building codes, permit requirements and the American with Disabilities Act ("ADA"). Franchisor must approve all plans before Franchisee begins construction, as well as any subsequent, material changes to the plans and drawings before such changes are made.
Franchisee is also required to hire a construction manager that Franchisor approves in writing.

5.3.1. Acknowledgement. Franchisor's approval of architectural plans and specifications submitted by Franchisee shall be limited to conformance with Franchisor's standard plans and specifications and shall not relate to Franchisee's obligations with respect to any federal, state, or local laws, codes, or regulations, including without limitation the applicable provisions of the ADA regarding the construction, design and operation of the Restaurant, which shall be Franchisee's sole responsibility.

5.3.2. Permits. Franchisee shall be responsible, at Franchisee's expense, for obtaining all zoning classifications, permits, certifications, and clearances required for the lawful construction and operation of the Restaurant, including, but not limited to, certificates of occupancy and certificates of health, which may be required by federal, state or local laws, ordinances, or regulations, or which may be necessary or advisable owing to any restrictive covenants relating to the Premises or required by the lessor.

5.3.3. Furniture, Fixtures and Equipment. Franchisor shall provide Franchisee with a list of any and all required fixtures, furniture, equipment that Franchisee is required to purchase in connection with the Restaurant and Franchisee shall purchase these items from the suppliers and/or contractors that Franchisor designates.

5.4. Opening Deadline. If, at the time of execution of this Agreement, the parties hereto have agreed on an Approved Location, Franchisee shall commence operation of the Restaurant no later than six (6) months after the date of execution of this Agreement. If Franchisee has not previously obtained or secured an Approved Location for lease or purchase prior to the date of execution of this Agreement, Franchisee shall then execute the Site Selection Addendum, which is attached as Schedule B to this Franchise Agreement, and Franchisee shall commence operation of the Restaurant by the earlier of: (i) eighteen (18) months after the date of the execution of this Agreement, (ii) six (6) months after a location is approved by Franchisor; or
(b) ten (10) days after construction is completed and Franchisee has obtained Franchisor's approval to open. The parties agree that time is of the essence in the opening of the Restaurant and that Franchisee's failure to open the Restaurant within the time periods described in this Section 5 shall be considered a material breach and default under this Agreement and will entitle Franchisor to terminate this Agreement.

5.5. Opening Approval. Franchisor shall inspect the Restaurant prior to the opening of the Restaurant to determine whether all construction has been substantially completed, and that such construction conforms to Franchisor's standards and specifications, including, but not limited to, materials, quality of work, signage, décor, paint, and equipment. Franchisee shall obtain Franchisor's written approval prior to first opening the Restaurant, which approval shall not be unreasonably withheld. Franchisee shall provide at least thirty (30) days prior notice to Franchisor of the date on which Franchisee proposes to first open the Restaurant for business. Unless Franchisor waives in writing the foregoing requirement, Franchisee shall not open the Restaurant without the on-site presence of a representative of Franchisor, provided that Franchisor will not unreasonably delay the opening of the Restaurant. In the event there is a change in the opening date of the Restaurant, not caused by Franchisor, Franchisee shall reimburse Franchisor for Franchisor's actual out-of-pocket costs and expenses incurred by Franchisor due to such delay, including travel costs and expenses for Franchisor's representatives.

6. TRAINING

6.1. Initial Training Program. Franchisee (or if Franchisee is a corporation or other business entity, a principal of the Franchisee that is approved by Franchisor), as well as Franchisee's general manager(s), shall successfully complete, to Franchisor's satisfaction, an initial training program regarding the operation of the Restaurant in accordance with Franchisor's System, standards and methods of operation (the "Initial Training Program"). Franchisee and these other individuals must complete the Initial Training Program to Franchisor's satisfaction at least thirty (30) days prior to the opening of the Restaurant, except for those portions of training that Franchisor designates must be completed in the days leading up to, and following, the grand opening of the Restaurant through Franchisor's on-site assistance
as discussed more fully in this Section. Franchisor will provide the Initial Training Program to up to four (4) individuals, which shall include Franchisee, Franchisee's general managers and/or an assistant general manager, provided all of these persons attend training at Franchisor's training facility, or other designated location, at the same time. Franchisee shall be responsible for any travel, lodging and meal expenses, as well as employee wages, associated with those attending the Initial Training Program. In the event Franchisee wishes to have more than four (4) persons

attend the Initial Training Program, then Franchisee shall also be required to pay Franchisor's then-current training tuition fee for each additional person, in addition to the travel, lodging and meal expenses, as well as wages, described in this Section. Franchisee acknowledges that because of Franchisor's superior skill and knowledge with respect to the training and skill required to manage a Restaurant, its judgment as to whether or not a person has satisfactorily completed the Initial Training Program shall be determined by Franchisor in its sole discretion.

6.1.1. Modification of the Initial Training Program. Franchisor may modify the content and manner of conducting the Initial Training Program in its sole discretion from time to time.

6.1.2. Number of Persons that Attend. Franchisor shall have the right to approve those persons who attend the Initial Training Program and to require fewer or more persons to attend the Initial Training Program as Franchisor determines in its sole discretion. In the event Franchisee wishes to have more than four (4) individuals attend Initial Training Program, Franchisor will provide such training subject to the availability of its training staff and enrollment availability and may charge the Franchisee the then current training tuition fees for those additional attendees.

6.1.3. Failure to Complete Training; Replacement. In the event any general manager of the Restaurant fails to successfully complete the Initial Training Program to Franchisor's satisfaction, Franchisee must immediately replace the individual and have the replacement immediately attend the Initial Training Program at Franchisee's expense, which will include Franchisor's then-current training tuition fees in addition to those expenses associated with travel, lodging, meals and employee wages.

6.1.4. Subsequent Management and Employees. At Franchisor's option, any persons subsequently employed by Franchisee in the position of general manager or such other position that Franchisor designates, shall, prior to the assumption of duties, attend and complete to Franchisor's satisfaction the Initial Training Program. Franchisee is responsible for all travel, lodging and meal expenses associated with these subsequent employees attending the Initial Training Program, as well as payment of Franchisor's then-current training tuition fees to Franchisor.

6.2. On-Site Opening Assistance. Commencing shortly before and ending shortly after the Restaurant opens to the public, Franchisor shall provide up to seven (7) days of on-site training and assistance ("On-Site Training") to Franchisee, Franchisee's general manager and other employees, as Franchisor deems necessary in its sole discretion. The representative(s) providing On-Site Training and the time period for which On-Site Training will be provided will be determined by Franchisor. The On-Site Training will be structured to provide additional practical training and assistance in the implementation and operation of a Restaurant, and portions of this On-Site Training shall be considered part of the Initial Training Program. Franchisor shall provide up to seven (7) days of On-Site Training at no additional charge to Franchisee. In the event Franchisor determines that more than seven (7) days of On-Site Training is necessary, Franchisor has the right to provide up to an additional five (5) days of On-Site Training and Franchisee shall reimburse Franchisor for any travel, lodging and meal expenses incurred in providing additional On-Site Training. Franchisor may, in its discretion, require Franchisee to pay Franchisor's then-current tuition training fee for any On-Site Training provided in excess of seven (7) days. In the event Franchisee wishes to receive additional On- Site Training, Franchisor may provide such training as Franchisor deems necessary in its sole discretion subject to Franchisor's scheduling and capacity requirements.

6.3. Staff Training; Staffing Requirement. Franchisee's employees that Franchisor does not require to attend the Initial Training Program shall be trained by the Franchisee, its owner, or a general manager who has successfully completed the Initial Training Program to Franchisor's satisfaction. The training of regular employees must be completed prior to the opening of the Restaurant for those who are employed initially by Franchisee, and prior to the employee commencing its duties for those hired by Franchisee after the opening of the Restaurant. Franchisee's general manager(s) shall have the skill level, training and experience commensurate with the demands of the position, and in keeping with Franchisor's high standards for quality products, courteous service, and cleanliness of operations. At all times during the term of this Agreement, Franchisee shall employ an adequate staff of employees working at the Restaurant who shall have been fully and adequately trained, in Franchisor's judgment, and all such employees shall have completed all training certification(s) required by any governmental authority and applicable law.

6.4 Additional Training.

6.4.1. Franchisor may require Franchisee and/or Franchisee's general manager(s) to attend one or more additional or remedial training courses or programs ("Additional Training"). Additional Training may be held on an individual Restaurant basis, or on a national or regional basis at locations selected by Franchisor and may include new procedures or programs which Franchisor deems to be of importance to the operation of the Restaurant. For instance, such Additional Training may relate to Franchisor's standards, product production techniques, new recipes, marketing, bookkeeping, accounting and general operating procedures, and the establishment, development and improvement of Information Systems. Franchisor may also make optional training programs available to the Franchisee and Franchisee's general manager(s). Franchisee shall pay Franchisor's then-current training tuition fee for each person attending the Additional Training or optional training and will reimburse Franchisor for its employees' travel, lodging and meal expenses incurred in providing Additional Training on an individual Restaurant basis. Currently, this fee is $1,000.00 per person per week.

6.4.2. Franchisee may, at no additional charge, contact Franchisor's headquarters staff, its field representatives and training staff by telephone, electronic mail, facsimile, or other means of correspondence, about questions relating to the operation of the Restaurant. Franchisor will use commercially reasonable efforts to respond to such inquiries, subject to its availability and capacity. At no time shall reasonable assistance be interpreted to require Franchisor to pay any money to Franchisee or to defer Franchisee's obligation to pay any sums to Franchisor.

6.4.3. At Franchisee's reasonable request, Franchisor may, but shall not be obligated to: (i) cause its field representatives to visit the Restaurant to advise, consult with or train Franchisee in connection with its performance and operation of the Restaurant and

Franchisee's compliance with the Franchisor's standards; or (ii) permit Franchisee or certain of its employees to provide assistance, consultation or additional training at a Restaurant selected by Franchisor. Any additional assistance, consultation or training by Franchisor shall be at its discretion and subject to its scheduling and capacity requirements.

6.4. Training Cancellation Fee. If Franchisee or any of its employees cancel or reschedule participation in any training course or program which Franchisee schedules with Franchisor, Franchisee must reimburse Franchisor for all of its employees' travel, lodging and meal expenses, wages and other expenses incurred as a result of such cancellation or rescheduling.

6.5. Annual Conference. Franchisor may, in Franchisor's discretion, hold an annual conference at a location to be selected by Franchisor. Franchisor shall determine the topics and agenda for such conference to serve the purpose among other things, of updating franchisees on new developments affecting franchisees, exchanging information between franchisees and Franchisor's personnel regarding Franchised Restaurant operations and programs, and recognizing franchisees for their achievements. Franchisor may require Franchisee to attend the annual conference and to pay Franchisor's then-current registration fee. All expenses, including Franchisee's and Franchisee's employees' transportation to and from the annual conference, and lodging, meals, and salaries during the annual conference, are Franchisee's sole responsibility. Franchisor may use expenditures from the Brand Development Fund for purposes related to the annual conference, including costs related to productions, programs, and materials.

7. DUTIES OF FRANCHISEE

7.1. Operating Standards. Franchisee understands and acknowledges that every detail of the System and Restaurant is important to Franchisee, Franchisor and other Lee's Hoagie House franchisees in order to develop and maintain high operating standards, to increase the demand for the products sold by all franchised businesses operating under the System, to protect and enhance Franchisor's reputation and goodwill, to promote and protect the value of the Proprietary Marks, and other reasons.

7.2. Restaurant Operations. Franchisee represents and warrants that it shall: (i) secure a lease for the Approved Location and open the Restaurant as required under Section 5 of this Agreement; (ii) use the Premises solely for the operation of the business franchised hereunder; (iii) keep the Restaurant open and in normal operation for such minimum hours and days as Franchisor may specify in the Manuals or otherwise directs from time to time; (iv) refrain from using or permitting the use of the Premises for any other purpose or activity at any time without first obtaining the written consent of Franchisor; (v) operate the Restaurant in strict conformity with such methods, standards, and specifications as Franchisor may from time to time prescribe in the Manuals or otherwise in writing; and (vi) refrain from deviating from such standards, specifications, and procedures without Franchisor's prior written consent.

7.3. Adherence to Standards and Specifications. To insure that the highest degree of quality and service is maintained, Franchisee shall operate the Restaurant in strict conformity with such methods, standards, and specifications as Franchisor may from time to time prescribe in the Manuals or otherwise in writing. Franchisee agrees:

7.3.1. To maintain in sufficient supply, as Franchisor may prescribe in the Manuals or otherwise in writing, and to use at all times, only such products and ingredients acquired from a supplier or suppliers designated or approved by Franchisor that conform to Franchisor's written standards and specifications, and such other ingredients, products, materials, supplies, paper goods, cleaning products, fixtures, furnishings, equipment, signs and menu items, as conform with Franchisor's written standards and specifications, and to refrain from deviating therefrom by the use of nonconforming items, without Franchisor's prior written consent;

7.3.2. To sell and offer for sale each, every and only such menu items, Proprietary Products, Collateral Merchandise, non-proprietary products and merchandise, and services as have been expressly approved for sale in writing by Franchisor;

7.3.3. To refrain from any deviation from Franchisor's standards and specifications without Franchisor's prior written consent and to discontinue selling and offering for sale any menu items, products, merchandise, and services which Franchisor may, in its discretion, disapprove in writing at any time;

7.3.4. To purchase all food and beverage products and other inventory from suppliers as Franchisor approves and designates in the Manuals or otherwise in writing from time to time;

7.3.5. To use and display only the standard menu format required by Franchisor, as the same may be revised by Franchisor periodically. Any change in the menu format must be approved in writing by Franchisor prior to use;

7.3.6. To review and understand Franchisor's suggestions regarding pricing of certain Proprietary Products, including menu items, and Collateral Merchandise as Franchisor may set forth and/or updated in the Manuals or otherwise in writing;

7.3.7. To sell all menu items and other products hereunder at retail and not sell such menu items and products at wholesale or for resale, and to refrain from selling any menu items and products at any location other than the Approved Location. Nothing in this Section 7.3.7 shall prohibit Franchisee from performing catering or delivery services as permitted under this Agreement;

7.3.8. To use, in the operation of the Restaurant, such standards, specifications, and procedures as prescribed by Franchisor;

7.3.9. To refrain from selling or advertising any menu items, other products, merchandise, or services hereunder on the Internet or any other alternative channel of distribution without Franchisor's prior, written approval;

7.3.10. To refrain from installing or permitting to be installed any vending machine, game, or coin-operated device, unless specifically approved in writing, in advance, by Franchisor; and

7.3.11. To observe and honor the obligations and procedures established by Franchisor with respect to any gift card program that Franchisor establishes for the System, as Franchisor designates in the Operations Manual or otherwise in writing and not issue, redeem or otherwise authorize any other gift cards, gift certificates or vouchers, except those that Franchisor first approves in writing;

7.3.12. To offer catering and delivery services from the Approved Location in accordance with Franchisor's standards and specifications for such services and this Agreement.

7.4. Fixtures, Furnishings, and Equipment. Franchisee shall purchase and install, at Franchisee's expense, all fixtures, furnishings, equipment (including, without limitation, a facsimile machine, telephone(s), computer, printer, and cash register or point-of-sale recording system), décor, and signs, as Franchisor may direct from time to time. Franchisee shall refrain from installing or permitting to be installed on or about the Premises, without Franchisor's prior written consent, any fixtures, furnishings, equipment, décor, signs or other items not previously approved or designated by Franchisor as meeting Franchisor's standards and specifications.

7.5. Sources of Products. All products sold or offered for sale at the Restaurant, and other products, materials, supplies, paper goods, fixtures, furnishings and equipment used at the Restaurant, shall meet Franchisor's then-current standards and specifications, as established in the Manuals or otherwise in writing. Franchisee shall purchase all food items, ingredients, supplies, materials, and other products and equipment used or offered for sale at the Restaurant for which Franchisor has established standards or specifications solely from suppliers (including distributors and other sources) which demonstrate, to the continuing reasonable satisfaction of Franchisor, the ability to meet Franchisor's standards and specifications, who possess adequate quality controls and capacity to supply Franchisee's needs promptly and reliably, and who have been approved by Franchisor in the Manuals or otherwise in writing.

7.5.1. Alternative Suppliers and/or Products Procedure. In the event Franchisee wishes to (i) purchase required products/services from a third party other than a previously-approved supplier, or (ii) purchase products/services for use in connection with the operation of the Restaurant that have not been previously approved by Franchisor, Franchisee shall submit its request to approve such supplier or product/service to Franchisor, along with a fee of $500. Franchisor will use these funds to determine whether or not the supplier or product/service that Franchisee seeks to approve conforms to Franchisor's standards and specifications, and Franchisor may waive some or all of this fee as it deems necessary in its sole discretion. If Franchisee seeks Franchisor's approval of a third-party supplier under this Section, Franchisor: (i) may provide the third party with a copy of Franchisor's standards and specifications for the relevant product/services, provided the third-party supplier executes a confidentiality and non-disclosure agreement; and (ii) shall have the right to require that its representatives be permitted to inspect the supplier's facilities and have the samples from the supplier be delivered for evaluation and testing either to Franchisor or to an independent testing facility designated by

Franchisor. Franchisor will cover the fees associated with the testing from the $500 fee paid by Franchisee. If the new supplier is approved, the fee paid by the Franchisee will be refunded to Franchisee. Nothing in the foregoing shall be construed to require Franchisor to make available to prospective suppliers standards and specifications, including formulas and recipes that Franchisor, in its sole discretion, deems confidential.

7.5.2. Time Period for Approval. Franchisor shall use commercially reasonable efforts, to notify Franchisee of its approval or disapproval of a previously non-approved supplier or product/service within thirty (30) days after its receipt of such completed request and completion of such evaluation and testing (if required by Franchisor). If Franchisor does not provide written approval of such supplier or product/service during this time period, it will be deemed disapproved. Franchisee shall not sell or offer for sale any products of the proposed supplier until Franchisor's written approval of the proposed supplier is received.

7.5.3. Revocation. Franchisor may from time to time revoke its approval of particular products or suppliers when Franchisor determines, in its sole discretion, that such products or suppliers no longer meet Franchisor's standards. Upon receipt of written notice of such revocation, Franchisee shall cease to sell any disapproved products and cease to purchase from any disapproved supplier. Franchisee agrees that it shall use products purchased from approved suppliers solely for the purpose of operating the Restaurant and not for any other purpose, including without limitation, resale.

7.6. Inventory. At the time the Restaurant opens, Franchisee shall stock the initial inventory of menu items, products, accessories, equipment, and supplies as prescribed by Franchisor in the Manuals or otherwise in writing. Thereafter, Franchisee shall stock and maintain all types of menu items and approved products in quantities sufficient to meet reasonably anticipated customer demand. Franchisee agrees to immediately notify Franchisor if an approved supplier substitutes an unapproved product in place of an approved product.

7.7. Inspections. Franchisee shall permit Franchisor and its agents to enter upon the Premises at any time, with or without notice, for the purpose of conducting inspections. In connection with such inspections, Franchisor shall have the right to speak with Franchisee or any employee of Franchisee; take food samples; take audio or video recordings; and conduct such other activities as it deems appropriate in its sole discretion. Franchisee shall cooperate with representatives of Franchisor in such inspections by rendering such assistance as they may reasonably request, and, upon notice from Franchisor or its agents, and without limiting Franchisor's other rights under this Agreement, shall take such steps as may be necessary to correct immediately any deficiencies detected during any such inspection. If deficiencies are detected during any inspection, and Franchisor subsequently conducts a re-inspection as it deems necessary in its sole discretion, Franchisee shall be responsible for Franchisor's costs and expenses of such re-inspection. Should Franchisee, for any reason, fail to correct any deficiencies within a reasonable time as determined by Franchisor, Franchisor shall have the right, but not the obligation, to correct any deficiencies which may be susceptible to correction by Franchisor and to charge Franchisee a reasonable fee for Franchisor's expenses in so acting, payable to Franchisor upon demand. The foregoing shall be in addition to such other remedies Franchisor may have.

7.7.1. Secret Shopper. Franchisor may also engage the services of a third-party to conduct periodic "secret shopper" visits to Franchisee's Restaurant to determine whether or not the Restaurant is being operated in accordance with Franchisor's standards and specification and make other detailed observations regarding the operation of the Restaurant.

7.8. Advertising and Promotional Materials. Franchisee shall ensure that all graphics, signs, advertising and promotional materials, decorations and other items specified by Franchisor bear the Proprietary Marks in the form, color, location, and manner prescribed by Franchisor. Franchisee shall not use any advertising or promotional materials other than those that have been approved or designated by Franchisor in writing.

7.9. Maintenance of Premises. Franchisee shall maintain the Premises (including the adjacent public areas) in a clean, orderly condition and in excellent repair; and, in connection therewith, Franchisee shall, at its expense, make such additions, alterations, repairs and replacements thereto (with Franchisor's prior written consent) as may be required for that purpose, including, without limitation, such periodic repainting or replacement of obsolete signs, furnishings, equipment and décor as Franchisor may reasonably direct.

7.10. Refurbishment and Remodel. Franchisor reserves the right to require Franchisee to refurbish the Premises once every five (5) years, at Franchisee's expense, to conform to the building design, color schemes and presentation of the Proprietary Marks in a manner consistent with the then-current image for new Lee's Hoagie House Restaurants. Such refurbishment may include, without limitation, structural changes, installation of new equipment, remodeling, redecoration and modifications to existing improvements. Nothing in this Section shall prevent Franchisor from requiring Franchisee to modify or discontinue the display of Proprietary Marks, including any trade dress that distinguished Franchisor's System, at any time as set forth more fully in Section 8.3.7 of this Agreement.

7.11. On-Premises Supervision. The Restaurant shall at all times be under the direct, on-premises supervision of Franchisee, Franchisee's principal, or another individual who has satisfactorily completed the Initial Training Program, which Franchisor reserves the right to approve in its sole discretion. Franchisee shall maintain a competent, conscientious, trained staff, including a manager who has completed the Initial Training Program. Franchisee shall ensure that at least one employee who has attended and successfully completed the ServSafe® or comparable food safety certification program is present at the Restaurant during all business hours. Franchisee shall take such steps as are necessary to ensure that its employees preserve good customer relations; render competent, prompt, courteous and knowledgeable service; and meet such minimum standards, including, without limitation, such attire as Franchisor reasonably requires, as Franchisor may establish from time to time in the Manuals. Franchisee and its employees shall handle all customer complaints, refunds, returns and other adjustments in a manner that will not detract from the name and goodwill of Franchisor. Franchisee shall be solely responsible for all employment decisions and functions of the Restaurant, including, without limitation, those related to hiring, firing, training, wage and hour requirements, recordkeeping, supervision, and discipline of employees.

7.12. Active Participation. Franchisee (or, if Franchisee is a corporation, partnership or limited liability company, at least one principal of Franchisee) or Franchisee's manager, who has received training and whom Franchisor reserves the right to approve, shall actively manage the operation of the Restaurant on a full-time basis. Franchisee shall use its best efforts to ensure that the Restaurant is open and operating during all normal business hours in compliance with the terms of this Agreement.

7.13. Changes to the System. Franchisee shall not implement any change, amendment or improvement to the System without the express prior written consent of Franchisor. Franchisee shall notify Franchisor in writing of any change, amendment or improvement in the System which Franchisee proposes to make, and shall provide to Franchisor such information as Franchisor requests regarding the proposed change, amendment or improvement. Franchisee acknowledges and agrees that Franchisor shall have the right to incorporate the proposed change, amendment or improvement into the System and shall thereupon obtain all right, title and interest therein without compensation to Franchisee, including any intellectual property rights thereto.

7.14. Compliance With Lease and Other Agreements. Franchisee shall comply with all the terms of its lease (and Lease Addendum) or sublease and all other agreements affecting the operation of the Restaurant and shall promptly furnish Franchisor a copy of its lease upon request. Franchisee shall undertake best efforts to maintain a good and positive working relationship with its landlord and/or lessor and shall refrain from any activity which may jeopardize Franchisee's right to remain in possession of, or to renew the lease or sublease for, the Premises.

7.15. Health and Safety Standards. Franchisee shall meet and maintain the highest health and safety standards and ratings applicable to the operation of the Restaurant. Franchisee shall furnish to Franchisor within twenty four (24) hours of its receipt thereof, a copy of all health inspection reports and any violation or citation which indicates Franchisee's failure to maintain federal, state, or local health or safety standards in the operation of the Restaurant. Franchisee's failure to cure such violations within twenty-four (24) hours shall constitute grounds for immediate termination pursuant to Section 15 of this Agreement. Franchisor shall also have the right, but not the obligation, to enter the Premises, without notice, to cure any health or safety violation at the Restaurant. If Franchisor takes such action under this Section, Franchisee shall reimburse Franchisor for all out-of-pocket costs and expenses incurred by Franchisor to effectuate such cure, plus a service charge equal to 20% of such costs and expenses.

7.16. Suggested Pricing and Coupon Sales. Franchisor may provide Franchisee with guidelines that suggest certain pricing schedules for the Proprietary Products, including any menu items, as well as the Collateral Merchandise. Franchisee must comply with all of Franchisor's policies regarding advertising and promotional campaigns, including the use and acceptance of coupons, unless compliance would result in a violation of applicable state or federal law.

7.17. Computer System and Required Software.

7.16.1. Franchisor shall have the right to specify or require that certain brands, types, makes, and/or models of communications, computer systems, and hardware be used by Franchisee, including without limitation: (a) a compatible "back office" computer system that complies with Franchisor's standards and specifications and is capable of operating a financial accounting software such as QuickBooks or QuickBooks Pro; (b) a custom and proprietary point of sale system (the "POS System"), as well as any data, audio, video, and voice storage, retrieval, and transmission systems for use at the Restaurant; (c) printers and other peripheral hardware or devices; (d) archival back-up systems; (e) Internet access mode and speed; and (f) physical, electronic, and other security systems (collectively, the "Computer System").

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

7.16.3. At Franchisor's request, Franchisee shall purchase or lease, and thereafter maintain, the Computer System and, if applicable, the Required Software. Franchisee expressly agrees to strictly comply with Franchisor's standards and specifications for all items associated with Franchisee's Computer System and any Required Software in accordance with Franchisor's standards and specifications. Franchisee agrees, at its own expense, to keep its Computer System in good maintenance and repair and install such additions, changes, modifications, substitutions, and/or replacements to Franchisee's Computer System or Required Software as Franchisor directs from time to time in writing. Franchisee agrees that its compliance with this Section 7.17 shall be at Franchisee's sole cost and expense.

7.16.4. Franchisor's Access. Franchisor may require that Franchisee's POS system be programmed to automatically transmit data and reports about the operation of the Franchised Restaurant to Franchisor. Franchisor shall also have the right to, at any time without notice, electronically connect with Franchisee's POS system to monitor or retrieve data stored on the POS system or for any other purpose. There are no contractual limitations on Franchisor's right to access the information and data on your POS system. Franchisee shall deliver to Franchisor all access codes, static internet protocol ("IP") addresses and other information to facilitate Franchisor's access to the data described in this Section 7.17 (the "Passwords") immediately upon receipt, creation or updates to any Passwords.

7.16.5. Proprietary Software. Franchisor has a proprietary interest in all databases, lists, templates, programs and any other software components that have been created and/or customized by Franchisor using the Computer System and/or Required Software (the "Proprietary Software"). In the future, Franchisor may further customize the Proprietary Software and create programs that conduct, among other things, scheduling, accounting, inventory, point-of-sale functions, and related activities. Franchisee must obtain the computer hardware necessary to implement the Proprietary Software Program into the Franchised Restaurant, and comply with all specifications and standards prescribed regarding the Proprietary

Software as provided in the Operations Manual. This Proprietary Software is Franchisor's proprietary product and the information collected therefrom will be deemed the Franchisor's confidential information.

7.16.6. Area Computer Network. Franchisee is required to participate in any System-wide computer network, intranet system, or extranet system that Franchisor implements and may be required by Franchisor to use such computer network, intranet system, or extranet system to, among other things: (i) submit Franchisee's reports due under this Agreement to Franchisor on-line; (ii) view and print portions of the Operations Manual; (iii) download approved local advertising materials; (iv) communicate with Franchisor and other System franchisees; and (iv) to complete any initial or ongoing training. Franchisee agrees to use the facilities of any such computer network, intranet system or extranet system in strict compliance with the standards, protocols, and restrictions that Franchisor included in the Operations Manual, including those related to the encryption of confidential information and prohibitions against the transmission of libelous, derogatory or defamatory statements.

7.17. Cameras and Video Surveillance. Franchisor may require Franchisee to install and maintain, at Franchisee's expense, a network camera monitoring system that meets Franchisor's specifications and standards and provides Franchisor remote monitoring access at any time to observe activities from different vantage points in your Restaurant.

7.18. Certified Manager. Franchisee is required to have at least one individual that shall serve as the certified manager of the Restaurant (a "Certified Manager"). Franchisee represents and warrants that the Restaurant shall be under the direct, full-time supervision of at least one Certified Manager that devotes full-time attention to supervising the day-to-day operations of the Restaurant. A Certified Manager may be Franchisee or a person who owns 10% or more of the equity or voting shares of Franchisee in the event Franchisee is a business entity (each a "Primary Owner"), but can be another third-party designated by Franchisee that Franchisor approves in writing.

7.18.1. Qualifications of a Certified Manager. In order to serve as a Certified Manager, an individual must: (i) demonstrate that they have 3-5 years prior management-level food service experience, preferably in the capacity as a general manager; (ii) pass a Certified Manager test established and provided by Franchisor; and (iii) successfully complete the Initial Training Program.

7.18.2. Replacing the Certified Manager. If Franchisee's Certified Manager resigns or is otherwise terminated, Franchisee has sixty (60) days to obtain a qualified replacement Certified Manager that Franchisor approves according to this Section.

8. PROPRIETARY MARKS

8.1. Franchisor Representations. Franchisor represents with respect to the Proprietary Marks:

8.1.1. Franchisor has entered into a licensing agreement with a third-party for the exclusive right to use, and license others to use, the mark “Lee’s Hoagie House” and all variations thereof;

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

8.1.3. Franchisor has the right to use, and to license others to use, the Proprietary Marks; and

8.1.4. To the best of Franchisor’s knowledge, Franchisor has taken and will take all steps reasonably necessary to preserve and protect the ownership and validity of the Proprietary Marks.

8.2. Franchisee’s Use of Marks. With respect to Franchisee’s use of the Proprietary Marks, Franchisee agrees that:

8.2.1. Franchisee shall use only the Proprietary Marks designated by Franchisor, and shall use them only in the manner authorized and permitted by Franchisor;

8.2.2. Franchisee shall use the Proprietary Marks only for the operation of the Restaurant and only at the Approved Location, or in advertising or promotional materials for the Restaurant used at or conducted from the Approved Location;

8.2.3. Unless otherwise authorized or required by Franchisor, Franchisee shall operate and advertise the Restaurant only under the name “Lee’s Hoagie House” and shall use all Proprietary Marks without prefix or suffix. Franchisee shall not use the Proprietary Marks as part of its corporate or other legal name;

8.2.4. During the term of this Agreement, and any successor terms or extension hereof, Franchisee shall identify itself as the owner of the Restaurant (in the manner required by Franchisor) in conjunction with any use of the Proprietary Marks, including, but not limited to, on invoices, order forms, receipts, business stationery, and contracts with all third parties or entities, as well as the display of such notices in such content and form and at such conspicuous locations as Franchisor may designate in writing;

8.2.5. Franchisee’s right to use the Proprietary Marks is limited to such uses as are authorized under this Agreement, and any unauthorized use thereof shall constitute an infringement of Franchisor’s rights and will entitle Franchisor to exercise all of its rights under this Agreement in addition to all rights available at law or in equity, including injunctive relief without posting any bond;

8.2.6. Franchisee shall not use the Proprietary Marks to incur any obligation or indebtedness on behalf of Franchisor;

8.2.7. Franchisee shall execute any documents deemed necessary by Franchisor to obtain protection for the Proprietary Marks or to maintain their continued validity and enforceability; and

8.2.8. Franchisee shall not attempt to register or otherwise obtain any interest in any Internet domain name or URL containing any of the Proprietary Marks, or any portion thereof, or any other word, name, symbol or device which is likely to cause confusion with any of the Proprietary Marks.

8.3. Acknowledgments. Franchisee expressly understands and acknowledges that:

8.3.1. Franchisor is the owner of all of the goodwill associated with and symbolized by the Proprietary Marks used by the System, and Franchisor has the right to use, and license others to use, the Proprietary Marks;

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

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

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

8.3.5. Any and all goodwill arising from Franchisee's use of the Proprietary Marks shall inure solely and exclusively to the benefit of Franchisor, and upon expiration or termination of this Agreement and the license granted herein, no monetary amount shall be assigned to Franchisee or any of its principals, affiliates, subsidiaries, successors, licensees or assigns as attributable to any goodwill associated with Franchisee's use of the System or the Proprietary Marks;

8.3.6. Except as otherwise provided in Section 1 of this Agreement, the license of the Proprietary Marks granted hereunder to Franchisee is nonexclusive, and Franchisor thus has and retains the rights, among others: (i) to use the Proprietary Marks itself in connection with selling products, merchandise, and services; (ii) to grant any licenses with respect to any of the Proprietary Marks to a third party; (iii) to develop and establish other systems using the Proprietary Marks, similar proprietary marks, or any other proprietary marks; and (d) to grant licenses thereto without providing any rights therein to Franchisee.

8.3.7. Franchisor reserves the right, in Franchisor's sole discretion, to modify, add to, or discontinue use of the Proprietary Marks, substitute or supplement different proprietary marks, or modify the trade dress, used to identifying the System and the businesses operating thereunder. Franchisee agrees to comply with such changes, revisions and/or substitutions, and to bear all the costs of modifying Franchisee's signs, advertising materials, trade dress, interior graphics and any other items which bear the Proprietary Marks to conform therewith within three (3) months of receiving notice from Franchisor. Franchisee’s use of any such modified or substituted proprietary marks shall be governed by the terms of this Agreement to the same extent as the Proprietary Marks.

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

9. CONFIDENTIAL MANUALS

9.1. Standards of Operation. In order to protect the reputation and goodwill of Franchisor and to maintain high standards of operation under the System, Franchisee shall operate the Restaurant in accordance with the standards, methods, policies, and procedures specified in the Manuals, one copy of which Franchisee will provide to Franchisee at the later of:
(i) thirty (30) days prior to the opening of the Restaurant; or (iii) Franchisee’s completion of the Initial Training Program to Franchisor’s satisfaction. The Manuals may consist of multiple volumes of printed text, electronically stored data, DVDs, and may contain information related to ingredients, recipes, Restaurant operations, and Restaurant management. Franchisee acknowledges and agrees that Franchisor may provide a portion or all of the Manuals (including updates and amendments), and other instructional information and materials, in or via electronic media, including, without limitation, through the Internet.

9.2. Confidentiality. Franchisee shall treat the Manuals, any other manuals created for or approved for use in the operation of the Restaurant, and the information contained therein, as confidential, and shall use all reasonable efforts to maintain such information as secret and confidential pursuant to Section 10 below. Franchisee shall not copy, duplicate, record or otherwise reproduce the foregoing materials, in whole or in part, or otherwise make the same available to any unauthorized person.

9.3. Exclusive Property. The Manuals shall remain the sole property of Franchisor and shall be kept in a secure place on the Premises.

9.4. Revisions to Manuals. Franchisor may from time to time revise the contents of the Manuals, and Franchisee expressly agrees to comply with each new or changed standard. Such revisions may be provided to Franchisee in any format, including via the Internet or an intranet. Franchisee shall ensure that the Manuals are kept current at all times. In the event of any dispute as to the contents of the Manuals, the terms of the master copy maintained by Franchisor at Franchisor's home office shall be controlling.

10. CONFIDENTIAL INFORMATION

10.1. Confidential Information. Franchisee shall not, during the term of this Agreement or thereafter, communicate, divulge or use for the benefit of any other person, partnership, association, limited liability company or corporation any confidential information, knowledge or know-how concerning the methods of operation of the business franchised hereunder, including, without limitation, the Manuals, recipes for any Proprietary Products, cooking methods, preparation of menu items, drawings, suppliers, equipment, product costs, accounting methods, including both paper and electronic spreadsheets, management tools, or advertising which may be communicated to Franchisee or of which Franchisee may be apprised by virtue of Franchisee's operation under the terms of this Agreement ("Confidential Information"). Franchisee shall divulge such Confidential Information only to such of its employees as must have access to it in order to operate the Restaurant. Any and all information, knowledge, know-how, techniques and other data which Franchisor designates as confidential shall be deemed confidential for purposes of this Agreement.

10.2. Confidentiality Agreements. At Franchisor's request, Franchisee shall require Franchisee's general manager, assistant manager, and other such personnel having access to any of Franchisor's Confidential Information to execute non-competition covenants and covenants that they will maintain the confidentiality of information they receive in connection with their employment by Franchisee at the Restaurant. Such covenants shall be in the form attached hereto as Schedule E.

10.3. Irreparable Injury. Franchisee acknowledges that any failure to comply with the requirements of this Section 10 will cause Franchisor irreparable injury, and Franchisee agrees to pay all court costs and reasonable attorneys' fees incurred by Franchisor in obtaining specific performance of, or an injunction against violation of, the requirements of this Section 10, or such other relief sought by Franchisor.

11. ACCOUNTING AND RECORDS

11.1. Weekly Reports. Franchisee is required to record all sales on the point-of-sale recordkeeping and control system designated by Franchisor, or on any other equipment specified by Franchisor in the Manuals or otherwise in writing. As set forth in Section 4 of this Agreement, Franchisee shall submit a signed report detailing the weekly Gross Sales of the

Restaurant, as well as a calculation of Franchisee's Royalty, Brand Development Fund Contribution, as well as any other information the Franchisor requires, to Franchisor no later than 12:00 noon each Tuesday for the Restaurant's prior Business Week. This report shall be submitted to Franchisor by the means designated by Franchisor in the Manuals or otherwise in writing, including, but not limited, to an Internet or intranet website, electronic mail, or facsimile. Franchisor shall also have the right to access any business information or data collected and generated on Franchisee's point-of-sale system as set forth more fully in Section 7 of this Agreement.

11.2. Other Reports. Franchisee shall, at Franchisee's expense, submit to Franchisor in the form prescribed by Franchisor, the following reports, financial statements, and other data:

11.2.1. By the twenty-fifth (25th) of each month, an accurate profit and loss statement and a report accurately reflecting all Gross Sales during the preceding calendar month, along with Franchisee's accounting of funds spent on local advertising expenditures;

11.2.2. Within seventy-five (75) days after the end of each fiscal year, Franchisee's financial statements for the preceding fiscal year, including, without limitation, a complete and accurate profit and loss statement and balance sheet, which may be unaudited but, upon Franchisor's request, shall be reviewed in accordance with generally accepted accounting principles. Franchisee acknowledges and agrees that Franchisor has the right to request audited financial statements on an annual basis upon written notice to Franchisee;

11.2.3. Upon Franchisor's request, within ten (10) days after their timely completion, all federal, state and local sales, income or other tax returns filed by Franchisee; and

11.2.4. Such other forms, reports, records, information, and data as Franchisor may reasonably designate periodically or as may be described in the Manuals.

11.3. Recordkeeping. Franchisee shall prepare, and shall preserve for at least five (5) years from the dates of their preparation complete and accurate books, records and accounts in accordance with generally accepted accounting principles and in the form and manner prescribed by Franchisor in the Manuals or otherwise from time to time in writing, including but not limited to: (i) daily cash reports; (ii) cash receipts journals; (iii) cash disbursements and weekly payroll journals and schedules; (iv) general ledgers; (v) monthly bank statements, daily deposit slips, and cancelled checks; (vi) all personal and business tax returns; (vii) suppliers' invoices (paid and unpaid); (viii) dated daily and weekly cash register journals; (ix) monthly fiscal period balance sheets and fiscal period profit and loss statements; and (x) such other records as Franchisor may from time to time require.

11.4. Right to Inspect. Franchisor and its designated agents shall have the right at all reasonable times to examine, copy, and/or personally review at Franchisor's expense, the books, records, accounts, and tax returns of Franchisee. Franchisor shall have the right at all reasonable times to remove such books, records, accounts and tax returns for copying.

11.5. Audit and Underreporting Penalties. Franchisor shall also have the right, at any time, to have an independent audit made of the books and records of Franchisee. If an inspection or audit should reveal that any income or sales have not been reported or have been understated in any report to Franchisor, then Franchisee shall immediately pay to Franchisor the amount underpaid upon demand, in addition to interest from the date such amount was due until paid, at the rate of eighteen percent (18%) per annum, or the maximum rate permitted by law, whichever is less, plus all of Franchisor's costs and expenses in connection with the inspection or audit, including, without limitation, travel costs, lodging and wage expenses, and reasonable accounting and legal fees and costs. The foregoing remedies shall be in addition to any other remedies Franchisor may have under this Agreement or otherwise at law or in equity.

12. ADVERTISING AND PROMOTION

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

12.1. Grand Opening Advertising and Promotion. Franchisee shall conduct grand opening advertising and promotion in the form and manner prescribed by Franchisor in writing. Franchisee shall expend ten thousand dollars ($10,000) on such grand opening advertising and promotion within the time frame of thirty (30) days prior to the opening of the Restaurant and ninety (90) days after the Restaurant opens for business as directed by the Franchisor. Franchisor may specify the form, manner, and timing of such advertising and promotion.

12.2. Local Marketing, Advertising, and Promotion. Except as otherwise provided herein, for each month that the Restaurant is open for business, Franchisee shall expend a minimum of five hundred dollars ($500) per month on local marketing, advertising, and promotion in such manner as Franchisor may, in its sole discretion, direct in the Manuals or otherwise in writing from time to time. Franchisee shall provide satisfactory evidence of all local advertising and promotion expenditures in such manner as Franchisor shall direct in the Manuals or otherwise in writing from time to time, including submission of a monthly report detailing these expenditures in the form Franchisor prescribes as provided for in Section 11.2 of this Agreement.

12.3. Brand Development Fund. Franchisor has established, administers and controls a fund for brand development and promotion (the "Brand Development Fund") and collect from Franchisee a weekly fee equal to one percent (1%) of Franchisee's Gross Sales from the preceding Business Week (the "Brand Development Fund Contribution") as set forth more fully in Section 4.5 of this Agreement. Franchisor may increase Franchisee's Brand Development Fund Contribution to up to two percent (2%) of Franchisee's Gross Sales for the preceding Business Week upon written notice. Franchisee understands and acknowledges that the current Brand Development Fund Contribution under this Section 12.3 is a minimum requirement only. The Brand Development Fund shall be administered as follows:

12.3.1. Franchisor shall direct all advertising, marketing, public relations and promotional programs, and have sole discretion over all aspects of such programs, including but not limited to concepts, materials, and media used in such programs, and the placement and allocation thereof. Franchisee agrees and acknowledges that the Brand Development Fund is intended to maximize general public recognition, acceptance, and use of the System; and that Franchisor is not obligated, in administering the Brand Development Fund, to make expenditures for Franchisee which are equivalent or proportionate to Franchisee's contribution, to make expenditures in Franchisee's geographical area, or to ensure that Franchisee benefits directly or on a pro rata basis from expenditures or activities of the Brand Development Fund;

12.3.2. The Brand Development Fund, all contributions thereto, and any earnings thereon, shall be used exclusively to meet any and all costs of maintaining, administering, directing, conducting and preparing advertising, marketing, public relations, and/or promotional programs and materials, and any other activities which Franchisor believes will enhance the image of the System, including, but not limited to, the costs of preparing and conducting radio, television, print, and Internet-based advertising campaigns; leasing billboard space; developing, maintaining, and updating a World Wide Web site for the "Lee's Hoagie House" brand and System on the Internet; direct mail advertising; marketing surveys; employing advertising and/or public relations agencies to assist therein; purchasing promotional items; purchasing point-of- purchase materials; and providing promotional and other marketing materials and services to the businesses operating under the System. The Brand Development Fund may also be used to provide rebates or reimbursements to franchisees for local expenditures on products, services, or improvements, approved in advance by Franchisor, which products, services, or improvements Franchisor shall have the right to determine will promote general public awareness of and favorable support for the System. While Franchisor does not anticipate that any part of the Brand Development Fund contributions will be used for advertising which is principally a solicitation for franchisees, Franchisor reserves the right to use the Fund for public relations or recognition of the "Lee's Hoagie House" brand, for the creation and maintenance of a web-site, a portion of which can be used to explain the franchise offering and solicit potential franchisees, and to include a notation in any advertisement indicating "Franchises Available";

12.3.3. All sums paid by Franchisee to the Brand Development Fund shall be accounted for separate from the other monies of Franchisor. Franchisor shall have the right, in its sole discretion, to reimburse itself and its affiliates for any direct costs, salaries, travel expenses, administrative costs and other overhead that Franchisor incurs in maintaining and administer the Brand Development Fund (including rent and salaries in proportion to time devoted to Brand Development Fund matters). Franchisor may also receive reimbursement out of the Brand Development Fund for other administrative costs, including expenses to prepare the annual accounting, collecting Brand Development Fund Fees from delinquent franchisees, and conducting the annual meeting of franchisees if Franchisor elects to hold one. Franchisor shall maintain separate bookkeeping accounts for the Brand Development Fund. In the event the funds collected for the Brand Development Fund are not fully expended at the end of a given fiscal year, the remaining funds will rollover to the next fiscal year. In the event there is a deficit in the Brand Development Fund at the end of a fiscal year, this deficit may also be carried over to the next fiscal year;

12.3.4. The company-owned, affiliate-owned restaurants, or previously licensed restaurants under the Marks of the Franchisor or its affiliates will not be required to make contributions to the Brand Development Fund;

12.3.5. Franchisor will prepare on an annual basis, and will have available for Franchisee within one hundred and twenty (120) days of the end of the fiscal year, a statement of contributions and expenditures for the Brand Development Fund. The statement will be presented to Franchisee upon Franchisee's written request. The Brand Development Fund is not required to be independently audited;

12.3.6. Franchisor may cause the Brand Development Fund to be incorporated or operated through an entity separate from Franchisor at such time as Franchisor deems appropriate, with said entity having all rights and duties of Franchisor pursuant to this Section;

12.3.7. Franchisee acknowledges that the Brand Development Fund is not a trust or an asset of Franchisor and that Franchisor is not a fiduciary to Franchisee with respect to, or a trustee of, the Brand Development Fund or the monies therein; and

12.3.8. The Brand Development Fund is intended to be of perpetual duration. However, Franchisor maintains the right to terminate the Brand Development Fund. The Brand Development Fund may not be terminated, however, until all monies in the Brand Development Fund have been expended for advertising and/or promotional purposes or returned to its contributors on the basis of their respective contributions.

12.4. Regional Advertising Cooperative. Franchisor shall have the right, in its discretion, to designate any geographical area for purposes of establishing a regional advertising and promotional cooperative (a "Cooperative"), and to determine whether a Cooperative is applicable to the Restaurant. If a Cooperative has been established in Franchisee's area prior to opening the Restaurant, Franchisee shall become a member of the Cooperative no later than thirty (30) days after opening the Restaurant. If a Cooperative is established subsequent to Franchisee's opening of the Restaurant, Franchisee shall become a member of the Cooperative no later than thirty (30) days after the date on which the Cooperative commences operation. If the Restaurant is within the Area of more than one Cooperative, Franchisee shall not be required to be a member of more than one Cooperative within that Area.

12.4.1. Each Cooperative shall be organized and governed in a form and manner, shall commence operation on a date, and shall operate pursuant to written governing documents, all of which must be approved in advance by Franchisor in writing;

12.4.2. Each Cooperative shall be organized for the exclusive purpose of administering regional advertising programs and developing, subject to Franchisor's approval, standardized advertising materials for use by the members in local advertising;

12.4.3. No promotional or advertising plans or materials may be used by a Cooperative or furnished to its members without the prior approval of Franchisor. All such plans and materials shall be submitted to Franchisor in accordance with the procedures set forth in this Section 12;

12.4.4. Each Cooperative shall have the right to require its members to make contributions to the Cooperative in such amounts as determined by the Cooperative; provided, however, that Franchisee shall not be required to contribute to any Cooperative in excess of $500 of Gross Sales during any calendar month, unless the members of the Cooperative unanimously vote in favor of a greater contribution. Franchisee's payments made under this Section 12.4.4 shall be credited towards the monthly expenditure required to be made in connection with local advertising under Section 12.2 hereof;

12.4.5. Each member franchisee shall submit to the Cooperative its contribution in the time and manner as determined by Franchisor or the Cooperative with Franchisor's prior approval, together with such statements or reports as may be required by Franchisor or the Cooperative with Franchisor's prior approval. All contributions to the Cooperative shall be forwarded by the Cooperative to Franchisor, and Franchisor shall expend such monies as directed by the duly elected representative of the Cooperative;

12.4.6. Franchisor, in its sole discretion, may grant to any franchisee an exemption for any length of time from the requirement of membership in a Cooperative, upon written request of such franchisee stating the reasons supporting such exemption. Franchisor's decision concerning such request for exemption shall be final; and

12.4.7. Franchisor shall have the power to require the Cooperative to be formed, changed, dissolved, or merged.

12.5. Website. Franchisee specifically acknowledges and agrees that any Website (as defined below) will be deemed "advertising" under this Agreement, and will be subject to (among other things) Franchisor's approval under this Section 12. As used in this Agreement, the term "Website" means an interactive electronic document, series of symbols, or otherwise, that is contained in a network of computers and/or other devices linked by communications software, including, but not limited to, the Internet or World Wide Web.

12.5.1. Franchisor shall have the right, but not the obligation, to establish and maintain a Website, which may, without limitation, promote the Proprietary Marks and/or the System. Franchisor shall have the sole right to control all aspects of the Website, including without limitation its design, content, functionality, links to other websites, legal notices, and policies and terms of usage. Franchisor shall also have the right to discontinue operation of the Website at any time without notice to Franchisee.

12.5.2. Except as approved in advance in writing by Franchisor, Franchisee shall not establish or maintain a separate Website, splash page, profile or other presence, or otherwise advertise on the Internet or any other public computer network in connection with the Restaurant, including any profile on Facebook, Twitter, LinkedIn, Plaxo or other social/business networking site. If such approval is granted by Franchisor, Franchisee shall establish and operate such World Wide Web or Internet site in accordance with Franchisor's standards and policies provided to Franchisee in the Manuals or otherwise in writing from time to time.

12.5.3. Franchisor shall have the right to modify the provisions of this Section 12.5 relating to Websites as Franchisor shall solely determine is necessary or appropriate for the best interests of the System.

12.6. Advertising Materials. All advertising and promotion by Franchisee shall be in such media and of such type and format as Franchisor may approve, shall be conducted in a dignified manner and shall conform to such standards and requirements as Franchisor may specify. Franchisee shall not use any advertising or promotional plans or materials unless and until Franchisee has received written approval from Franchisor. Franchisor may make available to Franchisee from time to time, at Franchisee's expense, such promotional materials, including newspaper mats, coupons, merchandising materials, point-of-purchase materials, menu boards, special promotions, and similar advertising and promotional materials.

12.7. Promotional Campaigns. Franchisee acknowledges that periodic rebates, giveaways, and other promotions and programs are an integral part of the System. Accordingly, Franchisee, at its sole cost and expense, from time to time shall issue and offer such rebates, giveaways, and promotions in accordance with any reasonable advertising programs established by Franchisor, and further shall honor rebates, giveaways, and other promotions issued by other franchisees, as long as all of the above do not contravene regulations and laws of appropriate governmental authorities.

12.8. Directories. Franchisee shall, at its expense, shall be required to obtain listings and/or advertise with Franchisor and other franchisees of the System on electronic yellow pages directories and other on-line directories as Franchisor may designate, including Google Local, www.citypages.com and similar online directories. Franchisor reserves the right to place, and subsequently modify or remove, such on-line listings and advertisements on behalf of Franchisee. For any listings or advertisements posted by or on behalf of Franchisee, Franchisee shall promptly pay, upon demand by Franchisor, its pro rata share of the costs of such listings or advertisements. Upon termination, transfer or expiration of this Agreement, Franchisee agrees to take any and all steps necessary to assist Franchisor in removing or assigning control of all listing under this Section to Franchisor.

12.9. Approval of Advertising Materials. Franchisee shall submit to Franchisor samples of all advertising and promotional plans and materials for any print, broadcast, cable, electronic, computer or other media (including, without limitation, the Internet) that Franchisee desires to use that have not been prepared or previously approved by Franchisor within the preceding six (6) months for Franchisor's prior approval. Franchisee shall not use such plans or materials until they have been approved in writing by Franchisor. Franchisor will use commercially reasonable efforts to review and approve or disapprove of the proposed material within twenty (20) days of its receipt of such material. If written notice of approval is not received by Franchisee from Franchisor within this twenty (20) day period, Franchisor shall be deemed to have disapproved the materials and Franchisee's use thereof is prohibited.

12.10. Advisory Council. Franchisor shall have the right, in its discretion, to require the establishment of an advisory council ("Advisory Council") in Franchisee's area. In the event such Advisory Council is established, Franchisee shall participate actively in the Advisory Council as Franchisor designates and participate in all Advisory Council meetings approved by Franchisor. Franchisor reserves the right to prepare and amend the governing documents for the Council from time to time, in its sole discretion, at any time. Franchisor, in its sole discretion, will determine the topic areas to be considered by the Advisory Council. The purposes of the Advisory Council shall include, but are not limited to, exchanging ideas and problem-solving methods, advising Franchisor on expenditures for system-wide advertising, and coordinating franchisee efforts. Amounts and expenditures may vary from time to time due to variations in Advisory Council participation and costs, as determined by the Advisory Council, and as approved by Franchisor. The Advisory Council shall act in an advisory capacity only. Franchisor shall have the right to form, change, or dissolve an Advisory Council at any time in its sole discretion.

13. INSURANCE

13.1. Minimum Insurance Requirements. Franchisee shall procure, prior to the commencement of any activities or operations under this Agreement, and shall maintain in full force and effect at all times during the term of this Agreement (and for such period thereafter as is necessary to provide the coverages required hereunder for events having occurred during the term of this Agreement), at Franchisee's expense, an insurance policy or policies protecting Franchisee, Franchisor, and their respective officers, directors, partners, agents and employees against any demand or claim with respect to personal injury, death or property damage, business interruption, or any loss, liability or expense whatsoever arising or occurring upon or in connection with the Restaurant, including, but not limited to, comprehensive general liability insurance, property insurance (including, but not limited to, fire, vandalism, and malicious mischief insurance for the replacement value of the Restaurant and its contents), casualty insurance, business interruption insurance, statutory workers' compensation insurance, employer's liability insurance, product liability insurance, and automobile insurance coverage for all vehicles used in connection with the operation of the Restaurant. Such policy or policies shall be written by a responsible carrier or carriers acceptable to Franchisor, shall name Franchisor and its subsidiaries and affiliates as additional insureds, and shall provide at least the types and minimum amounts of coverage specified in the Manuals. Franchisor shall have the right, from time to time, to make such changes in minimum policy limits and endorsements in the Manuals or otherwise in writing as it may determine in its reasonable discretion.

13.2. Non-waiver. Franchisee's obligation to obtain and maintain the policy or policies in the amounts specified in the Manuals shall not be limited in any way by reason of any insurance that may be maintained by Franchisor, nor shall Franchisee's performance of that obligation relieve it of liability under the indemnity provisions set forth in Section 20.3 of this Agreement.

13.3. Franchisor Entitled to Recover. All public liability and property damage policies shall contain a provision that Franchisor, although named as an insured, shall nevertheless be entitled to recover under such policies on any loss occasioned to Franchisor or its servants, agents or employees by reason of the negligence of Franchisee or its servants, agents or employees.

13.4. Certificates of Insurance. Prior to the commencement of any operations under this Agreement, and thereafter at least thirty (30) days prior to the expiration of any policy, Franchisee shall deliver to Franchisor Certificates of Insurance evidencing the proper types and minimum amounts of coverage. All Certificates shall expressly provide that no less than thirty (30) days' prior written notice shall be given Franchisor in the event of material alteration to or cancellation of the coverages evidenced by such Certificates.

13.5. Franchisor's Right to Procure Insurance. 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 the Manuals or otherwise in writing, Franchisor shall have the right and authority (but not the obligation) to procure and maintain such insurance in Franchisee's name and to charge same to Franchisee, which charges, together with a service fee equal to 20% of the costs incurred by Franchisor in obtaining such insurance, shall be payable by Franchisee to Franchisor immediately upon notice. The foregoing remedies shall be in addition to any other remedies Franchisor may have under this Agreement or at law or in equity.

14. TRANSFER OF INTEREST

14.1. Franchisor's Right to Transfer. Franchisor shall have the right to transfer or assign this Agreement and all or any part of its rights or obligations herein to any person or legal entity, and any designated assignee of Franchisor shall become solely responsible for all obligations of Franchisor under this Agreement from the date of assignment. Franchisee shall execute such documents of assignment or other documents as Franchisor may request.

14.2. Franchisee's Conditional Right to Transfer. Franchisee understands and acknowledges that the rights and duties set forth in this Agreement are personal to Franchisee, and that Franchisor has granted this franchise in reliance on Franchisee's (or, if Franchisee is a corporation, partnership, or limited liability company, its principals') business skill, financial capacity and personal character. Accordingly, neither Franchisee nor any immediate or remote successor to any part of Franchisee's interest in this Agreement, nor any individual, partnership, limited liability company, corporation or other legal entity which directly or indirectly owns any interest in Franchisee or in the Restaurant shall sell, assign, transfer, convey, pledge, encumber, merge or give away (collectively, "Transfer") this Agreement, any direct or indirect interest in Franchisee, or in all or substantially all of the assets of the Restaurant without the prior written consent of Franchisor. Any purported assignment or transfer not having the written consent of Franchisor required by this Section 14.2 shall be null and void and shall constitute a material breach of this Agreement, for which Franchisor may immediately terminate without opportunity to cure pursuant to Section 15.2.6 of this Agreement. The foregoing remedies shall be in addition to any other remedies Franchisor may have under this Agreement or at law or in equity.

14.3. Conditions of Transfer. Franchisee shall notify Franchisor in writing of any proposed transfer of this Agreement, any direct or indirect interest in Franchisee, or in all or substantially all of the assets of the Restaurant, at least thirty (30) days before such transfer is proposed to take place. Franchisor shall not unreasonably withhold its consent to any transfer. Franchisor may, in its sole discretion, require any or all of the following as conditions of its approval:

14.3.1. That all of Franchisee's accrued monetary obligations and all other outstanding obligations to Franchisor, its affiliates, and its approved suppliers have been satisfied;

14.3.2. That Franchisee is not in default of any provision of this Agreement, any amendment hereof or successor hereto, or any other agreement between Franchisee and Franchisor or its affiliates;

14.3.3. That the transferor shall have executed a general release, in a form prescribed by Franchisor, of any and all claims against Franchisor and its affiliates, and their respective officers, directors, agents, shareholders, and employees;

14.3.4. That the transferor and transferee have executed a mutual general release, relieving all claims against each other, excluding only such claims relating to any provision or covenant of this Agreement which imposes obligations beyond the expiration of this Agreement;

14.3.5. That the transferee (and, if the transferee is other than an individual, such owners of a beneficial interest in the transferee as Franchisor may request) demonstrate to Franchisor's satisfaction that it meets Franchisor's educational, managerial and business standards; possesses a good moral character, business reputation and credit rating; has the aptitude and ability to operate the Restaurant; has adequate financial resources and capital to operate the Restaurant; and has not operated a business in competition with Franchisor;

14.3.6. That, at Franchisor's option, the transferee (and, if the transferee is other than an individual, such owners of a beneficial interest in the transferee as Franchisor may request) either (i) enter into a written assignment, in a form satisfactory to Franchisor, assuming and agreeing to discharge all of Franchisee's obligations under this Agreement, or (ii) execute, for a term ending on the expiration date of this Agreement and with such successor term(s) as may be provided by this Agreement, Franchisor's then-current form of franchise agreement and other ancillary agreements as Franchisor may require for the Restaurant, which agreements 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 royalty fee, brand fund contribution and other fees, as determined by Franchisor, except that the transferee shall not be required to pay any initial franchise fee and Franchisee's Area shall remain the same;

14.3.7. That all principals and spouses' of all of the principals of the transferee guarantee the obligations of the transferee under the franchise agreement executed or assumed by the transferee.

14.3.8. That Franchisee remain liable for all of the obligations to Franchisor in connection with the Restaurant which arose prior to the effective date of the transfer and execute any and all instruments reasonably requested by Franchisor to evidence such liability;

14.3.9. That the transferee (or, if the transferee is a corporation, partnership or limited liability company, a principal of the transferee acceptable to Franchisor), and one designated manager of transferee, at the transferee's expense, have successfully completed any training programs then in effect upon such terms and conditions as Franchisor may reasonably require and pay Franchisor the then-current training fee;

14.3.10. That Franchisor approves the terms and conditions of the transfer agreement between Franchisee and transferee;

14.3.11. That transferee does not finance more than seventy-five percent (75%) of the total purchase price, and that transferee expressly, in writing, subordinates all third-party interests in the Restaurant to the interests of Franchisor; and

14.3.12. That Franchisee pay to Franchisor a transfer fee in an amount equal to the greater of Fifteen Thousand Dollars ($15,000) or fifty percent (50%) of Franchisor's then-current initial franchise fee at the time of transfer; however, in the case of a transfer to a corporation or limited liability company formed by Franchisee for the convenience of ownership (as determined by Franchisor in its sole discretion) (a "Qualified Transfer"), no such transfer fee shall be required.

14.4. No Security Interest. Franchisee shall not grant a security interest in the Restaurant or in any of the assets of the Restaurant without the express written consent of Franchisor. If Franchisor consents to such security interest, such consent shall be conditioned on, among other things, the secured party's agreement that in the event of any default by Franchisee under any documents related to the security interest, Franchisor shall have the right and option (but not the obligation) to be substituted as obligor to the secured party and to cure any default of Franchisee, and, in the event Franchisor exercises such option, any acceleration of indebtedness due to Franchisee's default shall be void. In the event Franchisor cures any such default of Franchisee, Franchisee shall reimburse Franchisor all amounts paid by Franchisor to cure the default, plus all costs and expenses incurred by Franchisor to cure such default, and Franchisee shall be deemed in default of this Agreement.

14.5. Franchisor's Right of First Refusal. If any party holding any direct or indirect interest in this Agreement, in Franchisee, or in all or substantially all of the assets of the Restaurant desires to accept any bona fide offer from a third party to purchase such interest, Franchisee shall notify Franchisor as provided in Section 14.3 hereof, and shall provide such information and documentation relating to the offer as Franchisor may require. Franchisor shall have the right and option ("ROFR"), exercisable within thirty (30) days (the "ROFR Period") after receipt of such written notification, 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 shall occur within sixty (60) days from the date of notice to the seller of the election to purchase by

Franchisor. If Franchisor elects not to purchase the seller's interest, any material change thereafter in the terms of the offer from a third party shall constitute a new offer subject to the same rights of first refusal by Franchisor as in the case of the third party's initial offer. If the transfer does not occur within ninety (90) days after Franchisor's receipt of such written notification then Franchisee must reoffer Franchisor the ROFR under the same terms and conditions as above. Failure of Franchisor to exercise the option afforded by this Section 14.5 shall not constitute a waiver of any other provision of this Agreement, including all of the requirements of this Section 14, with respect to a proposed transfer. In the event the consideration, terms and/or conditions offered by a third party are such that Franchisor may not reasonably be required to furnish the same consideration, terms and/or conditions, then Franchisor may purchase the interest proposed to be sold for the reasonable equivalent in cash. If the parties cannot agree within thirty (30) days on the reasonable equivalent in cash of the consideration, terms and/or conditions offered by the third party, an independent appraiser shall be designated by Franchisor at Franchisor's expense, and the appraiser's determination shall be binding.

14.6. Death or Disability.
14.7.

14.6.1. The grant of rights under this Agreement is personal to you and on the death or permanent disability of you or any of your Principals, the executor, administrator, conservator or other personal representative of yours or of the deceased Principal, as the case may be, shall be required to transfer your and your Principal's interest in this Agreement within six (6) months from the date of death or permanent disability to a third party approved by us. Failure to transfer in accordance with the forgoing will constitute a material default and the franchise granted by this Agreement will terminate. For purposes of this Agreement. For purposes of this Agreement, the term "permanent disability" means a mental or physical disability, impairment or condition that is reasonably expected to prevent or actually does prevent such person from providing continuous and material supervision of the operation of the franchised business during the six (6) month period from its onset.

14.6.2. Upon the death or claim of permanent disability of you or any Principal, you or a representative of yours must notify us of such death or claim of permanent disability within ten (10) days of its occurrence. Any transfer under this Section 14.6 shall be subject tot the same terms and conditions as described in this Article 14 for any *inter vivos* transfer.

14.6.3. Immediately after the death or permanent disability of such person, or while the restaurant is owned by the executor, administrator, guardian, personal representative or trustee of that person, the Franchised Business Shall be supervised by an interim successor manager satisfactory top us or we, in our sole discretion, may provide interim management at a fee equal to twenty percent (20%) of the Gross Sales generated by the Franchised Business during tout operation thereof, plus any and all costs of travel, lodging, meals and other expenses reasonably incurred by us, pending transfer of the Restaurant. If we provide interim management pursuant to this Section 14.6, you agree to indemnify and hold us and any of our representatives harmless from any and all acts which we perform.

14.8. Non-waiver. Franchisor's consent to a transfer of any interest in this Agreement, in Franchisee, or in all or substantially all of the assets of the Restaurant shall not constitute a waiver of any claims it 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 transferor or transferee.

15. DEFAULT AND TERMINATION

15.1. Automatic Termination. Franchisee shall be deemed to be in default under this Agreement, and all rights granted to Franchisee herein shall automatically terminate without notice to Franchisee or opportunity to cure, if: (i) Franchisee becomes insolvent or makes a general assignment for the benefit of creditors; (ii) a petition in bankruptcy is filed by Franchisee or such a petition is filed against and not opposed by Franchisee; (iii) Franchisee is adjudicated bankrupt or insolvent; (iv) 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; (v) 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; (vi)proceedings for a composition with creditors under any state or federal law should be instituted by or against Franchisee; (vii) a final judgment remains unsatisfied or of record for thirty (30) days or longer (unless supersedeas bond is filed); (viii) Franchisee is dissolved; (ix) execution is levied against Franchisee's business or property; (x) suit to foreclose any lien or mortgage against the Premises or equipment is instituted against Franchisee and not dismissed within thirty (30) days; or (xi) the real or personal property of the Restaurant shall be sold after levy thereupon by any sheriff, marshal, or constable.

15.2. Upon Notice Without Opportunity to Cure. In addition to the foregoing, upon the occurrence of any of the following events of default, Franchisor may, at its option, terminate this Agreement and all rights granted hereunder, without affording Franchisee any opportunity to cure the default, effective immediately upon the provision of notice to Franchisee (in the manner provided under Section 23 hereof):

15.2.1. If Franchisee fails to locate an Approved Location, or construct or open the Restaurant within the time limits provided in the Site Selection Addendum or Section 5 hereof;

15.2.2. If Franchisee or the other individuals identified in Section 6 fail to complete the Initial Training Program to Franchisor's satisfaction, or fail to attend additional training as described in Section 6 hereof;

15.2.3. If Franchisee at any time ceases to operate or otherwise abandons the Restaurant, or loses the right to possession of the Premises, or otherwise forfeits the right to do or transact business in the jurisdiction where the Restaurant is located; however, if, through no fault of Franchisee, the Premises are damaged or destroyed by an event such that repairs or reconstruction cannot be completed within sixty (60) days thereafter, then Franchisee shall have thirty (30) days after such event in which to apply for Franchisor's approval to relocate and/or reconstruct the Premises, which approval shall not be unreasonably withheld;

15.2.4. If Franchisee, or any principal, officer, or director of Franchisee, is convicted of a felony, a crime involving moral turpitude, or any other crime or offense that Franchisor believes is reasonably likely to have an adverse effect on the System, the Proprietary

Marks, the goodwill associated therewith or Franchisor's interest therein; or if Franchisee or any principal, officer, or director of Franchisee commits any acts or engages in any behavior that Franchisor believes is reasonably likely to have an adverse effect on the System, the Proprietary Marks, the goodwill associated therewith, or Franchisor's interest therein, including but not limited to conduct that is fraudulent, unfair, unethical, or deceptive;

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

15.2.6. If any purported assignment or transfer of any direct or indirect interest in this Agreement, in Franchisee, or in all or substantially all of the assets of the Restaurant is made to any third party without Franchisor's prior written consent;

15.2.7. If an approved transfer is not effected within the time provided following death or mental incapacity, as required by Section 14 of this Agreement;

15.2.8. If Franchisee fails to comply with the covenants in Section 17.2 hereof or fails to obtain execution of the covenants required under Section 10 hereof;

15.2.9. If, contrary to the terms of Sections 9 or 10 of this Agreement, Franchisee discloses or divulges the contents of the Manuals or other confidential information provided to Franchisee by Franchisor;

15.2.10. If Franchisee intentionally under-reports Gross Sales;

15.2.11. If Franchisee knowingly maintains false books or records or submits any false reports or other documentation (including Franchisee's application for this franchise) to Franchisor;

15.2.12. If Franchisee misuses or makes any unauthorized or improper use of the Proprietary Marks or any other identifying characteristics of the System, or otherwise materially impairs the goodwill associated therewith or Franchisor's rights therein; or if Franchisee fails to utilize the Proprietary Marks solely in the manner and for the purposes directed by Franchisor;

15.2.13. If Franchisee refuses to permit Franchisor to inspect the Premises, or the books, records or accounts of Franchisee upon demand as provided for herein;

15.2.14. If Franchisee commits the same default under this Agreement three (3) or more times during any twelve (12) month period, regardless of whether or not Franchisee has cured these defaults;

15.2.15. If Franchisee sells products not previously approved by Franchisor, or purchases any product from a supplier not previously approved by Franchisor; or

15.2.16. If Franchisor cures any default of Franchisee pursuant to Section 14.4 hereof.

15.3. Notice With Opportunity to Cure. Except as otherwise provided in Sections 15.1 and 15.2 of this Agreement, upon any other default by Franchisee, Franchisor shall give Franchisee written notice of such default (in the manner set forth under Section 23 hereof) and an opportunity to cure such default within thirty (30) days (or such shorter period specified below) of Franchisee's receipt of such notice. Franchisor shall have the right to terminate this Agreement immediately upon notice to Franchisee if Franchisee fails to cure any default to Franchisor's satisfaction, and provide proof thereof, within the thirty (30) day period (or such shorter period specified below). If applicable law requires a longer cure period, such period shall apply to Franchisor's notice. Defaults which are susceptible to cure hereunder include the following illustrative events:

15.3.1. If Franchisee fails to substantially comply with any of the requirements imposed by this Agreement, as it may from time to time reasonably be supplemented by the Manuals, or fails to carry out the terms of this Agreement in good faith;

15.3.2. If Franchisee fails, refuses or neglects promptly to pay any monies owing to Franchisor, its affiliates, or its approved suppliers when due, or to submit the financial or other information required by Franchisor under this Agreement (Franchisee shall have ten (10) days from Franchisee's receipt of written notice to cure such default);

15.3.3. If Franchisee fails to maintain or observe any of the standards or procedures prescribed by Franchisor in this Agreement, the Manuals, or otherwise in writing;

15.3.4. Except as provided in Section 15.2.6 hereof, if Franchisee fails, refuses or neglects to obtain Franchisor's prior written approval or consent as required by this Agreement;

15.3.5. If, upon inspection by Franchisor or a government health inspector, Franchisee's Restaurant is in violation of the health, safety, or sanitation standards prescribed by Franchisor in this Agreement, the Manuals, or otherwise in writing, or is in violation of any health or safety law, codes, or regulation (Franchisee shall have twenty-four (24) hours from Franchisee's receipt of written notice to cure such default);

15.3.6. If Franchisee acts, or fails to act, in any manner which is inconsistent with or contrary to its lease or sublease for the Premises, or in any way jeopardizes its right to renewal of such lease or sublease;

15.3.7. If Franchisee engages in any business or markets any service or product under a name or mark which, in Franchisor's opinion, is confusingly similar to the Proprietary Marks;

15.3.8. If Franchisee fails to comply with all applicable laws, rules and regulations related to the operation of the Restaurant (including, without limitation, the applicable provisions of the ADA regarding the construction, design and operation of the Restaurant); or

15.3.9. Franchisee breaches any other agreement that it has entered into with Franchisor.

15.4. Limitation of Services or Benefits. If Franchisee receives a notice of default issued pursuant to either (i) Section 15.2, or (ii) Section 15.3 and fails to cure such default within the time period permitted in such notice, Franchisor shall have the right, in its sole discretion, to temporarily or permanently limit, curtail, or remove certain services or benefits provided or required to be provided to Franchisee hereunder in lieu of exercising its right to terminate this Agreement pursuant to its terms, including, without limitation:

15.4.1 To restrict Franchisee or any of Franchisee's employees' attendance at any initial training, continuing training, meetings, workshops, or conventions;

15.4.2 To refuse to sell or furnish to Franchisee any supplies, products, or advertising and promotional materials;

15.4.3 To refuse to provide Franchisee ongoing advice about the operation of the Shop;

15.4.4 To refuse any request by Franchisee to approve a new supplier;

15.4.5 To refuse any request by Franchisee to approve the use of any advertising or promotional materials;

15.4.6 To prohibit Franchisee from participating in rebates, giveaways, or other promotions; and

15.4.7 To terminate Franchisee's right to use the Required Software.

Franchisee agrees to hold Franchisor harmless with respect to any action taken by Franchisor pursuant to this Section 15.4; and Franchisee further agrees that Franchisor shall not be liable for any loss, expense, or damage incurred by Franchisee or the Restaurant because of any action Franchisor takes pursuant to this Section 15.4. Nothing in this Section 15.4 constitutes a waiver of any right or remedy of the Franchisor under this Agreement or any other agreement between Franchisee and Franchisor, including, without limitation, the right to terminate this Agreement under Sections 15.1, 15.2, and 15.3 hereof. Franchisee acknowledges and agrees that Franchisor's exercise of its rights pursuant to this Section 15.4 shall not be deemed a constructive termination of this Agreement or of any other agreement between Franchisee and Franchisor, and shall not be deemed a breach of any provision of this Agreement by Franchisor. Any services or benefits removed, curtailed, or limited pursuant to this Section 15.4 may be reinstated at any time by Franchisor in its sole discretion and Franchisee hereby agrees to accept immediately any such reinstatement of services or benefits so removed, curtailed, or limited. Franchisee acknowledges and agrees that, if Franchisor limits any services or benefits under this Section 15.4, Franchisee shall continue to pay timely all fees and payments required under this Agreement and any other agreement between Franchisee and Franchisor, including, without limitation, any fees associated with services or benefits limited by Franchisor. Franchisee shall have no right to a refund of any fees paid in advance for such services or benefits.

15.5 **Cross Default.** Any default by Franchisee under any other franchise agreement between Franchisor and Franchisee that gives Franchisor the right to terminate such other franchise agreement shall be deemed to be a default of this Agreement, and Franchisor shall have the right, at its option, to terminate this Agreement effective immediately upon notice to Franchisee, unless such default is curable under the terms of the other agreement and is timely cured. In the event Franchisee timely cures its default under another agreement with Franchisor, the cured default shall still count as a default under this Agreement for purposes of this Section 15.

16. OBLIGATIONS UPON TERMINATION OR EXPIRATION

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

16.1. Cease Operations. Franchisee shall immediately cease to operate the Shop, and shall not thereafter, directly or indirectly, represent to the public or hold itself out as a present or former franchisee of Franchisor. Immediately upon the expiration or termination hereof, Franchisee shall dispose of, and not sell, any Lee’s Hoagie House menu items or other products sold hereunder.

16.2. Cease Use of Confidential Information and Proprietary Marks. Franchisee shall immediately and permanently cease to use, in any manner whatsoever, any confidential methods, procedures and techniques associated with the System, and all Proprietary Marks and distinctive forms, slogans, signs, symbols, colors, and devices associated with the System. In particular, Franchisee shall cease to use, without limitation, all signs, advertising materials, displays, stationery, forms, products and any other articles that display the Proprietary Marks.

16.3. Cancellation of Registrations. Franchisee shall take such action as may be necessary to cancel any assumed name registration or equivalent registration obtained by Franchisee which contains the mark “Lee’s Hoagie House,” or any other Proprietary Marks, and Franchisee shall furnish Franchisor with evidence satisfactory to Franchisor of compliance with this obligation within five (5) days after termination or expiration of this Agreement.

16.4. Assignment of Lease. Franchisee shall, at Franchisor’s option, assign to Franchisor any interest which Franchisee has in any lease or sublease for the Premises. In the event Franchisor does not elect to exercise its option to acquire the lease or sublease for the Premises, Franchisee shall make such modifications or alterations to the Premises (including, without limitation, the changing of, and the assigning to Franchisor of, the telephone number) immediately upon termination or expiration of this Agreement as may be necessary to distinguish the appearance of the Premises from that of the Restaurant under the System, and shall make such specific additional changes thereto as Franchisor may reasonably request for that purpose. In the event Franchisee fails or refuses to comply with the requirements of this Section 16.4, Franchisor shall have the right to enter upon the Premises, without being guilty of trespass or any other tort, for the purpose of making or causing to be made such changes as may be required, at the expense of Franchisee, which expense Franchisee agrees to pay upon demand.

16.5. Subsequent Use of Proprietary Marks Prohibited. Franchisee agrees, in the event it continues to operate or subsequently begins to operate any other business, not to use any reproduction, counterfeit, copy or colorable imitation of the Proprietary Marks, either in connection with such other business or the promotion thereof, which, in Franchisor’s sole discretion, is likely to cause confusion, mistake or deception, or which, in Franchisor’s sole discretion, is likely to dilute Franchisor’s rights in and to the Proprietary Marks. Franchisee further agrees not to utilize any designation of origin, description or representation (including but not limited to reference to Franchisor, the System or the Proprietary Marks) which, in Franchisor’s sole discretion, suggests or represents a present or former association or connection with Franchisor, the System or the Proprietary Marks.

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

16.7. Liquidated Damages Upon Termination Due to Franchisee's Default. In the event this Agreement is terminated prior to the end of its term due to Franchisee's default hereunder, in addition to the amounts set forth in Section 16.6 above, Franchisee shall promptly pay to Franchisor a lump sum payment (as damages and not as a penalty) for breaching this Agreement in an amount equal to: (a) the average monthly royalty fee and Lee's Hoagie House Brand Development Fund fee payable by Franchisee under Sections 4.2 and 12.3 over the twelve (12) month period immediately preceding the date of termination (or such shorter time period if the Restaurant has been open less than twelve (12) months); (b) multiplied by the lesser of (i) twenty-four (24) months, or (ii) the number of months the then remaining term of this Agreement. Franchisee acknowledges that a precise calculation of the full extent of the damages Franchisor will incur in the event of termination of this Agreement as a result of Franchisee's default is difficult to determine and that this lump sum payment is reasonable in light of the damages Franchisor will incur for Franchisee's material default causing the premature termination of this Agreement. This lump sum payment shall be in lieu of any damages Franchisor may incur as a result of Franchisee's default, and shall be in addition to all amounts provided above in Section 16.6 and any attorneys' and accountants' fees and other costs and expenses to which Franchisor is entitled under the terms of this Agreement, including but not limited to, Section 26.8 below. Franchisee's payment of this lump sum shall not affect Franchisor's right to obtain appropriate injunctive relief and remedies to enforce this Section 16 and the covenants set forth in Sections 10 and 17.

16.8. Return Manuals. Franchisee shall immediately deliver to Franchisor the Manuals, paper and electronic spreadsheets and checklists and all other records, correspondence and instructions containing confidential information relating to the operation of the Restaurant (and any copies thereof, even if such copies were made in violation of this Agreement), all of which are acknowledged to be the property of Franchisor, and shall retain no copy or record of any of the foregoing, with the exception of Franchisee's copy of this Agreement, any correspondence between the parties and any other documents which Franchisee reasonably needs for compliance with any provision of law.

16.9. Websites. Franchisee shall cease use of any Lee's Hoagie House domain name, URL, or home page address, and shall not establish any Website using any similar or confusing domain name, URL, and/or home page address.

16.10. Franchisor's Option to Purchase Equipment. Franchisor shall have the option, to be exercised within thirty (30) days after termination, to purchase from Franchisee any or all of the equipment, signs, and fixtures related to the operation of the Restaurant at fair market value, exclusive of supplies and inventory, and to purchase any or all supplies and inventory of the Restaurant at Franchisee’s cost or fair market value, whichever is less. If the parties cannot agree on the price of any such items within a reasonable time, an independent appraisal shall be conducted at Franchisor’s expense, and the appraiser’s determination shall be binding. If Franchisor elects to exercise any option to purchase herein provided, it shall have the right to set off all amounts due from Franchisee, and the cost of the appraisal, if any, against any payment therefor.

16.11. Compliance With Covenants. Franchisee shall comply with the covenants contained in Sections 10.1 and 17.3 of this Agreement.

16.12. Execution of Agreements. Franchisee shall execute all agreements as Franchisor reasonably requests related to the termination of this Agreement, which may include releases by Franchisee and its principals of any and all claims they might have against Franchisor or its subsidiaries, affiliates, officers, directors, agents, or employees.

17. COVENANTS

17.1. Best Efforts. Franchisee covenants that, during the term of this Agreement, except as otherwise approved in writing by Franchisor, Franchisee (or, if Franchisee is a corporation, partnership or limited liability company, a principal, general partner or member of Franchisee) or Franchisee’s fully-trained manager shall devote full time, energy, and best efforts to the management and operation of the Restaurant.

17.2. In-Term Covenants. Franchisee specifically acknowledges that, pursuant to this Agreement, Franchisee will receive valuable, specialized training and confidential information, including, without limitation, information regarding the operational, sales, promotional, and marketing methods and techniques of Franchisor and the System. Franchisee covenants that during the term of this Agreement, except as otherwise approved in writing by Franchisor, Franchisee shall not, either directly or indirectly, for itself, or through, on behalf of, or in conjunction with any person or legal entity:

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

17.2.2. Own, maintain, operate, engage in, be employed by, act as a consultant for, perform services for, or have any interest in any sandwich shop, restaurant or food service business that: (i) is the same as, or substantially similar to, a Lee’s Hoagie House Restaurant; or (ii) offers to sell or sells any menu items or food products which are the same as, or substantially similar to, any of the menu items or food products offered by a Lee’s Hoagie House Restaurant where the sale of such menu items or food products constitutes ten percent (10%) or more of the gross sales of such business (collectively, a "Competing Business"). The prohibitions in this Section 17.2 shall not apply to interests in or activities performed in connection with the Restaurant or other Lee's Hoagie House franchised business.

17.3. Post-Term Covenants. Franchisee covenants that, except as otherwise approved in writing by Franchisor, Franchisee shall not, for a continuous, uninterrupted period of two (2) years commencing upon the date of (i) a transfer permitted under Section 14 of this Agreement, (ii) expiration of this Agreement, (iii) termination of this Agreement (regardless of the cause for termination), or (iv) a final order of a duly authorized arbitrator, panel of arbitrators, or a court of competent jurisdiction (after all appeals have been taken) with respect to any of the foregoing or with respect to enforcement of this Section 17.3:

17.3.1. either directly or indirectly, for itself, or through, on behalf of, or in conjunction with any person or legal entity, own, maintain, operate, engage in, be employed by, provide assistance to, or have any interest in (as owner or otherwise) any Competing Business that is, or is intended to be, located at or within: (i) the Approved Location; or (ii) ten (10) miles of the Approved Location or (10) miles of any other Lee's Hoagie House location, whether franchised, licensed or affiliated with the Franchisor as of the date of expiration, transfer or termination of this Agreement;

17.3.2. Solicit business from customers of Franchisee's former Restaurant;

17.3.3. Contact any of Franchisor's suppliers or vendors for any competitive business purpose; or

17.3.4. Solicit any of our employee, or the employees of Franchisor's affiliates or any other System franchisee or licensee to discontinue employment.

The prohibitions of Sections 17.2.3 and 17.3 shall not apply to Franchisee's interests in or operation of a Lee's Hoagie House Restaurant under a written Franchise Agreement.

17.4. No Application to Equity Securities. Sections 17.2.3 and 17.3 shall not apply to ownership by Franchisee of a less than five percent (5%) beneficial interest in the outstanding equity securities of any corporation which has securities registered under the Securities Exchange Act of 1934.

17.5. Reduction of Scope of Covenants. Franchisee understands and acknowledges that Franchisor shall have the right, in its sole discretion, to reduce the scope of any covenant set forth in Sections 17.2 and 17.3, or any portion thereof, without Franchisee's consent, effective immediately upon receipt by Franchisee of written notice thereof; and Franchisee agrees that it shall comply forthwith with any covenant as so modified, which shall be fully enforceable.

17.6. Compliance With Anti-Terrorism Laws. Franchisee acknowledges that under applicable U.S. law, including, without limitation, Executive Order 13224, signed on September 23, 2001 (the "Executive Order"), Franchisor is prohibited from engaging in any transaction with any person engaged in, or with a person aiding any person engaged in, acts of terrorism, as defined in the Executive Order. Accordingly, Franchisee represents and warrants to Franchisor that as of the date of this Agreement, neither Franchisee nor any person holding any ownership interest in Franchisee, controlled by Franchisee, or under common control with Franchisee, is designated under the Executive Order as a person with whom business may not be transacted by Franchisor, and that Franchisee (a) does not, and hereafter shall not, engage in any terrorist activity; (b) is not affiliated with and does not support any individual or entity engaged in, contemplating, or supporting terrorist activity; and (c) is not acquiring the rights granted under this Agreement with the intent to generate funds to channel to any individual or entity engaged in, contemplating, or supporting terrorist activity, or to otherwise support or further any terrorist activity.

17.7. No Defense. Franchisee expressly agrees that the existence of any claims it may have against Franchisor, whether or not arising from this Agreement, shall not constitute a defense to the enforcement by Franchisor of the covenants in this Section 17. Franchisee agrees to pay all costs and expenses (including reasonable attorneys' fees) incurred by Franchisor in connection with the enforcement of this Section 17.

17.8. Independent Covenants. The parties agree that each of the foregoing covenants shall be construed as independent of any other covenant or provision of this Agreement. If all or any portion of a covenant in this Section 17 is held unreasonable or unenforceable by a court, arbitrator, or agency having valid jurisdiction in an unappealed final decision to which Franchisor is a party, Franchisee expressly agrees to be bound by any lesser covenant subsumed within the terms of such covenant that imposes the maximum duty on Franchisee permitted by law, as if the resulting covenant were separately stated in and made a part of this Section 17.

17.9. Irreparable Injury. Franchisee acknowledges that Franchisee's violation of any of the terms of this Section 17 would result in irreparable injury to Franchisor for which no adequate remedy at law may be available, and Franchisee accordingly consents to the issuance of an injunction prohibiting any conduct by Franchisee in violation of the terms of this Section 17.

17.10. Franchisor's Costs and Expenses. Franchisee shall pay Franchisor all damages, costs, and expenses, including reasonable attorneys' fees, incurred by Franchisor in obtaining injunctive or other relief for the enforcement of any provision of this Section 17.

18. CORPORATE, PARTNERSHIP OR LIMITED LIABILITY COMPANY FRANCHISEE

18.1. Franchisee Corporation. If Franchisee is a corporation, Franchisee shall comply with the following requirements:

18.1.1. Franchisee shall be newly organized and its charter shall at all times provide that its activities are confined exclusively to operating the Restaurant;

18.1.2. Copies of Franchisee's Articles of Incorporation, Bylaws and other governing documents, and any amendments thereto, including the resolution of the Board of Directors authorizing entry into this Agreement, shall be promptly furnished to Franchisor;

18.1.3. Franchisee shall maintain stop-transfer instructions against the transfer on its records of any equity securities; and shall issue no certificates for voting securities upon the face of which the following printed legend does not legibly and conspicuously appear:

"The transfer of this stock is subject to the terms and conditions of a Franchise Agreement with Lee's Hoagie House Franchise Group, LLC dated__________________. Reference is made to the provisions of the said Franchise Agreement and to the Articles and Bylaws of this Corporation."

Notwithstanding the above, the requirements of this Section 18.1.3 shall not apply to a "publicly-held corporation." A "publicly-held corporation" for purposes of this Agreement shall mean a corporation registered pursuant to the Securities and Exchange Act of 1934; and

Franchisee shall maintain a current list of all owners of record and all beneficial owners of any class of voting securities or securities convertible into voting securities of Franchisee and shall furnish the list to Franchisor upon request.

18.2. Franchisee Partnership. If Franchisee or any successor to or assignee of Franchisee is a partnership, it shall comply with the following requirements:

18.2.1. Franchisee shall be newly organized and shall furnish Franchisor with a copy of its partnership agreement as well as such other documents as Franchisor may reasonably request, and any amendments thereto;

18.2.2. The partnership agreement shall at all times note conspicuously that partnership rights are held subject to, and that further assignment or transfer thereof are subject to, all restrictions imposed upon assignments by the Franchise Agreement; and

18.2.3. Franchisee shall prepare and furnish to Franchisor, upon request, a list of all general and limited partners in Franchisee.

18.3. Franchisee Limited Liability Company. If Franchisee or any successor to or assignee of Franchisee is a limited liability company, it shall comply with the following requirements:

18.3.1. Franchisee must be newly organized and the articles of organization and the operating agreement must at all times provide that Franchisee's activities are confined exclusively to operating the Restaurant;

18.3.2. Franchisee shall furnish Franchisor with a copy of its articles of organization and operating agreement as well as such other governing documents as Franchisor may reasonably request, and any amendments thereto;

18.3.3. The articles of organization or operating agreement shall at all times note conspicuously that membership rights are held subject to, and that further assignment or transfer thereof are subject to, all restrictions imposed upon assignments by the Franchise Agreement; and

18.3.4. Franchisee shall prepare and furnish to Franchisor, upon request, a list of all members in Franchisee or parties that hold any ownership interest in Franchisee.

18.4. Guaranty and Indemnification. If Franchisee is a corporation, partnership or limited liability corporation, or if any successor to or assignee of Franchisee is a partnership or limited liability corporation, then all of Franchisee's principals and the principals' spouses, shall execute a Personal Guaranty in the form attached hereto as Schedule D.

19. TAXES, PERMITS, AND INDEBTEDNESS

19.1. Payment of Taxes. Franchisee shall promptly pay when due all taxes levied or assessed, including, without limitation, employer's portion of employment-related taxes (FICA, Medicare and unemployment taxes) and sales taxes, and all accounts and other indebtedness of every kind incurred by Franchisee in the operation of the Restaurant. Franchisee shall pay to Franchisor an amount equal to any sales tax, gross receipts tax, or similar tax (other than income tax) imposed on Franchisor with respect to any payments to Franchisor required under this Agreement.

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

19.3. Permits and Licenses. Franchisee shall comply with all federal, state, and local laws, rules, and regulations, including without limitation, the applicable provisions of the ADA regarding the construction, design, and operation of the Restaurant and shall timely obtain any and all permits, certificates, or licenses necessary for the full and proper conduct of the Restaurant, including, without limitation, licenses to do business, fictitious name registrations, occupancy licenses, sales tax permits, construction permits, health permits, food service permits, building permits, alcoholic beverage licenses, handicap permits and fire clearances. Franchisee shall comply with all applicable federal, state, and local labor, health, and building requirements and standards.

19.4. Notification of Adverse Action. Franchisee shall immediately notify Franchisor in writing of the commencement of any action, suit, or proceeding, and of the issuance of any order, writ, injunction, award, or decree of any court, agency, or other governmental instrumentality, which may adversely affect the operation or financial condition of the Restaurant.

20. INDEPENDENT CONTRACTOR AND INDEMNIFICATION

20.1. Independent Contractor. Franchisor and Franchisee agree that this Agreement does not create a fiduciary relationship between them for any purpose, and acknowledge 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, or servant of the other for any purpose whatsoever. During the term of this Agreement, Franchisee shall hold itself out to the public as an independent contractor operating the Restaurant pursuant to a franchise agreement with Franchisor. Franchisee agrees to take such action as may be necessary to do so, including, without limitation, exhibiting a notice of that fact in a conspicuous place at the Premises, the content of which Franchisor reserves the right to specify or approve.

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

20.3. Indemnification. Franchisee shall indemnify and hold harmless Franchisor and its affiliates, and their respective officers, directors and employees against any and all claims, losses, costs, expenses, liabilities and damages arising directly or indirectly from, as a result of, or in connection with Franchisee's operation of the Restaurant, the business conducted under this Agreement, or Franchisee's breach of this Agreement, including, but not limited to, those alleged to be caused by Franchisor's negligence, unless (and then only to the extent that) the claims, obligations, and damages are determined to be caused solely by Franchisor's gross negligence or willful misconduct according to a final, unappealable ruling issued by a court with competent jurisdiction, as well as the costs, including reasonable attorneys' fees, of defending against them. In the event Franchisor incurs any costs or expenses, including, without limitation, legal fees, travel expenses, and other charges, in connection with any proceeding involving Franchisee in which Franchisor is not a party, Franchisee shall reimburse Franchisor for all such costs and expenses promptly upon presentation of invoices. Franchisee acknowledges and agrees that Franchisee's indemnification and hold harmless obligations under this Section shall survive the termination or expiration of this Agreement. Nothing herein shall preclude Franchisor from choosing its own legal counsel to represent it in any lawsuit, arbitration, or other dispute resolution.

21. APPROVALS AND WAIVERS

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

21.2. No Warranties or Guarantees. Franchisor makes no warranties or guarantees upon which Franchisee may rely, and assumes no liability or obligation to Franchisee, by providing any waiver, approval, consent, or suggestion to Franchisee in connection with this Agreement, or by reason of any neglect, delay or denial of any request therefor.

21.3. No Waiver. No failure of Franchisor to exercise any power reserved to it by this Agreement, or to insist upon strict compliance by Franchisee with any obligation or condition hereunder, and no custom or practice of the parties at variance with the terms hereof, shall constitute a waiver of Franchisor's right to demand exact compliance with any of the terms hereof. Waiver by Franchisor of any particular default of Franchisee shall not affect or impair Franchisor's rights with respect to any subsequent default of the same, similar, or different nature; nor shall any delay, force, or omission of Franchisor to exercise any power or right arising out of any breach of default by Franchisee of any of the terms, provisions, or covenants hereof, affect or impair Franchisor's right to exercise the same, nor shall such constitute a waiver by Franchisor of any right hereunder, or the right to declare any subsequent breach or default and to terminate this Agreement prior to the expiration of its term. Subsequent acceptance by Franchisor of any payments due to it hereunder shall not be deemed to be a waiver by Franchisor of any preceding breach by Franchisee of any terms, covenants, or conditions of this Agreement.

22. GRANT OF SECURITY INTEREST

As security for the payment of all amounts from time to time owing by Franchisee to Franchisor under this Agreement and all other agreements between the parties, and performance of all obligations to be performed by Franchisee, Franchisee hereby grants to Franchisor a security interest in all of the assets of Franchisee, including, without limitation, all equipment, furniture, fixtures, and building and road signs, as well as all proceeds of the foregoing (the "Collateral"). Franchisee warrants and represents that the security interest granted hereby is prior to all other security interests in the Collateral, except bona fide purchase money security interests or security interests held by financial institutions, if any. Franchisee agrees not to remove the Collateral, or any portion thereof, from the Premises without the prior written consent of Franchisor. Upon the occurrence of any event entitling Franchisor to terminate this Agreement or any other agreement between the parties, Franchisor shall have all the rights and remedies of a secured party under the Uniform Commercial Code of the State in which the Restaurant is located, including, without limitation, the right to take possession of the Collateral. Franchisee agrees to execute and deliver to Franchisor financing statements or such other documents as Franchisor reasonably deems necessary to perfect Franchisor's interest in the Collateral within ten (10) days of receipt by Franchisee of such documents from Franchisor. Any notices delivered or mailed in accordance with Section 23 hereof at least fifteen (15) days prior to disposition of the Collateral, or any portion thereof, and, in reference to a private sale, need state only that Franchisee intends to negotiate such a sale.

23. NOTICES. Any and all notices required or permitted under this Agreement shall be in writing and shall be personally delivered, sent by registered mail, or sent by other means which affords the sender evidence of delivery or rejected delivery (including, without limitation, private delivery or courier service), which shall not include electronic communication, such as e-mail, to the respective parties at the addresses in the first paragraph of this Agreement, unless and until a different address has been designated by written notice to the other party. Any notice by a means which affords the sender evidence of delivery or rejected delivery shall be deemed to have been given and received at the date and time of receipt or rejected delivery.

24. ENTIRE AGREEMENT. This Agreement, the schedules and attachments hereto, and the documents referred to herein constitute the entire Agreement between Franchisor and Franchisee concerning the subject matter hereof, and supersede any prior agreements, no other representations having induced Franchisee to execute this Agreement. 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. The parties agree and acknowledge that Franchisor may modify its System however it deems necessary in its sole discretion through the updating, supplementing and revising of its Operations Manual and other Manuals. Nothing in this Agreement, or any related Agreement, is intended to disclaim the representations made by Franchisor in the Franchise Disclosure Document provided to Franchisee.

25. SEVERABILITY AND CONSTRUCTION

25.1. Severability. If, for any reason, any section, part, term, provision, and/or covenant herein is determined to be invalid and contrary to, or in conflict with, any existing or future law or regulation by a court or agency having valid jurisdiction, such shall not impair the operation of, or have any other effect upon, such other portions, sections, parts, terms, provisions, and/or covenants of this Agreement as may remain otherwise intelligible; and the latter shall continue to be given full force and effect and bind the parties hereto; and said invalid portions, sections, parts, terms, provisions, and/or covenants shall be deemed not to be a part of this Agreement.

25.2. Survival. Any provision or covenant in this Agreement which expressly or by its nature imposes obligations beyond the expiration, termination or assignment of this Agreement (regardless of cause for termination), shall survive such expiration, termination or assignment, including but not limited to Sections 10, 17, and 26.

25.3. No Rights or Remedies Conferred. 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, shareholders, agents, and employees, and such of Franchisor's successors and assigns as may be contemplated by Section 14 hereof, any rights or remedies under or by reason of this Agreement.

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

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

26. APPLICABLE LAW AND DISPUTE RESOLUTION

26.1. Applicable Law. Subject to our rights under federal trademark laws, this Agreement will be interpreted in accordance with the laws (statutory and otherwise) of the Commonwealth of Pennsylvania.

26.2. Internal Dispute Resolution. Franchisee must first bring any claim or dispute between Franchisee and Franchisor to Franchisor's President and/or Chief Executive Officer, after providing notice as set forth in Section 26.8 below. Franchisee must exhaust this internal dispute resolution procedure before Franchisee may bring Franchisee's dispute before a third party. This agreement to first attempt resolution of disputes internally shall survive termination or expiration of this Agreement.

26.3. Mediation. Except as otherwise provided herein, if a dispute arises out of or relates to this Agreement, the breach hereof, the rights and obligations of the parties hereto, or the making, interpretation, or performance of either party under this Agreement, the parties agree first to try in good faith to settle the dispute by mediation administered by AAA before resorting to litigation, or some other dispute resolution procedure. Such mediation shall take place before a sole mediator at Franchisor's corporate headquarters. The parties shall each bear all of their own costs of mediation; provided, however, the fees of the mediator shall be divided equally between Franchisor and Franchisee. The parties hereto agree that mediation shall not be required with respect to: (a) any claim or dispute involving any payment obligation of Franchisee that is more than forty five (45) days past due; (b) any claim or dispute involving actual or threatened disclosure or misuse of Franchisor's confidential information; (c) any claim or dispute involving the ownership, validity, or use of the Proprietary Marks; (d) any claim or dispute involving the insurance or indemnification provisions of this Agreement; or (e) any action by Franchisor to enforce the covenants set forth in Section 17 of this Agreement.

26.4. Jurisdiction and Venue. Any action that is not otherwise subject to mediation under Section 26.3, whether or not arising out of, or relating to, this Agreement, brought by Franchisee (or any principal thereof) against Franchisor shall be brought in the a state court of competent jurisdiction in Bucks County, Pennsylvania, or, if appropriate, the United States District Court for the Eastern District of Pennsylvania. Franchisor shall have the right to commence an action against Franchisee in any court of competent jurisdiction. Franchisee hereby waives all objections to personal jurisdiction or venue for purposes of this Section 26.4 and agrees that nothing in this Section 26.4 shall be deemed to prevent Franchisor from removing an action from state court to federal court.

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

26.6. Injunctive Relief. Nothing herein contained (including, without limitation, Sections 26.2, 26.3, and 26.4 above) shall bar Franchisor's right to obtain injunctive relief from any court of competent jurisdiction against threatened conduct that will cause it loss or damage, under the usual equity rules, including the applicable rules for obtaining specific performance, restraining orders, and preliminary injunctions.

26.7. Third Party Beneficiary. Franchisor's officers, directors, shareholders, agents and/or employees are express third party beneficiaries of the provisions of this Agreement, including the internal dispute resolution and mediation provisions set forth in this Section 26, each having authority to specifically enforce the right to mediate claims asserted against such person(s) by Franchisee and take full advantage of Franchisor's internal dispute resolution procedure.

26.8. Prior Notice of Claims. As a condition precedent to commencing an action for damages or for violation or breach of this Agreement, Franchisee must notify Franchisor within thirty (30) days after the occurrence of the violation or breach, and failure to timely give such notice shall preclude any claim for damages.

26.9. Limitation of Claims. FRANCHISEE AGREES THAT ANY AND ALL CLAIMS BY FRANCHISEE AGAINST FRANCHISOR ARISING OUT OF, OR RELATING TO, THIS AGREEMENT MAY NOT BE COMMENCED BY FRANCHISEE UNLESS BROUGHT BEFORE THE EARLIER OF (A) THE EXPIRATION OF ONE (1) YEAR AFTER THE ACT, TRANSACTION, OR OCCURRENCE UPON WHICH SUCH CLAIM IS BASED; OR (B) ONE (1) YEAR AFTER THIS AGREEMENT EXPIRES OR IS TERMINATED FOR ANY REASON. FRANCHISEE AGREES THAT ANY CLAIM OR ACTION NOT BROUGHT WITHIN THE PERIODS REQUIRED UNDER THIS SECTION 26.9 SHALL FOREVER BE BARRED AS A CLAIM, COUNTERCLAIM, DEFENSE, OR SET OFF.

26.10. Franchisor's Costs and Expenses. Except as expressly provided by Sections 26.2 and 26.3 hereof, Franchisee shall pay all expenses, including attorneys' fees and costs, incurred by Franchisor, its affiliates, and its successors and assigns (a) to remedy any defaults of, or enforce any rights under, this Agreement; (b) to effect termination of this Agreement; and (c) to collect any amounts due under this Agreement.

26.11. Waivers. FRANCHISOR AND FRANCHISEE HEREBY KNOWINGLY, VOLUNTARILY, AND INTENTIONALLY AGREE AS FOLLOWS:

26.11.1. **FRANCHISOR AND FRANCHISEE BOTH EXPRESSLY WAIVE THE RIGHT EITHER MAY HAVE TO A TRIAL BY JURY IN ANY ACTION, PROCEEDING, OR COUNTERCLAIM BROUGHT BY OR AGAINST EITHER PARTY;**

26.11.2. **FRANCHISOR AND FRANCHISEE BOTH EXPRESSLY WAIVE ANY CLAIM FOR PUNITIVE, MULTIPLE, AND/OR EXEMPLARY DAMAGES, EXCEPT THAT FRANCHISOR SHALL BE FREE AT ANY TIME HEREUNDER TO BRING AN ACTION FOR WILLFUL**

TRADEMARK INFRINGEMENT AND, IF SUCCESSFUL, TO RECEIVE AN AWARD OF MULTIPLE DAMAGES AS PROVIDED BY LAW; AND

26.11.3. **THE PARTIES FURTHER AGREE THAT ALL PROCEEDINGS WILL BE CONDUCTED ON AN INDIVIDUAL, NOT A CLASS-WIDE BASIS, AND THAT ANY PROCEEDING BETWEEN FRANCHISEE, FRANCHISEE'S GUARANTORS, AND FRANCHISOR (OR ITS AFFILIATES, OFFICERS OR EMPLOYEES) MAY NOT BE CONSOLIDATED WITH ANY OTHER PROCEEDING BETWEEN FRANCHISOR AND ANY THIRD PARTY.**

27. FORCE MAJEURE

27.1. Non-Performance or Delay. Neither party shall be responsible to the other for non-performance or delay in performance occasioned by causes beyond its control, including without limiting the generality of the foregoing: (a) acts of God; (b) acts of war, terrorism, or insurrection; (c) strikes, lockouts, labor actions, boycotts, floods, fires, hurricanes, tornadoes, and/or other casualties; and/or (d) the inability of Franchisor and/or its affiliates or suppliers to manufacture, purchase, and/or cause delivery of any products used in the operation of the Restaurant.

27.2. Delay in Making Payments. The inability of either party to obtain and/or remit funds shall be considered within control of such party for the purpose of this Section. If any such delay occurs, any applicable time period shall be automatically extended for a period equal to the time lost; provided, however, that the party affected makes reasonable efforts to correct the reason for such delay and gives to the other party prompt notice of any such delay; and further provided, however, that Franchisee shall remain obligated to promptly pay all fees due and owing to Franchisor hereunder, without any such delay or extension.

28. ACKNOWLEDGMENTS

28.1. Independent Investigation. Franchisee acknowledges that it has conducted an independent investigation of the business franchised hereunder, and recognizes that the business venture contemplated by this Agreement is speculative and involves business risks, and that its success depends to a material extent upon the ability of Franchisee (or, if Franchisee is a corporation, partnership or limited liability company, the ability of its principals) as an independent businessperson, as well as other factors. Franchisor expressly disclaims the making of, and Franchisee acknowledges that it has not received or relied on, any warranty or guarantee, express or implied, as to the potential volume, profits, or success of the business venture contemplated by this Agreement, and Franchisee represents and warrants that Franchisee has not entered into this Agreement in reliance upon any representation, oral or written, by Franchisor as to potential or expected sales or profits.

28.2. Site Approval. Franchisee hereby acknowledges and agrees that Franchisor's approval of the site for the Restaurant does not constitute an assurance, representation or warranty of any kind, express or implied, as to the suitability of the Restaurant's site, the

Restaurant's profitability or success, or for any other purpose, or of its compliance with any applicable zoning or land-use regulations or ordinances and any federal, state and local laws, codes and regulations including, without limitation, the applicable provisions of the Americans with Disabilities Act regarding the construction, design and operation of the Restaurant. Franchisee acknowledges and agrees that Franchisee, and not Franchisor, has the duty and obligation to locate and lease a site for the Restaurant, that Franchisor makes no representation, warranty, or guarantee that a suitable and acceptable site will be located, and that Franchisor's approval of a site is not a guarantee or warranty that an acceptable lease can be negotiated or executed.

28.3. Acknowledgment of Receipt. Franchisee acknowledges that it received Franchisor's current franchise disclosure document at least fourteen (14) calendar days prior to the date on which this Agreement was executed. Franchisee further acknowledges that it received a completed copy of this Agreement, and all related agreements attached to the franchise disclosure document, with any changes to such agreements unilaterally and materially made by Franchisor at least seven (7) calendar days prior to the date on which this Agreement and all related agreements were executed.

28.4. Acknowledgment of Understanding; Opportunity to Consult. Franchisee acknowledges that it has read and understood this Agreement, the attachments hereto, and agreements relating thereto, if any, and that Franchisor has accorded Franchisee ample time and opportunity to consult with an attorney or other advisor of Franchisee's own choosing about the potential benefits and risks of entering into this Agreement.

28.5. Inducement. Franchisee acknowledges the truthfulness of the statements contained in Attachment 11 hereto. Franchisee's acknowledgments are an inducement for Franchisor to enter into this Agreement. Franchisee shall immediately notify Franchisor, prior to acknowledgment if any statement in Attachment 11 is incomplete or incorrect.

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

FRANCHISOR: LEE'S HOAGIE HOUSE FRANCHISE GROUP, LLC

Signed: ______________________________________
Allan Lewin, CEO

FRANCHISEE:

Signed: ______________________________________

Printed Name: _________________________________

Title: ____

ATTACHMENT 1: FRANCHISEE INFORMATION

Franchise Agreement Date : ____________________ , 20

Effective Date of this Schedule : ____________________ , 20

1. Approved Location:

____
____

2. Franchisee's Protected Area:

____
____

3. Franchisee Contact Person. The following individual is a shareholder, member, or partner of Franchisee and is the principal person to be contacted on all matters relating to the Franchised Business:

Name: _____________________________________

Daytime Telephone No.:

Evening Telephone No.:

Cellular Telephone No.:

Facsimile No.: _____________________________________

E-mail Address: _____________________________________

4. Franchisee Owners. If Franchisee is a corporation, limited liability company, or partnership, the undersigned agree and acknowledge that the following is a complete list of all of the shareholders, members, or partners of Franchisee and the percentage interest of each individual:

Name	Position/Title	Interest (%)
_________________________	__________________	__________
_________________________	__________________	__________
_________________________	__________________	__________

____________________________ ____________________ ____________

IN WITNESS WHEREOF, the undersigned has duly executed this supplementary schedule to the Franchise Agreement on the effective date written above, which is hereby incorporated into the Franchise Agreement as if set forth on the day of the original execution of the Franchise Agreement.

FRANCHISEE

_______________________________ Witness/Attest	By: __________________________________
	Name:________________________________
	Title:_________________________________

OWNERS

_______________________________ Witness/Attest	By: __________________________________
	Name:________________________________
_______________________________ Witness/Attest	By: __________________________________
	Name:________________________________
_______________________________ Witness/Attest	By: __________________________________
	Name:________________________________

ATTACHMENT 2: SITE SELECTION ADDENDUM

Lee's Hoagie House Franchise Group, LLC (hereinafter the "Franchisor") and ______________ ____(hereinafter "Franchisee"), have this date, ___________________________, entered into a certain Franchise Agreement (the "Franchise Agreement") and now desire to supplement its terms as set forth below according in this Site Selection Addendum (the "Site Selection Addendum"). The parties agree as follows:

1. At the time the parties entered into the Franchise Agreement, Franchisee had not obtained and secured a lease for a location from which to operate the Franchised Business granted under the Franchise Agreement (the "Restaurant") that Franchisor approved in writing (the "Approved Location").

2. Within six months (6) months after Franchisee's execution of the Franchise Agreement, Franchisee shall purchase or lease an Approved Location, at Franchisee's expense, that Franchisor approves in accordance with the site selection procedure set forth in Sections 5.1 and 5.2 of the Franchise Agreement. The Approved Location shall be within the following region ("Site Selection Zone"):

____

____

3. Franchisee acknowledges and agrees that the Franchisee's Protected Area as described in Schedule A of the Franchise Agreement will not be the same geographical area as the Site Selection Zone and the Franchisee's Area may be significantly smaller than the Site Selection Zone. Notwithstanding anything contained in this Site Selection Addendum, Franchisor may establish, and license another to establish, a Lee's Hoagie House franchised business using its Proprietary Marks and System within the Site Selection Zone at any time, subject to Section 1.3 of the Franchise Agreement.

4. Failure by Franchisee to obtain premises for the Restaurant within the time required in Section 2 hereof shall constitute a default under the Franchise Agreement and this Site Selection Addendum and shall be grounds for termination as set forth in Section 15 of the Franchise Agreement. The parties agree and acknowledge that time is of the essence with respect to all of Franchisee's obligations under this Site Selection Addendum.

5. Prior to Franchisee's acquisition by lease or purchase of a site for the Restaurant, Franchisee shall submit to Franchisor a Site Proposal Package for each location Franchisee wishes to operate the Restaurant as set forth more fully in Section 5.1 of the Franchise Agreement. Recognizing that time is of the essence, Franchisee agrees that Franchisee must submit a proposed site, together with the information and materials required by this Section 3, to Franchisor for its approval within ninety (90) days after execution of this Site Selection Addendum. Franchisee and Franchisor shall otherwise proceed with selecting and approving an Approved Location as set forth more fully in Sections 5.1 and 5.2 of the Franchise Agreement

and Franchisee shall pay Franchisor any Site Evaluation Fee(s), as well as other expenses incurred by Franchisor in evaluating any site(s) proposed by Franchisee, as set forth more fully in Section 5.1.3.

5. If Franchisee will occupy the premises of the Restaurant under a lease, Franchisee shall, prior to the execution thereof: (i) retain the services of a professional site investigation firm as set forth more fully in Section 5.1.4 of the Franchise Agreement; (ii) execute the Conditional Assignment of Lease, and obtain the lessor's execution of the Consent and Agreement of Lessor, in the forms attached as Schedule C to the Franchise Agreement; and (iii) submit the lease to Franchisor for its prior written approval. Franchisor's approval of the lease may be conditioned upon the inclusion in the lease such terms and conditions as Franchisor may reasonably require, including, without limitation:

a. That the initial term of the lease, or the initial term together with renewal terms, shall be for not less than ten (10) years;

b. That the lessor consents to Franchisee's use of such Proprietary Marks and initial signage as Franchisor may prescribe for the Restaurant;

c. That the use of the premises be restricted solely to the operation of the Restaurant;

d. That Franchisee be prohibited from subleasing or assigning all or any part of its occupancy rights or extending the term of or renewing the lease without Franchisor's prior written consent;

e. That lessor provide to Franchisor copies of any and all notices of default given to Franchisee under the lease;

f. That Franchisor has the right to enter the premises to make modifications necessary to protect the Proprietary Marks or the System or to cure any default under the Franchise Agreement or under the lease;
and

g. That Franchisor has the option, upon default, expiration or termination of the Franchise Agreement, and upon notice to the lessor, to assume all of Franchisee's rights under the lease terms, including the right to assign or sublease.

6. Franchisee shall furnish Franchisor with a copy of any executed lease within five (5) days after execution thereof.

7. After a site for the Restaurant has been approved in writing by Franchisor and purchased or leased by Franchisee in accordance with this Site Selection Addendum and Section 5 of the Franchise Agreement, the site shall constitute the Approved Location referred to in Section 1.2 of the Franchise Agreement.

8. Franchisee hereby acknowledges and agrees that Franchisor's approval of a site does not constitute an assurance, representation or warranty of any kind, express or implied, as to the suitability of the site for the Restaurant or for any other purpose or the site's compliance with any

federal, state and local laws, codes and regulations, including, without limitation, the applicable provisions of the Americans with Disabilities Act regarding the construction, design, and operation of the Restaurant. Franchisor's approval of the site indicates only that Franchisor believes the site complies with acceptable minimum criteria established by Franchisor solely for its purposes as of the time of the evaluation. Both Franchisee and Franchisor acknowledge that application of criteria that may have been effective with respect to other sites and premises may not be predictive of potential for all sites and that, subsequent to Franchisor's approval of a site, demographic and/or economic factors, such as competition from other similar businesses, included in or excluded from Franchisor's criteria could change, thereby altering the potential of a site or lease. Such factors are unpredictable and are beyond Franchisor's control. Franchisor shall not be responsible for the failure of a site approved by Franchisee to meet Franchisee's expectations as to revenue or operational criteria. Franchisee further acknowledges and agrees that its acceptance of a franchise for the operation of the Restaurant at the site is based on its own independent investigation of the suitability of the site.

9. In the event a term is not specifically defined herein, that term shall be given the meaning and definition provided for it in the Franchise Agreement.

10. This Site Selection Addendum constitutes an integral part of the Franchise Agreement between the parties hereto, and the terms of this Site Selection Addendum shall be controlling with respect to the subject matter hereof. Except as modified or supplemented by this Site Selection Addendum, the terms of the Franchise Agreement are hereby ratified and confirmed,.

IN WITNESS WHEREOF, the parties hereto have duly executed this Site Selection Addendum to the Franchise Agreement on the date first above written.

FRANCHISOR: **LEE'S HOAGIE HOUSE** **FRANCHISE GROUP, LLC**	**FRANCHISEE:** [INSERT FRANCHISEE HERE]
By: ____________________________ Allan Lewin, CEO	By:____________________________ Its:____________________________

ATTACHMENT 3: <u>LEASE ADDENDUM</u>

LEASE ADDENDUM ("Addendum")
TO LEASE DATED _________________________________ ("Lease")
BY AND BETWEEN ____________________________ ("Landlord")
AND _____________________________ ("Tenant")
For ____ ("Premises")

THIS ADDENDUM (the "Addendum") is entered into among Lee's Hoagie House Franchise Group, LLC ("Franchisor"), and the Tenant and Landlord identified above on_______________________, ("Effective Date") subject to the following recitals:

WHEREAS, Tenant and Franchisor are parties to that certain Franchise Agreement (the "Franchise Agreement") pursuant to which Franchisor has granted Tenant a franchise and license to operate a Restaurant under the service mark "Lee's Hoagie House" using the distinctive business methods, uniform operating systems and trademarks that Franchisor now or hereafter requires to identify, advertise or promote its proprietary operating and franchise system (the "Restaurant");

WHEREAS, the Franchise Agreement requires Tenant to obtain Franchisor's prior written approval of the location for Tenant's Restaurant (the "Approved Location") before entering into a lease with the owner or master tenant of the Approved Location (the "Lease");

WHEREAS, one of the factors that Franchisor considers in approving a location for Tenant's Restaurant is the agreement of the owner or master tenant of the Approved Location to incorporate certain provisions as part of the Lease to protect Franchisor's interests and give Franchisor specific rights as a third party beneficiary.

WHEREAS, Franchisor has approved the Premises as the Approved Locations of Tenant's Restaurant subject to the parties entering into this Addendum to the Lease of the Premises. Landlord and Tenant are willing to amend the Lease in order to add the specific provisions which Franchisor requires as a condition to approving Tenant's request to locate its Lee's Hoagie House Restaurant at the Premises.

NOW, THEREFORE, for valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties agree as follows:

A. <u>Effect of Addendum</u>. Tenant and Landlord agree that this Addendum is made a part of that certain Lease for the Premises which they have entered into on the date shown above and attach a copy of the Lease to this Addendum as Attachment 3 Tenant and Landlord agree that, in the event of any contradiction or inconsistency between the terms and provisions of this Addendum and the terms and provisions of the Lease, the terms and provisions of this Addendum shall control and be interpreted in such a manner as to override any provision of the Lease which would prevent the spirit and letter of the terms and provisions of this Addendum from being given full force and effect. The parties agree that all defined terms not specifically defined in this Addendum shall be given the same meaning as the defined terms in the Lease. The parties further agree that Franchisor's signature below signifies its agreement to the terms and conditions of this Addendum, but does not create or impose any obligations upon Franchisor under the Lease or make Franchisor a named party to the Lease. The parties expressly recognize that Franchisor is a third party beneficiary of the Lease with the rights created by this Addendum.

B. Assignment of Lease. Tenant irrevocably assigns and transfers to Franchisor all of Tenant's right, title, and interest in and to the Lease and all options contained therein. This assignment may not be revoked without the prior written consent of Franchisor. The parties acknowledge that, until Franchisor accepts the assignment made by Tenant, which acceptance shall be indicated by Franchisor delivering a written notice of acceptance of assignment in accordance with this Addendum, Franchisor has no obligations, liabilities, or responsibilities under the Lease of any kind, including, without limitation, as a guarantor or indemnitor of Tenant's obligations to Landlord. Tenant represents that, before the Effective Date, it has not entered into an agreement to assign its right, title, and interest in and to the Lease to any other person.

C. Use of Property. During the term of the Lease, Tenant shall use the Premises solely for the operation of a Lee's Hoagie House Restaurant in accordance with the requirements of the Franchise Agreement unless Tenant and Landlord obtain Franchisor's prior written consent to another use.

D. Franchisor's Right of Entry. Franchisor may enter the Premises at any time to inspect Tenant's operations and engage in all activities expressly permitted by the Franchise Agreement.

E. Notices to Franchisor. Landlord shall serve Franchisor with a copy of any notice of default, breach or termination of Lease at the same time that Landlord serves Tenant with such notice.

F. Default by Tenant; Franchisor Opportunity to Cure. Landlord agrees not to terminate the Lease based on Tenant's breach or default of any provision of the Lease unless and until Landlord gives Franchisor written notice identifying the breach or default and allows Franchisor an opportunity to cure the breach or default, which cure period shall be no less than the length of the cure period extended to Tenant plus an additional ten (10) days (with a minimum cure period extended to Franchisor of at least 30 days total). To avoid uncertainty over the length of Franchisor's cure period, Landlord shall identify Franchisor's cure period when Landlord gives Franchisor written notice of the breach or default. Landlord shall not terminate the Lease before Franchisor's cure period expires. If Franchisor fails or refuses to cure the breach or default by the end of Franchisor's cure period, Landlord may terminate the Lease in the manner provided in the Lease, but shall have no remedy against Franchisor.

G. Acceptance of Assignment by Franchisor. Subject to complying with the requirements of this Section, Franchisor may accept the assignment of the Lease by giving written notice of acceptance to Landlord at any time before the Lease terminates or expires if: (i) Franchisor terminates the Franchise Agreement for any reason; or (ii) Tenant loses the right to occupy the Premises due to Tenant's breach or default or for any other reason except the expiration of the Lease or condemnation or destruction of the Premises on the terms stated in the Lease. If Franchisor accepts the assignment by giving timely written notice, the parties agree that from and after the date of Franchisor's written notice of acceptance: (i) Franchisor shall have all of the rights of Tenant under the Lease; (ii) Franchisor shall have the right to assign or sublet all of any part of its interest in the Lease or in the Premises to another Lee's Hoagie House franchisee without Landlord's prior consent; and (iii) Franchisor shall be liable to perform only the obligations of Tenant under the Lease arising from and after the date of Franchisor's acceptance of the assignment and shall have no liability for obligations arising before Franchisor's
acceptance of the assignment (except for the duty to cure any defaults committed by Tenant which

are outstanding on the date of Franchisor's notice of acceptance of assignment). Any options to extend the term of the Lease shall automatically transfer to Franchisor as an assignee of Tenant's rights under the Lease. If Franchisor accepts an assignment of the Lease, the parties shall thereafter cooperate and work together to achieve an orderly transition of Tenant's leasehold interest to Franchisor with minimal disruption to the service of customers of the Restaurant.

H. Landlord's Agreements. In addition to agreements stated elsewhere in this Addendum, for the benefit of Franchisor, Landlord agrees not to accept Tenant's voluntary surrender of the Lease without giving Franchisor prior written notice and a period of no less than ten (10) days in which to accept an assignment of the Lease pursuant to the requirements of this Addendum. Additionally, Landlord agrees not to amend the Lease without Franchisor's prior written consent.

I. Communications. Any notices required in this Addendum must be in writing and will be deemed given when actually delivered by personal delivery or four (4) days after being sent by certified or registered mail, or recognized overnight carrier, return receipt requested, if addressed as follows:

Franchisor:	Lee's Hoagie House Franchise Group, LLC 26 Second Street Pike Southampton, PA 18966 Attention: Mr. Allan Lewin, CEO
Landlord:	______________________________
Tenant:	______________________________ ______________________________

Any party may change its address for receiving notices by appropriate written notice to the other.

J. Miscellaneous. Any waiver excusing or reducing any obligation imposed by this Addendum shall be in writing and executed by the party who is charged with making the waiver and shall be effective only to the extent specifically allowed in such writing. The language used in this Addendum shall in all cases be construed simply according to its fair meaning and not strictly for or against any party. Nothing in this Addendum is intended, nor shall it be deemed, to confer any rights or remedies upon any person or entity who is not a party to this Addendum. This Addendum shall be binding upon, and shall inure to the benefit of, the successors, assigns, heirs, and personal representatives of the parties hereto. This Addendum sets forth the entire agreement with regard to the rights of Franchisor, fully superseding any and all prior agreements or understandings between the parties pertaining to the subject matter of this Addendum. This Addendum may only be amended by written agreement duly executed by each party.

SIGNATURE PAGE TO FOLLOW

IN WITNESS WHEREOF, this Addendum is made and entered into by the undersigned parties as of the Effective Date.

LANDLORD: [INSERT LANDLORD HERE]	**TENANT (FRANCHISEE):** [INSERT FRANCHISEE HERE]
By: _____________________________ Its:_____________________________	By:_____________________________ Its: _____________________________

FRANCHISOR
LEE'S HOAGIE HOUSE
FRANCHISE GROUP, LLC

By: _____________________________
Allan Lewin, CEO

ATTACHMENT 4: <u>PERSONAL GUARANTY</u>

NOTE: IF THE FRANCHISEE IS AN INDIVIDUAL FRANCHISEE'S SPOUSE MUST EXECUTE THE FOLLOWING UNDERTAKING. IF FRANCHISEE IS A CORPORATION, EACH OF FRANCHISEE'S SHAREHOLDERS OWNING AN INTEREST OF 10% OR MORE IN FRANCHISEE AND THEIR SPOUSES MUST EXECUTE THE FOLLOWING UNDERTAKING. IF FRANCHISEE IS A PARTNERSHIP, EACH OF FRANCHISEE'S PARTNERS OWNING AN INTEREST OF 10% OR MORE IN FRANCHISEE AND THEIR SPOUSES MUST EXECUTE THE FOLLOWING UNDERTAKING. IF FRANCHISEE IS A LIMITED LIABILITY COMPANY, EACH OF FRANCHISEE'S MEMBERS OWNING AN INTEREST OF 10% OR MORE IN FRANCHISEE AND THEIR SPOUSES MUST EXECUTE THE FOLLOWING UNDERTAKING. FRANCHISOR MAY REQUIRE ADDITIONAL PARTIES AND THEIR SPOUSES TO EXECUTE THIS GUARANTY, PURSUANT TO SECTION 14 OF THE FRANCHISE AGREEMENT.

ARTICLE I
PERSONAL GUARANTY

The undersigned persons (individually and collectively "you") hereby represent to Lee's Hoagie House Franchise Group, LLC ("Franchisor") that you are all of the shareholders of the franchisee, or all of the general partners of the franchisee, or all of the members and managers, or the spouse of any such shareholder, general partner, or member or manager of___________________________________
____("Franchisee"), as the case may be. In consideration of the grant by Franchisor to the Franchisee as herein provided, each of you hereby agree, in consideration of benefits received and to be received by each of you, jointly and severally, and for yourselves, your heirs, legal representatives and assigns, to be firmly bound by all of the terms, provisions and conditions of the foregoing Lee's Hoagie House Franchise Group, LLC Franchise Agreement, and any other agreement between Franchisee and Franchisor and/or its affiliates, and do hereby unconditionally guarantee the full and timely performance by Franchisee of each and every obligation of Franchisee under the aforesaid Franchise Agreement or other agreement between Franchisor and Franchisee, including, without limitation, any indebtedness of Franchisee arising under or by virtue of the aforesaid Franchise Agreement and that you (jointly and individually) will not permit or cause any change in the percentage of Franchisee owned, directly or indirectly, by any person, without first obtaining the written consent of Franchisor prior to said proposed transfer, which consent must not be unreasonably withheld, and without first paying or causing to be paid to Franchisor the transfer fee provided for in said Franchise Agreement, if applicable, and without otherwise complying with the transfer provisions of the foregoing Franchise Agreement. You agree to be bound by the dispute resolution procedures set forth in the Franchise Agreement. You further agree to be bound by the in-term and post-term covenants against competition of the aforesaid Franchise Agreement.

ARTICLE II
CONFIDENTIALITY

During the initial and any successor terms of the Franchise Agreement and this Guaranty, you will receive information, which Franchisor considers its trade secrets and confidential information, including, but not limited to, the Proprietary Recipes, standards and specifications for food preparation, including Proprietary Products and other menu items, standards and specifications for the build out of a Restaurant, information about proprietary food and menu items and merchandise, any proprietary software Franchisor may now or in the future create, the creation and development of any Collateral Merchandise or other products featuring Franchisor's Proprietary Marks, as well as the Operations Manual and other Manuals ("Confidential Information"). You shall not, during the term of this Agreement or thereafter, communicate, divulge, or use for the benefit of any other person, partnership, association, corporation, or limited liability company any Confidential Information and trade secrets, including, without limitation, trade secrets; price marketing mixes related to the sale of food and beverage items and any other goods or services offered or authorized for sale by System franchisees; Franchisor's copyrighted materials; and methods and other techniques and know-how concerning the of operation of the Franchised Business which may be communicated to you or of which you may become apprised by virtue of your role as a guarantor of the franchisee's obligations under the Franchise Agreement. Any and all information, knowledge, know-how, techniques, and other data, which Franchisor designates as confidential, will be deemed Confidential Information for purposes of this Agreement.

ARTICLE III
NON-COMPETITION

You acknowledge that as a participant in the Franchisor's Franchise System, you will receive proprietary and confidential information and materials, trade secrets, and the unique methods, procedures and techniques which Franchisor has developed. Therefore to protect Franchisor and all Franchisor's franchisees, you agree as follows:

1. **In Term Restriction.** During the term of the Franchise Agreement and this Personal Guaranty, neither your, nor your principals, officers, directors, nor any members your immediate family or the immediate family of your officers, directors, or principals may, directly or indirectly, for themselves or through, on behalf of, or in conjunction with any other person, partnership or corporation:

   1.1. Own, maintain, engage in, lend money to, extend credit to, have any interest in, or be employed as an officer, director, executive, consultant, or principal of any food business, whether quick-casual, fast food, take-out, full-service or otherwise that: (i) is the same as, or substantially similar to, a Lee's Hoagie House Restaurant; or (ii) offers to sell or sells any menu items or food products which are the same as, or substantially similar to, any of the menu items or food products offered by a Lee's Hoagie House Restaurant where the sale of such menu items or food products constitutes ten percent (10%) or more of the gross sales of such retail business (a "Competing Business"); provided, however, that this Section does not apply to your operation of any other Restaurant under the Proprietary Marks and System;

   1.2. Employ or seek to employ any person who is at that time employed by Franchisor, Franchisor's affiliates or any other System franchisee, or otherwise directly or indirectly induce or seek to induce such person to leave his or her employment there at; or

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

2. **After the Term of This Agreement.**

   2.1. For a period of two (2) years after the expiration and refusal of successor agreement, transfer or termination of the Franchise Agreement, regardless of the cause, neither you, your officers, directors, or principals, nor any member of your immediate family or the immediate family of your officers, directors, or principals may, directly or indirectly, for themselves or through, on behalf of, or in conjunction with any other person, partnership or corporation enter into any business competing in whole or in part with Franchisor in granting franchises or licenses to operate fast casual restaurants or any other businesses offering or licensing the sale of food items, beverages, and merchandise offered or authorized for sale by System franchisees at the time this Agreement is terminated or expires and is not otherwise renewed.

2.2. For a period of two (2) years after the expiration, transfer or termination of the Franchise Agreement, regardless of the cause, neither you, your officers, directors, or principals, nor any member of your immediate family or the immediate family of your officers, directors, or principals may, directly or indirectly, for themselves or through, on behalf of, or in conjunction with any other person, partnership or corporation:

2.2.1. Own, maintain, engage in, lend money to, extend credit to, have any interest in, or be employed as an officer, director, executive, consultant, or principal of any Restaurant or Restaurant or any Competitive Business that is, or is intended to be, located at or within: (i) the Approved Location; or (ii) ten (10) miles of the Approved Location or (10) miles of any other Lee's Hoagie House location, whether franchised, licensed or affiliated with the Franchisor as of the date of expiration, transfer or termination of this Agreement; or

2.2.2. Solicit business from customers of Franchisee's former Restaurant;

2.2.3. Contact any of Franchisor's suppliers or vendors for any competitive business purpose; or

2.2.4. Solicit any of our employee, or the employees of Franchisor's affiliates or any other System franchisee to discontinue employment.

2.3. **Intent and Enforcement**. It is the parties' intent that the provisions of this agreement be judicially enforced to the fullest extent permissible under applicable law. Accordingly, the parties agree that any reduction in scope or modification of any part of the noncompetition provisions contained herein shall not render any other part unenforceable. In the event of the actual or threatened breach of this agreement by you, any of your principals, or any members of their immediate family, Franchisor shall be entitled to an injunction restraining such person from any such actual or threatened breach. You agree that in the event of the actual or threatened breach, Franchisor's harm will be irreparable and that Franchisor has no adequate remedy at law to prevent such harm. You acknowledge and agree that you have previously worked or been gainfully employed in other careers and that the provisions herein in no way prevent you from earning a living. You further acknowledge and agree that the time limitation of this restriction shall be tolled during any default under the Franchise Agreement and this Guaranty.

ARTICLE IV
MISCELLANEOUS

1. **Acknowledgment**. You acknowledge that this Guaranty is not a franchise agreement and does not confer upon you any rights to use the Franchisor's proprietary marks or its system.

2. **Governing Law.** This Guaranty shall be deemed to have been made in and governed by the laws of the Commonwealth of Pennsylvania.

3. **Internal Dispute Resolution.** You must first bring any claim or dispute arising out of or relating to the Franchise Agreement or this Personal Guaranty to Franchisor's Chief Executive Officer and/or President. You agree to exhaust this internal dispute resolution procedure before bringing any dispute before a third party. This agreement to engage in internal dispute resolution first shall survive the termination or expiration of this Agreement.

4. **Mediation.** At Franchisor's option, all claims or disputes between you and Franchisor arising out of, or in any way relating to, this Personal Guaranty or the Franchise Agreement or any other agreement by and between you and the Franchisor, or any of the parties' respective rights and obligations arising from such agreements must be submitted first to mediation, in Bucks County, Pennsylvania, under the auspices of the American Arbitration Association ("AAA"), in accordance with AAA's Commercial Mediation Rules then in effect. Before commencing any legal action against Franchisor or its affiliates with respect to any such claim or dispute, you must submit a notice to Franchisor, which specifies, in detail, the precise nature and grounds of such claim or dispute. Franchisor will have a period of thirty (30) days following receipt of such notice within which to notify you as to whether Franchisor or its affiliates elects to exercise its option to submit such claim or dispute to mediation. You may not commence any action against Franchisor or its affiliates with respect to any such claim or dispute in any court unless Franchisor fails to exercise its option to submit such claim or dispute to mediation, or such mediation proceedings have been terminated either: (i) as the result of a written declaration of the mediator(s) that further mediation efforts are not worthwhile; or (ii) as a result of a written declaration by Franchisor. Franchisor's rights to mediation, as set forth herein, may be specifically enforced by Franchisor. Each party shall bear its own cost of mediation and the parties shall share the cost of mediator. This agreement to mediate at our option shall survive the termination or expiration of the Franchise Agreement.

   4.1. **Caveat**. The parties shall not be required to first attempt to mediate a controversy, dispute, or claim through mediation as set forth herein if such controversy, dispute, or claim concerns an allegation that a party has violated (or threatens to violate, or poses an imminent risk of violating): (i) any federally protected intellectual property rights in the Proprietary Marks, the System, or in any trade secrets and Confidential Information; (ii) any claims arising out of or pertaining to any warranty issued; (iii) any of the restrictive covenants contained in this agreement; or (iv) any claims arising out of or related to fraud or misrepresentation by you or Franchisee, or your or the Franchisee's insolvency.

   4.2. **Third Party Beneficiaries.** Franchisor's officers, directors, shareholders, agents and/or employees are express third party beneficiaries of the Franchise Agreement and this Guaranty, and the mediation provisions contained herein, each having authority to specifically enforce the right to mediate and litigate claims asserted against such person(s) by you.

   4.3. **Injunctive Relief.** Nothing contained in this Guaranty shall prevent Franchisor from applying to or obtaining from any court having jurisdiction, without bond, a writ of attachment, temporary injunction, preliminary injunction and/or other emergency relief available to safeguard and protect Franchisor's interest prior to the filing of any mediation proceeding or pending the trial or handing down of a decision or award pursuant to any mediation or judicial proceeding conducted hereunder.

   4.4. **Jurisdiction and Venue.** With respect to any proceeding not subject to mediation, the parties expressly agree submit to the jurisdiction and venue of any court of general jurisdiction in Bucks County, Pennsylvania and the jurisdiction and venue of the United States District Court for the Eastern District of Pennsylvania.

4.5. **Jury Trial Waiver. The parties hereby agree to waive trial by jury in any action, proceeding or counterclaim, whether at law or equity, regardless of which party brings suit. This waiver shall apply to any matter whatsoever between the parties hereto which arises out of or is related in any way to this Personal Guaranty or the Franchise Agreement, the performance of either party, and/or your purchase from Franchisor of the franchise, option and/or any goods or services.**

4.6. **Waiver of Punitive Damages.** You waive to the fullest extent permitted by law, any right to or claim for any punitive, exemplary, incidental, indirect, special or consequential damages (including, without limitation, lost profits) which you may have against us arising out of any cause whatsoever (whether such cause be based in contract, negligence, strict liability, other tort or otherwise) and agree that in the event of a dispute, your recovery shall be limited to actual damages. If any other term of this Personal Guaranty is found or determined to be unconscionable or unenforceable for any reason, the foregoing provisions shall continue in full force and effect, including, without limitation, the waiver of any right to claim any consequential damages.

4.7. **Limitation on Action.** You agree that no cause of action arising out of or under this Guaranty or the Franchise Agreement may be maintained by you unless brought before the expiration of one (1) year after the act, transaction or occurrence upon which such action is based or the expiration of one (1) year after you become aware of facts or circumstances reasonably indicating that you may have a claim against the Franchisor, whichever occurs sooner, and that any action not brought within this period shall be barred as a claim, counterclaim, defense or set-off.

4.8. **Attorneys' Fees.** If either party institutes any mediation action or judicial proceeding to enforce any monetary or nonmonetary obligation or interpret the terms of this Guaranty and the Franchise Agreement, and Franchisor prevails in such action, you shall be liable to Franchisor for all costs, including reasonable attorneys' fees, incurred in connection with such proceeding.

4.9. **Nonwaiver.** Franchisor's failure to insist upon strict compliance with any provision of this Personal Guaranty and the Franchise Agreement shall not be a waiver of Franchisor's right to do so, any law, custom, usage or rule to the contrary notwithstanding. Delay or omission by Franchisor respecting any breach or default shall not affect Franchisor's rights respecting any subsequent breaches or defaults. All rights and remedies granted in this Guaranty shall be cumulative. Franchisor's election to exercise any remedy available by law or contract shall not be deemed a waiver or preclude exercise of any other remedy.

4.10. **Severability.** The parties agree that if any provisions of this Guaranty may be construed in two ways, one of which would render the provision illegal or otherwise voidable or unenforceable and the other which would render it valid and enforceable, such provision shall have the meaning, which renders it valid and enforceable. The language of all provisions of this Guaranty shall be construed according to fair meaning and not strictly construed against either party. The provisions of this Guaranty are severable, and this Guaranty shall be interpreted and enforced as if all completely invalid or unenforceable provisions were not contained herein, and partially valid and enforceable provisions shall be enforced to the extent that they are valid and enforceable. If any material provision of this Guaranty shall be stricken or declared invalid, the parties agree to negotiate mutually acceptable substitute provisions. In the event that the parties are unable to agree upon such provisions, Franchisor reserves the right to terminate this Guaranty.

4.11. **Construction of Language.** Any term defined in the Franchise Agreement which is not defined in this Guaranty will be ascribed the meaning given to it in the Franchise Agreement. The language of this Guaranty will be construed according to its fair meaning, and not strictly for or against either party. All words in this Guaranty refer to whatever number or gender the context requires. If more than one party or person is referred to as you, their obligations and liabilities must be joint and several. Headings are for reference purposes and do not control interpretation.

4.12. **Successors.** References to "Franchisor" or "the undersigned," or “you” include the respective parties' heirs, successors, assigns or transferees.

4.13. **No Personal Liability.** You agree that fulfillment of any and all of Franchisor’s obligations written in this Guaranty or in the Franchise Agreement or based on any oral communications which may be ruled to be binding in a Court of Law shall be Franchisor’s sole responsibility and none of Franchisor’s agents, representatives, nor any individuals associated with Franchisor’s franchise company shall be personally liable to Franchisee or you for any reason.

PERSONAL GUARANTORS	**SPOUSES**
______________________________	______________________________
______________________________	______________________________

ATTACHMENT 5: CONFIDENTIALITY AND RESTRICTIVE COVENANT AGREEMENT

(for employees, shareholders, officers, directors, general partners, members and managers of Franchisee)

In consideration of my being a ______________________ of (the "Franchisee"), and other good and valuable consideration, the receipt and sufficiency of which is acknowledged, I hereby acknowledge and agree that:___________________, doing business as (the "Franchisee"), has acquired the right and franchise from Lee's Hoagie House Franchise Group, LLC (the "Company") to establish and operate a unique Restaurant under the name "Lee's Hoagie House" (the "Restaurant" or "Franchised Business") and the right to use in the operation of the Restaurant the Company's trade names, trademarks and service marks (the "Proprietary Marks") and the Company's unique and distinctive format and system relating to the establishment and operation of Restaurants (the "System"), as they may be changed, improved and further developed from time to time in the Company's sole discretion, only at the following authorized Company location: ____ (the "Restaurant Premises").

1. The Company possesses certain proprietary and confidential information and trade secrets relating to the operation of the System, which include, without limitation, Proprietary Recipes, the creation and development of proprietary products, including certain menu items and collateral merchandise bearing the Proprietary Mark (collectively, the "Proprietary Products"), other standards and specifications relating to food preparation and presentation, kitchen equipment, and the build-out of a Restaurant, information about proprietary merchandise, any proprietary software Franchisor may now or in the future create, and the Operations Manual, the company's copyrighted materials, methods and other techniques and know-how concerning the of operation of the Franchised Business standards and specifications for certain trade secrets, the (the "Confidential Information").

2. Any and all information, knowledge, know-how, and techniques which the Company specifically designates as confidential shall be deemed to be Confidential Information for purposes of this Agreement.

3. As a _______________________ of the Franchisee, the Company and Franchisee will disclose the Confidential Information to me in furnishing to me the training program and subsequent ongoing training, the Lee's Hoagie House Operations Manual and other proprietary manuals (collectively, the "Manual"), and other general assistance during the term of this Agreement.

4. I will not acquire any interest in the Confidential Information, other than the right to utilize it in the operation of the Franchised Business during the term hereof, and the use or duplication of the Confidential Information for any use outside the System would constitute an unfair method of competition.

5. The Confidential Information is proprietary, involves trade secrets of the Company, and is disclosed to me solely on the condition that I agree, and I do hereby agree, that I shall hold in strict confidence all Confidential Information and all other information designated by the Company as confidential. Unless the Company otherwise agrees in writing, I will disclose and/or use the Confidential Information only in connection with my duties as a _______________of the Franchisee, and will continue not to disclose any such information even after I cease to be in that position and will not use any such information even after I cease to be in that position unless I can demonstrate that such information has become generally known or easily accessible other than by the breach of an obligation of Franchisee under the Franchise Agreement.

6. Except as otherwise approved in writing by the Company, I shall not, while in my position with the Franchisee, for myself, or through, on behalf of, or in conjunction with any person, persons, partnership, corporation or limited liability company, own, maintain, engage in, lend money to, extend credit to, have any interest in, or be employed as an officer, director, executive, or principal of any sandwich shop, or any business granting licenses for businesses, that offers the sale of similar food items, beverages, and/or merchandise offered or authorized for sale by System franchisees (a "Competing Business").

7. I 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 an un-appealed final decision to which the Company is a party, I 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 Agreement.

8. I understand and acknowledge that the Company shall have the right, in its sole discretion, to reduce the scope of any covenant set forth in this Agreement, or any portion thereof, without my consent, effective immediately upon receipt by me of written notice thereof; and I agree to comply forthwith with any covenant as so modified.

9. The Company is a third-party beneficiary of this Agreement and may enforce it, solely and/or jointly with the Franchisee. I am aware that my violation of this Agreement will cause the Company and the Franchisee irreparable harm; therefore, I acknowledge and agree that the Franchisee and/or the Company may apply for the issuance of an injunction preventing me from violating this Agreement, and I agree to pay the Franchisee and the Company all the costs it/they incur(s), including, without limitation, legal fees and expenses, if this Agreement is enforced against me. Due to the importance of this Agreement to the Franchisee and the Company, any claim I have against the Franchisee or the Company is a separate matter and does not entitle me to violate, or justify any violation of this Agreement.

10. The only way this Agreement can be changed is in writing signed by both the Franchisee and me.

Signature: ______________________________
Name: ______________________________
Address: ______________________________
Title: ______________________________

ACKNOWLEDGED BY FRANCHISEE

By: ______________________________
Name: ______________________________
Title: ______________________________

ATTACHMENT 6: <u>ELECTRONIC FUNDS WITHDRAWAL AUTHORIZATION</u>

Bank Name: ____
ABA# : ____
Acct. No.: ____
Acct. Name: ____

Effective as of the date of the signature below, [Franchisee Name] hereby authorizes LEE'S HOAGIE HOUSE FRANCHISE GROUP, LLC ("Company") or its designee to withdraw funds from the above-referenced bank account, electronically or otherwise, to make the following payments to Company under the Franchise Agreement for the franchised business located at: ____ : (1) all Royalty Fees; (2) all contributions to the Brand Development Fund or other Cooperative; and (iii) and other fees dues and owing under the Franchise Agreement. Franchisee acknowledges that Royalties and all other fees may be collected by Franchisor in the manner provided for in the Franchise Agreement. Such withdrawals shall occur on a weekly basis, or on such other schedule as the Company shall specify in writing. Company is also authorized to deposit funds into the above-referenced account, electronically or otherwise. This authorization shall remain in full force and effect until terminated in writing by Company. [Franchisee Name] shall provide Company, in conjunction with this authorization, a voided check from the above-referenced account.

AGREED:

ATTEST:

____

FRANCHISEE

[INSERT FRANCHISEE NAME]

By: ___________________________________

Name (Print): __________________________

Its: ___________________________________

ATTACHMENT 7: INTERNET ADVERTISING, SOCIAL MEDIA, SOFTWARE AND TELEPHONE ACCOUNT AGREEMENT

THIS INTERNET ADVERTISING, SOCIAL MEDIA, SOFTWARE AND TELEPHONE ACCOUNT AGREEMENT (the "Agreement") is made and entered into this day of ________________ (the "Effective Date") by and between Lee's Hoagie House Franchise Group, LLC, a Pennsylvania limited liability company (the "Franchisor"), and _________________________, a __________________ (the "Franchisee").

WHEREAS, Franchisee desires to enter into a franchise agreement with Franchisor for a Lee's Hoagie House business ("Franchise Agreement") which will allow Franchisee to conduct internet-based advertising, maintain social media accounts, and use telephone listings linked to the Lee's Hoagie House brand.

WHEREAS, Franchisor would not enter into the Franchise Agreement without Franchisee's agreement to enter into, comply with, and be bound by all the terms and provisions of this Agreement;

NOW, THEREFORE, for and in consideration of the foregoing and the mutual promises and covenants contained herein, and in further consideration of the Franchise Agreement and the mutual promises and covenants contained therein, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

1. Definitions

All terms used but not otherwise defined in this Agreement shall have the meanings set forth in the Franchise Agreement. "Termination" of the Franchise Agreement shall include, but shall not be limited to, the voluntary termination, involuntary termination, or natural expiration thereof.

2. Internet Advertising and Telephone Accounts

2.1 Interest in Web Sites, Social Media Accounts and Other Electronic Listings. Franchisee may acquire (whether in accordance with or in violation of the Franchise Agreement) during the term of Franchise Agreement, certain right, title, or interest in and to certain domain names, social media accounts, hypertext markup language, uniform resource locator addresses, access to corresponding internet web sites, and the right to hyperlink to certain web sites and listings on various internet search engines (collectively, "Electronic Advertising") related to the Franchised Business or the Marks.

2.2 Interest in Telephone Numbers and Listings. Franchisee has or will acquire during the term of the Franchise Agreement, certain right, title, and interest in and to those certain telephone numbers and regular, classified, internet page, and other telephone directory listings (collectively, the "Telephone Listings") related to the Franchised Business or the Marks.

2.3 Transfer. On Termination of the Franchise Agreement, or on periodic request of Franchisor, Franchisee will immediately:

2.3.1 direct all internet service providers, domain name registries, internet search engines, social media companies, and other listing agencies (collectively, the "Internet Companies") with which Franchisee has Internet Web Sites, Social Media Accounts and other Listings: (i) to transfer all of Franchisee's Interest in such Internet Web Sites, Social Media Accounts and other Listings to Franchisor; and (ii) to execute such documents and take such actions as may be necessary to effectuate such transfer. In the event Franchisor does not desire to accept any or all such Internet Web Sites, Social Media Accounts and other Listings, Franchisee will immediately direct the Internet Companies to terminate such Internet Web Sites, Social Media Accounts and other Listings or will take such other actions with respect to the Internet Web Sites, Social Media Accounts and other Listings as Franchisor directs; and

2.3.2 direct all telephone companies, telephone directory publishers, and telephone directory listing agencies (collectively, the "Telephone Companies") with which Franchisee has Telephone Numbers and Listings: (i) to transfer all Franchisee's Interest in such Telephone Numbers and Listings to Franchisor; and (ii) to execute such documents and take such actions as may be necessary to effectuate such transfer. In the event Franchisor does not desire to accept any or all such Telephone Numbers and Listings, Franchisee will immediately direct the Telephone Companies to terminate such Telephone Numbers and Listings or will take such other actions with respect to the Telephone Numbers and Listings as Franchisor directs.

2.4 Appointment; Power of Attorney. Franchisee hereby constitutes and appoints Franchisor and any officer or agent of Franchisor, for Franchisor's benefit under the Franchise Agreement and this Agreement or otherwise, with full power of substitution, as Franchisee's true and lawful attorney-in-fact with full power and authority in Franchisee's place and stead, and in Franchisee's name or the name of any affiliated person or affiliated company of Franchisee, to take any and all appropriate action and to execute and deliver any and all documents that may be necessary or desirable to accomplish the purposes of this Agreement. Franchisee further agrees that this appointment constitutes a power coupled with an interest and is irrevocable until Franchisee has satisfied all of its obligations under the Franchise Agreement and any and all other agreements to which Franchisee and any of its affiliates on the one hand, and Franchisor and any of its affiliates on the other, are parties, including without limitation this Agreement. Without limiting the generality of the foregoing, Franchisee hereby grants to Franchisor the power and right to do the following:

2.4.1 Direct the Internet Companies to transfer all Franchisee's Interest in and to the Internet Web Sites, Social Media Accounts and/or other Listings to Franchisor, or alternatively, to direct the Internet Companies to terminate any or all of the Internet Web Sites, Social Media Accounts and/or other Listings;

2.4.2 Direct the Telephone Companies to transfer all Franchisee's Interest in and to the Telephone Numbers and Listings to Franchisor, or alternatively, to direct the Telephone Companies to terminate any or all of the Telephone Numbers and Listings; and

2.4.3 Execute such standard assignment forms or other documents as the Internet Companies and/or Telephone Companies may require in order to affect such transfers or terminations of Franchisee's Interest.

2.5 Certification of Termination. Franchisee hereby directs the Internet Companies and Telephone Companies to accept, as conclusive proof of Termination of the Franchise Agreement, Franchisor's written statement, signed by an officer or agent of Franchisor, that the Franchise Agreement has terminated.

2.6 Cessation of Obligations. After the Internet Companies and the Telephone Companies have duly transferred all Franchisee's Interests as described in paragraph 2.3 above to Franchisor, as between Franchisee and Franchisor, Franchisee will have no further interest in, or obligations with respect to the particular Electronic Advertising and/or Telephone Listing. Notwithstanding the foregoing, Franchisee will remain liable to each and all of the Internet Companies and Telephone Companies for the respective sums Franchisee is obligated to pay to them for obligations Franchisee incurred before the date Franchisor duly accepted the transfer of such Interests, or for any other obligations not subject to the Franchise Agreement or this Agreement.

3. **Miscellaneous**

3.1 Release. Franchisee hereby releases, remises, acquits, and forever discharges each and all of the Internet Companies and/or Telephone Companies and each and all of their parent corporations, subsidiaries, affiliates, directors, officers, stockholders, employees, and agents, and the successors and assigns of any of them, from any and all rights, demands, claims, damage, losses, costs, expenses, actions, and causes of action whatsoever, whether in tort or in contract, at law or in equity, known or unknown, contingent or fixed, suspected or unsuspected, arising out of, asserted in, assertible in, or in any way related to this

Agreement.

3.2 Indemnification. Franchisee is solely responsible for all costs and expenses related to its performance, its nonperformance, and Franchisor's enforcement of this Agreement, which costs and expenses Franchisee will pay Franchisor in full, without defense or setoff, on demand. Franchisee agrees that it will indemnify, defend, and hold harmless Franchisor and its affiliates, and its and their directors, officers, shareholders, partners, members, employees, agents, and attorneys, and the successors and assigns of any and all of them, from and against, and will reimburse Franchisor and any and all of them for, any and all loss, losses, damage, damages, claims, debts, claims, demands, or obligations that are related to or are based on this Agreement.

3.3 No Duty. The powers conferred on Franchisor hereunder are solely to protect Franchisor's interests and shall not impose any duty on Franchisor to exercise any such powers. Franchisee expressly agrees that in no event shall Franchisor be obligated to accept the transfer of any or all of Franchisee's Interest in any matter hereunder.

3.4 Further Assurances. Franchisee agrees that at any time after the date of this Agreement, Franchisee will perform such acts and execute and deliver such documents as may be necessary to assist in or accomplish the purposes of this Agreement.

3.5 Successors, Assigns, and Affiliates. All Franchisor's rights and powers, and all Franchisee's obligations, under this Agreement shall be binding on Franchisee's successors, assigns, and affiliated persons or entities as if they had duly executed this Agreement.

3.6 Effect on Other Agreements. Except as otherwise provided in this Agreement, all provisions of the Franchise Agreement and attachments and schedules thereto shall remain in effect as set forth therein.

3.7 Survival. This Agreement shall survive the Termination of the Franchise Agreement.

3.8 Governing Law. This Agreement shall be governed by and construed under the laws of the Commonwealth of Pennsylvania, without regard to the application of Pennsylvania conflict of law rules.

-Remainder of Page Intentionally Blank-

The undersigned have executed or caused their duly authorized representatives to execute this Agreement as of the Effective Date.

FRANCHISOR:

Lee's Hoagie House Franchise Group, LLC

By:____

_____________________, __________________________
(Print Name, Title)

FRANCHISEE:

____

By:____

____________________________,____________________
(Print Name, Title)

PRINCIPAL:

____

____
(Print Name)

PRINCIPAL:

____

____
(Print Name)

Franchisor hereby acknowledges that Franchisee has been approved to proceed with the construction of a Lee's Hoagie House Restaurant, at the location specified in Schedule A, and per the terms of Franchise Agreement dated ____________________________ (attached hereto);

Franchisor is providing this Authorization to Proceed based on the following:

1. Franchisee (including the Principal Operator and all partners, investors or guarantors as identified in Franchise Data Sheet) has executed all Agreements and Attachments as required under the Franchise Agreement identified herein, all of which are attached hereto:

   A. Franchisee Information Form
   B. Site Selection Addendum
   C. Lease Addendum and Collateral Assignment of Lease
   D. Personal Guaranty and Guaranty of Spouses
   E. Confidentiality Agreement (for employees)
   F. Electronic Funds Withdrawal Authorization Form
   G. Conditional Assignment of Telephone Numbers and Domain Name(s)

2. Franchisee has made all payments to Franchisor, as required under this Franchise Agreement.

The terms of this Authorization to Proceed are incorporated into the attached Franchise Agreement

IN WITNESS WHEREOF, the parties hereto have duly executed this Authorization to Proceed on the day and year first above written.

LEE'S HOAGIE HOUSE FRANCHISE GROUP, LLC

By: _______________________________
Allan Lewin, CEO

Franchisee:

By: _______________________________

Its: _______________________________

ATTACHMENT 9: SBA ADDENDUM RELATING TO LEE' S HOAGIE HOUSE FRANCHISE GROUP LLC FRANCHISE AGREEMENT

(Applicable only to Franchisees who receive SBA backed financing in relation to the Franchised Business)

THIS ADDENDUM (Addendum) is made and entered into on________________________, by **Lee's Hoagie House Franchise Group LLC**, located at **26 Second Street Pike, Southampton, PA 18966** (Franchisor), and____, located at ____(Franchisee).

Recitals.

Franchisor and Franchisee entered into a Franchise (or License) Agreement on______ _______________ , (Franchise Agreement). The Franchisee agreed among other things to operate and maintain a franchise located at__________________designated by Franchisor as Unit #_________(Unit).

Franchisee has obtained from a lender a loan (Loan) in which funding is provided with the assistance of the United States Small Business Administration (SBA). SBA requires the execution of this Addendum as a condition for obtaining the SBA assisted financing.

NOW, THEREFORE, in consideration of the mutual promises below, and for good and valuable considerations in hand paid by each of the parties to the others, the receipt and sufficiency of which the parties acknowledge, the parties agree as follows:

- Franchise Agreement is in full force and effect, and Franchisor has sent no official notice of default to Franchisee under the Franchise Agreement that remains uncured on the date hereof.

- Notwithstanding anything to the contrary in Section 7.3.6 and 7.16 of the franchise agreement, the franchisee shall have the discretion to set pricing for its products and services provided that, subject to applicable antitrust laws, such pricing: (1) is at or below any maximum price cap programs established by the franchisor for its franchise system ; or (2) is at or above any minimum price threshold programs established by the franchisor for its franchise system ; or (3) conforms to any bona fide promotional programs or national or regional accounts programs established from time to time by the franchisor for its franchise system.

- Notwithstanding the language in Section 14.4 and 22 of the franchise agreement, franchisor will subordinate its interest in any lien to be held by the lender/SBA.

If the Franchise Agreement is terminated and the Franchised Site or its contents are to be sold under Section 16.10 of the Franchise Agreement and the parties are unable to agree as to a purchase price and terms, the fair market value of such premises and property shall be determined by three Appraisers chosen in the following manner. Franchisee shall select one and Franchisor shall select one, and the two appraisers so chosen shall select a third appraiser. The decision of the majority of the appraisers so chosen shall be conclusive. The cost of the third appraiser shall be shared equally by the parties.

- The following is added to the end of Section 14.5 of the Franchise Agreement:

  However, the Franchisor may not exercise a right of first refusal:

  (a) If a proposed Transfer is between or among individuals (including members of their immediate families and their respective spouses) who, at the time of the proposed Transfer, have an ownership interest in the Franchisee or the Franchise, and who have guaranteed the Franchisee's obligations under a then outstanding indebtedness which is guaranteed by the United States Small Business Administration ("SBA") (Owner/Guarantors); or

  (b) If a proposed Transfer involves a Person other than an Owner/Guarantor and the proposed Transfer involves a noncontrolling ownership interest in the Franchisee or the Franchise, unless such noncontrolling interest: (1) represents less than a 20% ownership interest in the Franchisee or in the Franchise, or (2) the Franchisor (in combination with all of Franchisor's franchisees) qualifies as a small business and the exercise of the right does not affect the eligibility of the borrower to qualify for the SBA loan guarantee program.

  The Franchisor's right to approve or to disapprove a proposed Transfer or transferee, or to exercise its right of first refusal with respect to a Transfer of a controlling interest in Franchisee or the Franchise, shall not be affected by any of the foregoing provisions. If the Franchisor does not qualify as a small business under SBA regulations, the parties acknowledge and understand that the Franchisor's exercise of its right of first refusal may result in an SBA guaranteed loan becoming immediately due and payable.

- Notwithstanding anything to the contrary in Sections 5.2 & 16.4 of the franchise agreement and the Lease Addendum, if the Franchisee owns the real property upon which the business is located, Franchisor (its assignees or affiliates) only have the right to lease the premises for the remaining term of the Franchise Agreement (excluding successor agreements) at fair market value.

- This Addendum automatically terminates on the earliest to occur of the following: (i) a Termination occurs under the Franchise Agreement; (ii) the Loan is paid in full; or (iii) SBA no longer has any interest in the Loan.

IN WITNESS WHEREOF, the parties hereto have duly signed and executed this Addendum as of the day and year first above written.

FRANCHISOR:
Lee' s Hoagie House Franchise Group LLC

By: ______________________
Print Name:__________________
Title: ____________________

FRANCHISEE:

By: ______________________
Print Name:__________________
Title: ____________________

ATTACHMENT 10:
GENERAL
RELEASE

This Waiver and Release of Claims ("Release") is made as of _____________ by _________________________, a(n) ___________________ ("Franchisee"), and each individual holding an ownership interest in Franchisee (collectively with Franchisee, "Releasor") in favor of Lee's Hoagie House Franchise Group LLC, a Pennsylvania Limited Liability Company ("Franchisor," and together with Releasor, the "Parties").

WHEREAS, Franchisor and Franchisee have entered into a Franchise Agreement ("Agreement") pursuant to which Franchisee was granted the right to own and operate a Lee's Hoagie House business (as defined in the Agreement);

WHEREAS, Franchisee has notified Franchisor of its desire to **transfer the Agreement and all rights related thereto, or an ownership interest in Franchisee, to a transferee, (enter into a successor franchise agreement)** and Franchisor has consented to such transfer **(agreed to enter into a successor franchise agreement)**; and

WHEREAS, as a condition to Franchisor's consent to the transfer **(Franchisee's ability to enter into a successor franchise agreement)**, Releasor has agreed to execute this Release upon the terms and conditions stated below.

NOW, THEREFORE, in consideration of Franchisor's consent to the transfer **(Franchisor entering into a successor franchise agreement)**, and for other good and valuable consideration, the sufficiency and receipt of which are hereby acknowledged, and intending to be legally bound, Releasor hereby agrees as follows:

1. Representations and Warranties. Releasor represents and warrants that it is duly authorized to enter into this Release and to perform the terms and obligations herein contained, and has not assigned, transferred or conveyed, either voluntarily or by operation of law, any of its rights or claims against Franchisor or any of the rights, claims or obligations being terminated and released hereunder. Each individual executing this Release on behalf of Franchisee represents and warrants that he/she is duly authorized to enter into and execute this Release on behalf of Franchisee. Releasor further represents and warrants that all individuals that currently hold a direct or indirect ownership interest in Franchisee are signatories to this Release.

2. Release. Releasor and its subsidiaries, affiliates, parents, divisions, renewals and assigns and all persons or firms claiming by, through, under, or on behalf of any or all of them, hereby release, acquit and forever discharge Franchisor, any and all of its affiliates, parents, subsidiaries or related companies, divisions and partnerships, and its and their past and present officers, directors, agents, partners, shareholders, employees, representatives, renewals and assigns, and attorneys, and the spouses of such individuals (collectively, the "Released Parties"), from any and all claims, liabilities, damages, expenses, actions or causes of action which Releasor may now have or has ever had, whether known or unknown, past or present, absolute or contingent, suspected or unsuspected, of any nature whatsoever, including without limiting the generality of the foregoing, all claims, liabilities, damages, expenses, actions or causes of action directly or indirectly arising out of or relating to the execution and performance of the Agreement and the offer and sale of the franchise related thereto.

3. Nondisparagement. Releasor expressly covenants and agrees not to make any false representation of facts, or to defame, disparage, discredit or deprecate any of the Released Parties or otherwise

communicate with any person or entity in a manner intending to damage any of the Released Parties, their business or their reputation.

4. Miscellaneous.

a. Releasor agrees that it has read and fully understands this Release and that the opportunity has been afforded to Releasor to discuss the terms and contents of said Release with legal counsel and/or that such a discussion with legal counsel has occurred.

b. This Release shall be construed and governed by the laws of the State of Pennsylvania.

c. Each individual and entity that comprises Releasor shall be jointly and severally liable for the obligations of Releasor.

d. In the event that it shall be necessary for any Party to institute legal action to enforce or for the breach of any of the terms and conditions or provisions of this Release, the prevailing Party in such action shall be entitled to recover all of its reasonable costs and attorney fees.

e. All of the provisions of this Release shall be binding upon and inure to the benefit of the Parties and their current and future respective directors, officers, partners, attorneys, agents, employees, shareholders and the spouses of such individuals, renewals, affiliates, and assigns. No other party shall be a third-party beneficiary to this Release.

f. This Release constitutes the entire agreement and, as such, supersedes all prior oral and written agreements or understandings between and among the Parties regarding the subject matter hereof. This Release may not be modified except in a writing signed by all of the Parties. This Release may be executed in multiple counterparts, each of which shall be deemed an original and all of which together shall constitute but one and the same document.

g. If one or more of the provisions of this Release shall for any reason be held invalid, illegal or unenforceable in any respect, such invalidity, illegality or unenforceability shall not affect or impair any other provision of this Release, but this Release shall be construed as if such invalid, illegal or unenforceable provision had not been contained herein.

h. The Parties agree to do such further acts and things and to execute and deliver such additional agreements and instruments as any Party may reasonably require to consummate, evidence, or confirm the Release contained herein in the matter contemplated hereby.

(Signature Page Follows)

IN WITNESS WHEREOF Releasor has executed this Release as of the date first written above.

FRANCHISEE

______________________________________, a
____

By: ________________________________
Name: ________________________________
Its: ________________________________

FRANCHISEE'S OWNERS

Date ______________________________ ____________________________________
Signature

____
Typed or Printed Name

ATTACHMENT 11: FRANCHISEE ACKNOWLEDGEMENT STATEMENT

Franchisee hereby acknowledges the following:

1. Franchisee has conducted an independent investigation of all aspects relating to the financial, operational and other aspects of the business of operating the Franchised Business. Franchisee further acknowledges that, except as may be set forth in Franchisor's Disclosure Document, no representations of performance (financial or otherwise) for the Franchised Business provided for in this Agreement has been made to Franchisee by Franchisor and Franchisee and any and all Principals hereby waive any claim against Franchisor for any business failure Franchisee may experience as a franchisee under this Agreement.

_____
Initial

2. Franchisee has conducted an independent investigation of the business contemplated by this Agreement and understands and acknowledges that the business contemplated by this Agreement involves business risks making the success of the venture largely dependent upon the business abilities and participation of Franchisee and its efforts as an independent business operation.

_____
Initial

3. Franchisee agrees that no claims of success or failure have been made to it or him or her prior to signing the Franchise Agreement and that it/she/he understands all the terms and conditions of the Franchise Agreement. Franchisee further acknowledges that the Franchise Agreement contains all oral and written agreements, representations and arrangements between the parties hereto, and any rights which the respective parties hereto may have had under any other previous contracts are hereby cancelled and terminated, and that this Agreement cannot be changed or terminated orally.

_____
Initial

4. Franchisee has no knowledge of any representations by Franchisor or its officers, directors, shareholders, employees, sales representatives, agents or servants, about the business contemplated by the Franchise Agreement that are contrary to the terms of the Franchise Agreement or the documents incorporated herein. Franchisee acknowledges that no representations or warranties are made or implied, except as specifically set forth in the Franchise Agreement. Franchisee represents, as an inducement to Franchisor's entry into this Agreement, that it has made no misrepresentations in obtaining the Franchise Agreement.

_____
Initial

5. Franchisor expressly disclaims the making of, and Franchisee acknowledges that it has not received or relied upon, any warranty or guarantee, express or implied, as to the potential volume, profits or success of the business venture contemplated by the Franchise Agreement.

______
Initial

6. Franchisee acknowledges that Franchisor's approval or acceptance of Franchisee's Business location does not constitute a warranty, recommendation or endorsement of the location for the Franchised Business, nor any assurance by Franchisor that the operation of the Franchised Business at the premises will be successful or profitable.

______
Initial

7. Franchisee acknowledges that it has received the Lee's Hoagie House Franchise Group, LLC Franchise Disclosure Document with a complete copy of the Franchise Agreement and all related Attachments and agreements at least fourteen (14) calendar days prior to the date on which the Franchise Agreement was executed. Franchisee further acknowledges that Franchisee has read such Franchise Disclosure Document and understands its contents.

______
Initial

8. Franchisee acknowledges that it has had ample opportunity to consult with its own attorneys, accountants and other advisors and that the attorneys for Franchisor have not advised or represented Franchisee with respect to the Franchise Agreement or the relationship thereby created.

______
Initial

9. Franchisee, together with Franchisee's advisers, has sufficient knowledge and experience in financial and business matters to make an informed investment decision with respect to the Franchise granted by the Franchise Agreement.

______
Initial

10. Franchisee is aware of the fact that other present or future franchisees of Franchisor may operate under different forms of agreement(s), and consequently that Franchisor's obligations and rights with respect to its various franchisees may differ materially in certain circumstances.

______
Initial

11. It is recognized by the parties that Franchisor is also (or may become) a manufacturer or distributor of certain products under the Marks licensed herein; and it is understood that Franchisor does not warrant that such products will not be sold within the Franchisee's Territory by others who may have purchased such products from Franchisor.

______
Initial

12. BY EXECUTING THE FRANCHISE AGREEMENT, FRANCHISEE AND ANY PRINCIPAL, INDIVIDUALLY AND ON BEHALF OF FRANCHISEE'S AND SUCH PRINCIPAL'S HEIRS, LEGAL REPRESENTATIVES, SUCCESSORS AND ASSIGNS, HEREBY FOREVER RELEASE AND DISCHARGE LEE'S HOAGIE HOUSE FRANCHISE GROUP, LLC, LEE'S ORIGINAL, INC., AND ANY OF EITHER'S PARENT COMPANY, SUBSIDIARIES, DIVISIONS, AFFILIATES, SUCCESSORS, ASSIGNS AND DESIGNEES, AND THE FOREGOING ENTITIES' DIRECTORS, OFFICERS, EMPLOYEES, AGENTS, SHAREHOLDERS, SUCCESSORS, DESIGNEES AND REPRESENTATIVES FROM ANY AND ALL CLAIMS, DEMANDS AND JUDGMENTS RELATING TO OR ARISING UNDER THE STATEMENTS, CONDUCT, CLAIMS OR ANY OTHER AGREEMENT BETWEEN THE PARTIES EXECUTED PRIOR TO THE DATE OF THE FRANCHISE AGREEMENT, INCLUDING, BUT NOT LIMITED TO, ANY AND ALL CLAIMS, WHETHER PRESENTLY KNOWN OR UNKNOWN, SUSPECTED OR UNSUSPECTED, ARISING UNDER THE FRANCHISE, SECURITIES, TAX OR ANTITRUST LAWS OF THE UNITED STATES OR OF ANY STATE OR TERRITORY THEREOF.

_____
Initial

FRANCHISEE:

____

By:________________________

_____________,_____________
(Print Name, Title)

Date:______________________

PRINCIPAL:

____

____
(Print Name)

Date: _____________________________

PRINCIPAL:

____

____
(Print Name)

Date: _____________________________

EXHIBIT C: CONFIDENTIAL OPERATING MANUAL TABLE OF CONTENTS

Operations Manual - Table of Contents

Marketing Manual - Table of Contents

Training Manual - Table of Contents

EXHIBIT D: FINANCIAL STATEMENTS

HERBEIN
CPAS + CONSULTANTS

LEE'S HOAGIE HOUSE FRANCHISE GROUP, LLC

FINANCIAL STATEMENTS

Years Ended December 31, 2021 and 2020

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Herbein + Company, Inc.
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INDEPENDENT AUDITOR'S REPORT

To the Members
Lee's Hoagie House Franchise Group, LLC

Opinion

We have audited the accompanying financial statements of Lee's Hoagie House Franchise Group, LLC (a Pennsylvania Limited Liability Company), which comprise the balance sheets as of December 31, 2021 and 2020, and the related statements of operations and members' equity and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Lee's Hoagie House Franchise Group, LLC as of December 31, 2021 and 2020, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Lee's Hoagie House Franchise Group, LLC and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Lee's Hoagie House Franchise Group, LLC's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

HERBEIN

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Lee's Hoagie House Franchise Group, LLC's internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Lee's Hoagie House Franchise Group, LLC's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Herbein + Company, Inc.

Spring House, Pennsylvania
April 4, 2022

LEE'S HOAGIE HOUSE FRANCHISE GROUP, LLC

BALANCE SHEETS

	December 31	
	2021	2020
ASSETS		
CURRENT ASSETS		
Cash	$ 48,240	$ 39,982
Contract assets	12,000	12,000
Accounts receivable	18,281	3,955
TOTAL CURRENT ASSETS	$ 78,521	$ 55,937
LIABILITIES AND MEMBERS' EQUITY		
CURRENT LIABILITIES		
Accounts payable and accrued expenses	$ 673	$ 682
Contract liabilities	40,083	42,083
TOTAL CURRENT LIABILITIES	40,756	42,765
MEMBERS' EQUITY	37,765	13,172
TOTAL LIABILITIES AND MEMBERS' EQUITY	$ 78,521	$ 55,937

See accompanying notes to financial statements.

LEE'S HOAGIE HOUSE FRANCHISE GROUP, LLC

STATEMENTS OF OPERATIONS AND MEMBERS' EQUITY

	Year Ended December 31	
	2021	2020
REVENUE		
Royalties	$ 57,271	$ 43,055
Franchise fees	2,000	17,000
Advertising	16,928	5,860
TOTAL REVENUE	76,199	65,915
OPERATING EXPENSES	51,606	75,306
NET INCOME (LOSS)	24,593	(9,391)
MEMBERS' EQUITY - BEGINNING	13,172	41,702
Members' distributions	-	(19,139)
MEMBERS' EQUITY - ENDING	$ 37,765	$ 13,172

See accompanying notes to financial statements.

LEE'S HOAGIE HOUSE FRANCHISE GROUP, LLC

STATEMENTS OF CASH FLOWS

	Year Ended December 31	
	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income (loss)	$ 24,593	$ (9,391)
Adjustment to reconcile net income (loss) to net cash provided (used) by operating activities:		
Bad debts	437	6,146
Changes in:		
Contract assets	-	(12,000)
Accounts receivable	(14,763)	(248)
Accounts payable and accrued expenses	(9)	(757)
Contract liabilities	(2,000)	13,000
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	8,258	(3,250)
CASH FLOWS FROM FINANCING ACTIVITIES		
Members' distributions	-	(19,139)
NET INCREASE (DECREASE) IN CASH	8,258	(22,389)
CASH, BEGINNING OF YEAR	39,982	62,371
CASH, END OF YEAR	$ 48,240	$ 39,982

Lee's Hoagie House Franchise Group, LLC ("the Company") is a Pennsylvania limited liability company that was formed in 2014 to offer franchises for the operation of a quick serve restaurant featuring Philadelphia-style sandwiches.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Concentrations of Credit and Other Risks

Financial instruments which potentially expose the Company to concentrations of credit risk consist primarily of cash and accounts receivable. The Company performs ongoing credit evaluations of its customers' financial condition and does not require collateral.

Accounts Receivable

Accounts receivable are recognized on the date they are due and considered to be earned and carried at original amount due. The Company uses the allowance method to provide for any trade accounts receivable which may be unrecoverable and is based upon an analysis of the Company's prior collection experience, customer credit worthiness, and current economic trends. Account balances are charged off after all means of collection have been exhausted and the potential for recovery is considered remote. The Company does not have any off-balance-sheet credit exposure related to its customers. Management has determined that an allowance for uncollectible accounts is not necessary at December 31, 2021 and 2020.

Bad debt expense charged to operations for the years ended December 31, 2021 and 2020 was $437 and $6,146, respectively.

Revenue Recognition

The Company recognizes revenue upon transfer of control of promised services to customers in an amount that reflects the consideration the Company expects to receive in exchange for those services. The Company is based in Southampton, Pennsylvania and offers franchising opportunities of Lee's Hoagie House® restaurants specializing in the sales of Philadelphia-style hoagies, steak sandwiches, salads, chicken wings, beverages and more, to potential franchisees in the United States.

Revenues are derived from two main revenue streams all related to the same performance obligation. The first stream is the initial franchise fee. The contracts stipulate the promised combined performance obligations on which revenue is earned including the initial franchise fee, monthly royalty fees, monthly marketing fees (optional by franchisor), among other obligations specific to each contract. The second material revenue stream is royalties paid weekly in conjunction with each franchise contract signed.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Revenue Recognition - continued
Payment in full for initial franchise fees is due upon opening of the franchise. Company management has analyzed initial franchise fees to determine what portion of the fees should be recognized as revenue up-front at a point time versus what portion of fees should be recognized over time, over the life of the contract. The Company elects the practical expedient in ASU 2021-02 which allows them to account for all pre-opening services as one performance obligation distinct from the franchise license. Pre-opening services include up-front costs the Company incurs for training, consulting including site selection, plans and specifications, as well as on-site assistance which they have valued and will recognize at a point in time when the franchisee begins operations. The Company has made a policy election to account for all pre-opening services as a single performance obligation with related revenue recognized at a point in time. The Company has also assigned a value to the license of the trademark granted to the franchisee over the life of the franchise agreement which will be recognized over that same period on a straight-line basis. All initial franchise fees are non-refundable as stipulated in the franchise agreement.

Royalties are recognized as revenue at a point in time as they are sales-based revenue. Royalty fee income is recorded as revenue as the fees are earned and become receivable from the franchisee. The royalties are calculated at a rate of 5% of gross sales earned by the franchisee and are due to the Company weekly. There is a weekly minimum of $200. The Company has not yet implemented charging marketing fees or other fees to the franchisee, nor do they plan to do so any time soon.

Contract Assets
Contract assets represent commissions paid directly related to the sale of a franchise. These commissions would not have been paid had the franchise not been sold. These commissions will be recognized as expense over the life of the franchise agreement in the same manner the franchise fee revenue is recognized. The store associated with this commission payment was still not open as of December 31, 2021 and accordingly, no expense has been recognized.

Contract Liabilities
Contract liabilities represent remaining performance obligations under the franchise agreements. This is the remaining value of initial franchise fees attributable to operating the stores under the trademark name over the life of the related agreement. The balance of contract liabilities at the beginning of the year was $42,083. Revenue of $2,000 was recognized during the current year attributable to the opening contract liabilities balance.

Advertising
The Company receives payments from certain vendors for purchases of their products sold in the franchises. There is no formal contract related to this source of revenue and it's considered earned upon receipt as it is based on purchases of product. Revenue received during the year is related to product purchases during that same year. All of these revenues are used for advertising, marketing, and promotion of the licensed IP referenced in the revenue recognition footnote. As such, these advertising funds are managed by the Company, and they have been determined to be a principal with respect to the advertising revenues. Based on the Company's designation as a principal, the advertising revenues received have been recognized gross on the statements of operations and members' equity and the corresponding expenses have been accounted for as operating expenses.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Advertising - continued
The Company expenses advertising costs as they are incurred. Advertising and marketing expenses charged to operations for the years ended December 31, 2021 and 2020 were $20,964 and $25,047, respectively.

Income Taxes
The Company has elected under the Internal Revenue Code to be a nontaxpaying entity (limited liability company) for federal and state income tax purposes. In lieu of corporation income taxes, the members are taxed on the Company's taxable income. Therefore, no provision or liability for federal or state income taxes has been included in the financial statement.

In accordance with generally accepted accounting principles relative to uncertainty in income taxes, the Company recognizes the income tax benefit (or liability as applicable) from an uncertain tax position when it is more likely than not that, based on technical merits, the position will be sustained upon examination, including resolutions of any related appeals or litigation process.

Date of Management Evaluation of Subsequent Events
Management has evaluated subsequent events and transactions for potential recognition or disclosure through April 4, 2022, the date on which the financial statements were available to be issued.

NOTE 2 - RELATED PARTY TRANSACTIONS

The Company has a license agreement with Lee's Original, Inc., a corporation owned by two of its members. Lee's Original, Inc. is the owner of the right, title and interest in the trademark, trade name, service marks, trade dress and design associated with "Lee's Hoagie House®". The agreement licenses the use of the mark by the Company in operation of restaurants, sales of franchises, manufacture and sales of Lee's Hoagies branded products and to develop new trademarks. The Company has a worldwide license to use the Property and Mark royalty free. There is no money transferred in exchange for their rights to use this license.

LEE'S HOAGIE HOUSE FRANCHISE GROUP, LLC

FINANCIAL STATEMENTS

Years Ended December 31, 2020 and 2019

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Herbein + Company, Inc.
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INDEPENDENT AUDITOR'S REPORT

To the Members
Lee's Hoagie House Franchise Group, LLC

We have audited the accompanying financial statements of Lee's Hoagie House Franchise Group, LLC (a Pennsylvania Limited Liability Company), which comprise the balance sheet as of December 31, 2020 and 2019, and the related statements of operations and members' equity and cash flows for the 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 audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the 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.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Lee's Hoagie House Franchise Group, LLC as of December 31, 2020 and 2019, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Herbein + Company, Inc.

Spring House, Pennsylvania
April 2, 2021

LEE'S HOAGIE HOUSE FRANCHISE GROUP, LLC

BALANCE SHEETS

	December 31			
	2020		2019	
ASSETS				
CURRENT ASSETS				
Cash	$	39,982	$	62,371
Contract assets		12,000		-
Accounts receivable		3,955		9,853
TOTAL CURRENT ASSETS	$	55,937	$	72,224
LIABILITIES AND MEMBERS' EQUITY				
CURRENT LIABILITIES				
Accounts payable and accrued expenses	$	682	$	1,439
Contract liabilities		42,083		29,083
TOTAL CURRENT LIABILITIES		42,765		30,522
MEMBERS' EQUITY		13,172		41,702
TOTAL LIABILITIES AND MEMBERS' EQUITY	$	55,937	$	72,224

See accompanying notes to financial statements.

LEE'S HOAGIE HOUSE FRANCHISE GROUP, LLC

STATEMENTS OF OPERATIONS AND MEMBERS' EQUITY

	Year Ended December 31	
	2020	2019
REVENUE		
Royalties	$ 43,055	$ 88,296
Franchise fees	17,000	13,208
Advertising	5,860	41,165
TOTAL REVENUE	65,915	142,669
OPERATING EXPENSES	75,306	112,985
NET INCOME (LOSS)	(9,391)	29,684
MEMBERS' EQUITY - BEGINNING	41,702	54,687
Cumulative effect of adopting ASC 606	-	(32,291)
Members' distributions	(19,139)	(10,378)
MEMBERS' EQUITY - ENDING	$ 13,172	$ 41,702

LEE'S HOAGIE HOUSE FRANCHISE GROUP, LLC

STATEMENTS OF CASH FLOWS

	Year Ended December 31	
	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income (loss)	$ (9,391)	$ 29,684
Adjustments to reconcile net income (loss) to net cash provided (used) by operating activities:		
Contract liability recognized in current year earnings	-	(3,208)
Bad debts	6,146	24,585
Changes in:		
Contract assets	(12,000)	-
Accounts receivable	(248)	(19,374)
Rebate receivable	-	24,200
Accounts payable and accrued expenses	(757)	(1,457)
Contract liabilities	13,000	-
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	(3,250)	54,430
CASH FLOWS FROM FINANCING ACTIVITIES		
Members' distributions	(19,139)	(10,378)
NET INCREASE (DECREASE) IN CASH	(22,389)	44,052
CASH, JANUARY 1	62,371	18,319
CASH, DECEMBER 31	$ 39,982	$ 62,371

Lee's Hoagie House Franchise Group, LLC ("the Company") is a Pennsylvania limited liability company that was formed in 2014 to offer franchises for the operation of a quick serve restaurant featuring Philadelphia-style sandwiches.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Change in Accounting Principle

The Company adopted ASC 606, "Revenue from Contracts with Customers" ("ASC 606"), on January 1, 2019. The Company applied ASC 606 using the modified retrospective method (also known as the cumulative effect method), whereby a cumulative effect is recorded to opening members' equity and ASC 606 is applied prospectively. The Company elected the completed contract practical expedient and only applied ASC 606 to contracts that were not completed as of January 1, 2019.

The cumulative effect of adopting ASC 606 was related to a change in the revenue recognition pattern of initial franchise fees. The changes made to the January 1, 2019 balance sheets for the adoption of ASC 606 were as follows:

	Balance at December 31, 2018	Cumulative Adjustment For Adoption Of ASC 606	Balance at January 1, 2019
Contract liabilities	$ -	$ 32,291	$ 32,291
Members' equity	54,687	(32,291)	22,396

The impact of the adoption of ASC 606 on the balance sheets as of December 31, 2019 was as follows:

	As Reported	Balances Without Adoption of ASC 606	Effect of Change
Contract liabilities	$ 29,083	$ -	$ 29,083
Members' equity	41,702	70,785	(29,083)

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Change in Accounting Principle - Continued

Prior to the adoption of ASC 606, the initial revenue recognized by the Company for franchise fees was recognized at a point in time when the franchise opened and began operations. In accordance with the new revenue guidance, the franchise fees need to be evaluated to determine what portion of the initial fee should be recognized up front at a point in time and what portion is attributable to the operation of the franchise under the trademark over the life of the franchise agreement. Accordingly, the Company now recognizes a contract liability for the remaining portion of the initial franchise fee that is being recognized over the remaining term of the franchise agreement. This led to an increase in sales and net income of $3,208 for the year ended December 31, 2019.

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Concentrations of Credit and Other Risks

Financial instruments which potentially expose the Company to concentrations of credit risk consist primarily of cash and accounts receivable. The Company performs ongoing credit evaluations of its customers' financial condition and does not require collateral.

Accounts Receivable

Accounts receivable are recognized on the date they are due and considered to be earned and carried at original amount due. The Company uses the allowance method to provide for any trade accounts receivable which may be unrecoverable and is based upon an analysis of the Company's prior collection experience, customer credit worthiness, and current economic trends. Account balances are charged off after all means of collection have been exhausted and the potential for recovery is considered remote. The Company does not have any off-balance-sheet credit exposure related to its customers. Management has determined that an allowance for uncollectible accounts is not necessary at December 31, 2020 and 2019.

Bad debt expense charged to operations for the years ended December 31, 2020 and 2019 was $6,146 and $24,585, respectively.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Revenue Recognition

The Company recognizes revenue upon transfer of control of promised services to customers in an amount that reflects the consideration the Company expects to receive in exchange for those services. The Company is based in Southampton, Pennsylvania and offers franchising opportunities of Lee's Hoagie House® restaurants specializing in the sales of Philadelphia-style hoagies, steak sandwiches, salads, chicken wings, beverages and more, to potential franchisees in the United States.

Revenues are derived from two main revenue streams all related to the same performance obligation. The first stream is the initial franchise fee. The contracts stipulate the promised combined performance obligations on which revenue is earned including the initial franchise fee, monthly royalty fees, monthly marketing fees (optional by franchisor), among other obligations specific to each contract. The second material revenue stream is royalties paid weekly in conjunction with each franchise contract signed.

Payment in full for initial franchise fees is due upon opening of the franchise. Company management has analyzed initial franchise fees to determine what portion of the fees should be recognized as revenue up-front at a point time versus what portion of fees should be recognized over time, over the life of the contract. The Company elects the practical expedient in ASU 2021-02 which allows them to account for all pre-opening services as one performance obligation distinct from the franchise license. Pre-opening services include up-front costs the Company incurs for training, consulting including site selection, plans and specifications, as well as on-site assistance which they have valued and will recognize at a point in time when the franchisee begins operations. The Company has made a policy election to account for all pre-opening services as a single performance obligation with related revenue recognized at a point in time. The Company has also assigned a value to the license of the trademark granted to the franchisee over the life of the franchise agreement which will be recognized over that same period on a straight-line basis. All initial franchise fees are non-refundable as stipulated in the franchise agreement.

Royalties are recognized as revenue over time as they are sales-based revenue. Royalty fee income is recorded as revenue as the fees are earned and become receivable from the franchisee. The royalties are calculated at a rate of 5% of gross sales earned by the franchisee and are due to the Company weekly. There is a weekly minimum of $200. The Company has not yet implemented charging marketing fees or other fees to the franchisee, nor do they plan to do so any time soon.

Contract Assets

Contract assets represent commissions paid directly related to the sale of a franchise. These commissions would not have been paid had the franchise not been sold. These commissions will be recognized as expense over the life of the franchise agreement in the same manner the franchise fee revenue is recognized. The balance of contract assets at the beginning of the year was $0. The total commission paid

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Contract Assets - Continued

during the year ended December 31, 2020 was $12,000, none of which has been recognized as an expense during the year as the franchise has not yet opened.

Contract Liabilities

Contract liabilities represent remaining performance obligations under the franchise agreements. This is the remaining value of initial franchise fees attributable to operating the stores under the trademark name over the life of the related agreement. The balance of contract liabilities at the beginning of the year was $29,083. Revenue of $17,000 was recognized during the current year attributable to the opening contract liabilities balance.

Advertising

The Company receives payments from certain vendors for purchases of their products sold in the franchises. There is no formal contract related to this source of revenue and it's considered earned upon receipt as it is based on purchases of product. Revenue received during the year is related to product purchases during that same year. All of these revenues are used for advertising, marketing, and promotion of the licensed IP referenced in the revenue recognition footnote. As such, these advertising funds are managed by the Company, and they have been determined to be a principal with respect to the advertising revenues. Based on the Company's designation as a principal, the advertising revenues received have been recognized gross on the statements of operations and members' equity (deficit) and the corresponding expenses have been accounted for as operating expenses.

The Company expenses advertising costs as they are incurred. Advertising and marketing expenses charged to operations for the years ended December 31, 2020 and 2019 were $25,047 and $48,368, respectively.

Income Taxes

The Company has elected under the Internal Revenue Code to be a nontaxpaying entity (limited liability company) for federal and state income tax purposes. In lieu of corporation income taxes, the members are taxed on the Company's taxable income. Therefore, no provision or liability for federal or state income taxes has been included in the financial statement.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Income Taxes - Continued

In accordance with generally accepted accounting principles relative to uncertainty in income taxes, the Company recognizes the income tax benefit (or liability as applicable) from an uncertain tax position when it is more likely than not that, based on technical merits, the position will be sustained upon examination, including resolutions of any related appeals or litigation process.

Date of Management Evaluation of Subsequent Events

Management has evaluated subsequent events and transactions for potential recognition or disclosure through April 2, 2021, the date on which the financial statements were available to be issued.

NOTE 2 – RELATED PARTY TRANSACTIONS

The Company has a license agreement with Lee's Original, Inc., a corporation owned by two of its members. Lee's Original, Inc. is the owner of the right, title and interest in the trademark, trade name, service marks, trade dress and design associated with "Lee's Hoagie House®". The agreement licenses the use of the mark by the Company in operation of restaurants, sales of franchises, manufacture and sales of Lee's Hoagies branded products and to develop new trademarks. The company has a worldwide license to use the Property and Mark royalty free.

EXHIBIT E: LIST OF OUTLETS

As of 12/31/2021

FRANCHISEES

Flenquin, Inc.
265 S. Main St.
Doylestown, PA 18901
215-377-9377

RPAK Hospitality, Inc.
312 Bulkhead Way, Suite 101
Lake Wylie, SC 29710
803-619-4046

Licensees

Andy Berlin
ABFE, Inc.
1871 Street Road
Bensalem, PA 19020
215-245-1500

David Fine
Lee's Hoagie House of Blue Bell, Inc.
710 Dekalb Pike
Blue Bell, PA 19422
610-270-8000

Julian Kluver
Lee's at Northtowne, Inc.
2896 Dekalb Pike
East Norriton, PA 19403
610-279-0800

Armandaro Martinez
230 North Maple Avenue
Marlton, NJ 08053
856-988-0600

Mike Segal
EKP, Inc
Oxford Valley Road and Olds Blvd
Fairless Hills, PA 19030

215-547-1300

Ann Lee
Tri-Luck, Inc.
614 York Road
Warminster, PA 18974
215-441-5337

Ronald Berlin
REB, Inc
2020 Southwest End Blvd.
Quakertown, PA 18951
215-538-7875

Adam Schetz
Lee's of the Valley, Inc.
634 State Ave.
Emmaus, PA 18049
484-232-6277

Jon Waxman
JOBA9, LLC
1656 Old York Road
Abington, PA 19001
215-659-3332

Jon Waxman
Lee's Hoagie House at Horsham, LLC
870-72 Easton Road
Horsham, PA 19044
215-674-8000

AFFILIATE OWNED

JL Hoagie House, Inc
26 Second Street Pike
Southampton, PA 18966
267-460-8278
Allen Lewin

Merbin Inc
7328 Castor Ave
Philadelphia PA 19152
215-742-8111
John Connell

LHHSH LLC (*this location is not included in Item 20*)
9832 3rd Avenue
Stone Harbor NJ 08247
609-368-2100
Robin Connell

Franchisees No Longer Within the System as of December 31, 2021

NONE

EXHIBIT F: STATE SPECIFIC ADDENDA FOR THIS FRANCHISE DISCLOSURE DOCUMENT AND FRANCHISE AGREEMENT

ILLINOIS

Illinois law governs the agreements between the parties to this franchise.

Section 4 of the Illinois Franchise Disclosure Act provides that any provision in a franchise agreement that designates jurisdiction or venue outside the State of Illinois is void. However, a franchise agreement may provide for arbitration outside of Illinois.

Section 41 of the Illinois Franchise Disclosure Act provides that any condition, stipulation or provision purporting to bind any person acquiring any franchise to waive compliance with the Illinois Franchise Disclosure Act or any other law of Illinois is void.

Your right upon termination and non-renewal of a franchise agreement are set forth in sections 19 and 20 of the Illinois Franchise Disclosure Act.

Payment of the initial franchise fee shall be deferred until Franchisor has satisfied its pre-opening obligations to Franchisee and Franchisee has commenced doing business. The Illinois Attorney General's Office imposed this deferral requirement due to Franchisor's financial condition.

MARYLAND

The following state specific changes amend both the franchise disclosure document and the franchise agreement.

The provision in the franchise agreement which provides for termination upon bankruptcy of the franchisee may not be enforceable under federal bankruptcy law (11 U.S.C. Section 101 et seq.).

Item 5 and appropriate sections of the franchise agreement are hereby amended to add the following paragraph:

"Based upon the Franchisor's financial condition, the Maryland Securities Commissioner has required a financial assurance. Therefore, all initial fees and payments owed by franchisees shall be deferred until the franchisor completes its pre-opening obligations under the franchise agreement."

Item 17 and appropriate sections of the franchise agreement are amended to state that the general release required as a condition of renewal, sale, and/or assignment/transfer shall not apply to any liability under the Maryland Franchise Registration and Disclosure Law.

Item 17 and the franchise agreement are amended to state: "A franchisee may bring a lawsuit in Maryland for claims arising under the Maryland Franchise Registration and Disclosure Law."

Item 17 and the franchise agreement are amended to state: "Any claim arising under the Maryland Franchise Registration and Disclosure Law must be brought within 3 years after the grand of the franchise."

The franchise agreement is amended to state: "All representations requiring prospective franchisees to assent to a release, estoppel or waiver of liability are not intended to nor shall they act as a release, estoppel or waiver of any liability incurred under the Maryland Franchise Registration and Disclosure Law."

NEW YORK

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

> INFORMATION COMPARING FRANCHISORS IS AVAILABLE. CALL THE STATE ADMINISTRATORS LISTED IN EXHIBIT A OR YOUR PUBLIC LIBRARY FOR SOURCES OF INFORMATION. REGISTRATION OF THIS FRANCHISE BY NEW YORK STATE DOES NOT MEAN THAT NEW YORK STATE RECOMMENDS IT OR HAS VERIFIED THE INFORMATION IN THIS FRANCHISE DISCLOSURE DOCUMENT. IF YOU LEARN THAT ANYTHING IN THE FRANCHISE DISCLOSURE DOCUMENT IS UNTRUE, CONTACT THE FEDERAL TRADE COMMISSION AND NEW YORK STATE DEPARTMENT OF LAW, BUREAU OF INVESTOR PROTECTION AND SECURITIES, 120 BROADWAY, 23RD FLOOR, NEW YORK, NEW YORK 10271. THE FRANCHISOR MAY, IF IT CHOOSES, NEGOTIATE WITH YOU ABOUT ITEMS COVERED IN THE FRANCHISE DISCLOSURE DOCUMENT. HOWEVER, THE FRANCHISOR CANNOT USE THE NEGOTIATING PROCESS TO PREVAIL UPON A PROSPECTIVE FRANCHISEE TO ACCEPT TERMS WHICH ARE LESS FAVORABLE THAN THOSE SET FORTH IN THIS FRANCHISE DISCLOSURE DOCUMENT.

2. The following is added at the end of Item 3:

Except as provided above, with regard to the franchisor, its predecessor, a person identified in Item 2, or an affiliate offering franchises under the franchisor's principal trademark:

> A. No such party has an administrative, criminal or civil action pending against that person alleging: a felony, a violation of a franchise, antitrust, or securities law, fraud, embezzlement, fraudulent conversion, misappropriation of property, unfair or deceptive practices, or comparable civil or misdemeanor allegations.
>
> B. No such party has pending actions, other than routine litigation incidental to the business,

which are significant in the context of the number of franchisees and the size, nature or financial condition of the franchise system or its business operations.

C. No such party has been convicted of a felony or pleaded nolo contendere to a felony charge or, within the 10 year period immediately preceding the application for registration, has been convicted of or pleaded nolo contendere to a misdemeanor charge or has been the subject of a civil action alleging: violation of a franchise, antifraud, or securities law; fraud; embezzlement; fraudulent conversion or misappropriation of property; or unfair or deceptive practices or comparable allegations.

D. No such party is subject to a currently effective injunctive or restrictive order or decree relating to the franchise, or under a Federal, State, or Canadian franchise, securities, antitrust, trade regulation or trade practice law, resulting from a concluded or pending action or proceeding brought by a public agency; or is subject to any currently effective order of any national securities association or national securities exchange, as defined in the Securities and Exchange Act of 1934, suspending or expelling such person from membership in such association or exchange; or is subject to a currently effective injunctive or restrictive order relating to any other business activity as a result of an action brought by a public agency or department, including, without limitation, actions affecting a license as a real estate broker or sales agent.

3. The following is added to the end of Item 4:

Neither the franchisor, its affiliate, its predecessor, officers, or general partner during the 10-year period immediately before the date of the offering circular: (a) filed as debtor (or had filed against it) a petition to start an action under the U.S. Bankruptcy Code; (b) obtained a discharge of its debts under the bankruptcy code; or (c) was a principal officer of a company or a general partner in a partnership that either filed as a debtor (or had filed against it) a petition to start an action under the U.S. Bankruptcy Code or that obtained a discharge of its debts under the U.S. Bankruptcy Code during or within 1 year after that officer or general partner of the franchisor held this position in the company or partnership.

4. The following is added to the end of Item 5:

The initial franchise fee constitutes part of our general operating funds and will be used as such in our discretion.

5. The following is added to the end of the "Summary" sections of Item 17(c), titled "Requirements for franchisee to renew or extend," and Item 17(m), entitled "Conditions for franchisor approval of transfer":

However, to the extent required by applicable law, all rights you enjoy and any causes of action arising in your favor from the provisions of Article 33 of the General Business Law of the State of New York and the regulations issued thereunder shall remain in force; it being the intent of this proviso that the non-waiver provisions of General Business Law Sections

687.4 and 687.5 be satisfied.

6. The following language replaces the "Summary" section of Item 17(d), titled "Termination by franchisee":

You may terminate the agreement on any grounds available by law.

7. The following is added to the end of the "Summary" section of Item 17(j), titled "Assignment of contract by franchisor":

However, no assignment will be made except to an assignee who in good faith and judgment of the franchisor, is willing and financially able to assume the franchisor's obligations under the Franchise Agreement.

8. The following is added to the end of the "Summary" sections of Item 17(v), titled "Choice of forum", and Item 17(w), titled "Choice of law":

The foregoing choice of law should not be considered a waiver of any right conferred upon the franchisor or upon the franchisee by Article 33 of the General Business Law of the State of New York.

FRANCHISOR: LEE'S HOAGIE HOUSE FRANCHISE GROUP, LLC

Signed : ____
Allan Lewin, CEO

FRANCHISEE:

Signed: ____

Printed Name: ________________________________

Title: ____

STATE EFFECTIVE DATES – 2021

The following states require that the Franchise Disclosure Document be registered or filed with the state, or be exempt from registration: California, Hawaii, Illinois, Indiana, Maryland, Michigan, Minnesota, New York, North Dakota, Rhode Island, South Dakota, Virginia, Washington and Wisconsin.

This document is effective and may be used in the following states, where the document is filed, registered or exempt from registration, as of the Effective Date stated below:

STATE	EFFECTIVE DATE
New York	Pending

Other states may require registration, filing, or exemption of a franchise under other laws, such as those that regulate the offer and sale of business opportunities or seller-assisted marketing plans.

EXHIBIT G: RECEIPT OF FRANCHISE DISCLOSURE DOCUMENT OF LEE'S HOAGIE HOUSE FRANCHISE GROUP, LLC

FRANCHISEE COPY

This Franchise Disclosure Document summarizes certain provisions of the Franchise Agreement and other information in plain language. Read this Franchise Disclosure Document and all exhibits carefully.

If Lee's Hoagie House Franchise Group, LLC 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, the franchisor or an affiliate in connection with the proposed franchise sale.

New York requires you to receive this Franchise Disclosure Document at the earlier of the first personal meeting or 10 business days before the execution of the franchise or other agreement or the payment of any consideration that relates to the franchise relationship.

If Lee's Hoagie House Franchise Group, LLC does not deliver this Disclosure Document on time or if it contains a false or misleading statement, or a material omission, a violation of federal and state law may have occurred and should be reported to the Federal Trade Commission, Washington, DC 20580 and to your state authority listed on Exhibit A.

The name and principal business address and telephone number of each franchise seller offering the franchise is:

Allen Lewin Lee's Hoagie House Franchise Group, LLC (267) 460-8278	John Connell Lee's Hoagie House Franchise Group, LLC (267) 460-8278	Other: ________________ ________________ ________________ ________________

Issuance Date: April 16, 2022

I received a Disclosure Document dated _____________, that included the following Exhibits:

EXHIBIT A: List of State Franchise Administrators and Agents for Service of Process
EXHIBIT B: Franchise Agreement with Attachments
EXHIBIT C: Financial Statements of Lee's Hoagie House Franchise Group, LLC
EXHIBIT D: Operations Manual Table of Contents
EXHIBIT E: Outlets as of the date of this Disclosure Document
EXHIBIT F: State Addenda
EXHIBIT G: Receipt

Date Received: ______________________
(If other than date signed)

DATE:____

Print Name:_________________________________

Print Address: ______________________________

City, State: _____________________________

____
(Signature of recipient)

Please return signed receipt to Lee's Hoagie House Franchise Group, LLC
26 Second Street Pike
Southampton, PA 18966

EXHIBIT G: RECEIPT OF FRANCHISE DISCLOSURE DOCUMENT OF LEE'S HOAGIE HOUSE FRANCHISE GROUP, LLC

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(Signature of recipient)

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Southampton, PA 18966