FRANCHISE DISCLOSURE DOCUMENT

SUB STATION II, INC.
A South Carolina Corporation
1237 Gadsden Street, Suite 100
Columbia, South Carolina 29201
(803) 834-3007
franchiseinfo@substationii.com
www.substationii.com

If you purchase a Sub Station II franchise, you will operate a quick service restaurant business operating in buildings that bear Sub Station II's interior and exterior trade dress under the "Sub Station II®" name and marks, which specialize in the sale of submarine sandwiches, deli sandwiches, salads, and such additional or alternate products as Sub Station II may designate from time to time for on-premises, carry-out and catering consumption ("Sub Station II restaurant").

The total investment necessary to begin the operation of a Sub Station II restaurant is $280,500 to $613,500, which does not include the cost of buying or renting the business location. This includes $20,000 that must be paid to us.

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

You may wish to receive your disclosure document in another format that is more convenient for you. To discuss the availability of disclosures in different formats, contact Alison Corbett, Director of Finance and Development, Sub Station II, Inc., 1237 Gadsden Street, Suite 100, Columbia, South Carolina 29201 and (803) 834-3007.

The terms of your franchise agreement will govern your franchise relationship. Don't rely on the disclosure document alone to understand your franchise agreement. Read all of your franchise agreement carefully. Show your franchise agreement 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 by calling 1-877-FTC-HELP or writing the FTC at 600 Pennsylvania Avenue, NW, Washington, D.C. 20580. You can also visit the FTC's home page at www.ftc.gov for additional information. Call your state agency or visit your public library for other sources of information on franchising.

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

Issuance Date: March 29, 2023

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 F.
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 E 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 Sub Station II Restaurant business in my area?	Item 12 and the "territory" provisions in the franchise agreement describe whether the franchisor and other franchisees can compete with you.
Does the franchisor have a troubled legal history?	Items 3 and 4 tell you whether the franchisor or its management have been involved in material litigation or bankruptcy proceedings.
What's it like to be a Sub Station II Restaurant franchisee?	Item 20 or Exhibit F lists current and former franchisees. You can contact them to ask about their experiences.
What else should I know?	These questions are only a few things you should look for. Review all 23 Items and all Exhibits in this disclosure document to better understand this franchise opportunity. See the table of contents.

What You Need To Know About Franchising *Generally*

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

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

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

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

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

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

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

Some States Require Registration

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

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

Special Risks to Consider About *This* Franchise

Certain states require that the following risks be highlighted:

1. **Out-of-State Dispute Resolution**. The franchise agreement requires you to resolve disputes with us by litigation only in the federal or state court having jurisdiction where our principal offices are located at the time suit is filed, which is currently in South Carolina. Out-of-state litigation may force you to accept a less favorable settlement for disputes. It may also cost more to litigate with us in South Carolina than in your own state.

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

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

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ITEM 1
THE FRANCHISOR AND ANY PARENTS, PREDECESSORS AND AFFILIATES

To simplify the language in this disclosure document, "we," "us" or "Sub Station II" means Sub Station II, Inc., the franchisor. "You" means the person or legal entity who buys the franchise. If you are a corporation, a partnership or a limited liability company, certain provisions of this disclosure document also apply to your owners and will be noted.

Sub Station II, Inc. and its Parent, Predecessors and Affiliates

Sub Station II is a South Carolina corporation, incorporated on September 23, 1975. Our principal place of business is 1237 Gadsden Street, Suite 100, Columbia, South Carolina 29201. We do not have a parent company or any predecessors. We do business under the name "Sub Station II." Our agents for service of process are identified in Exhibit I.

We opened the first Sub Station II restaurant in January 1976 and we began offering franchises for sale on January 21, 1976. As of August 31, 2022, we operated 3 Sub Station II restaurants ("Company-Owned Restaurants") and there were 36 franchised Sub Station II restaurants. We have not offered franchises in any other line of business and we generally do not engage in any business not described in this Item 1.

Sub Station II Restaurants

In this disclosure document, we are offering the opportunity to become a franchisee to develop and operate Sub Station II restaurants. Sub Station II restaurants operate according to the System, which includes, standards, policies and procedures for kitchen operations, inventory procurement and control, staffing and employee training, foodservice and customer service, maintaining quality and uniformity of menu items, products, merchandise and services offered and assistance with advertising and promotion. We may change, improve and further develop the System and its components from time to time. We identify the System by means of the "Sub Station II" name and mark and certain other names, marks, logos, insignias, slogans, emblems, symbols and designs (collectively, "Marks") that we have designated, or may in the future designate, for use with the System.

Sub Station II restaurants are quick service restaurants featuring submarine sandwiches, deli style sandwiches, salads and such additional or alternate products as we may designate from time to time for on-premises, carry-out and catering consumption. Sub Station II restaurants offer custom prepared food products and prompt and courteous service in a clean atmosphere which is intended to be attractive to individuals and families. The typical Sub Station II restaurant occupies approximately 1,500 to 2,500 square feet and accommodates 24 to 40 dine-in guests. A Sub Station II restaurant can be built as a free standing building, part of a strip shopping center or be in a mall food court. Sub Station II restaurants are primarily located in or near shopping centers and are open for lunch and dinner. Each Sub Station II restaurant may only offer for sale those products and services that we approve, and may not fail to offer a particular item without our prior written consent.

We have described our mandatory and recommended standards and procedures in our confidential Operations Manual ("Manual"). We will provide you with a copy of or electronic access to the Manual for the term of your franchise. We retain the right to change the Manual and the elements of the System periodically.

When you are evaluating whether to purchase a Sub Station II franchise, you will acquire confidential information about the System. You must sign a Confidentiality Agreement, which is attached as Exhibit A, before we will provide access to this information.

You can buy a franchise to develop and operate one franchised Sub Station II restaurant ("Restaurant") under a Sub Station II Restaurant Franchise Agreement (Exhibit B). You should not acquire any interest in a site for your Restaurant ("Premises") until you have been approved as a franchisee, we have approved the Premises in writing, you and we have signed a Franchise Agreement and you have paid the Initial Franchise Fee. Each Franchise Agreement will be between you and us, and certain of your owners will be required to personally guarantee your obligations to us.

If, at the time that we approve your franchise application, we have not approved the Premises, you must lease, sublease, or acquire a site for the location of the Restaurant, subject to our approval, under our Site Selection Agreement (Exhibit C). The procedures for finding, selecting and receiving authorization for a site under the Site Selection Agreement are described in Item 11 of this disclosure document. As described below in Item 12, the Franchise Agreement will establish a geographic area within which your Restaurant will be located (the "Protected Area"). Item 12 of this disclosure document and the Franchise Agreement describe the rights that you and we will have regarding the Protected Area.

Market and Competition

We believe the market for quick service sandwich restaurants is well established. Your customers will be the general public. Your Restaurant will compete with other fast casual and quick service restaurants which offer menu items similar to those offered by Sub Station II restaurants. These competitors may range from full service restaurants and chains, franchise systems, independents and other businesses offering similar menu items in a restaurant or other setting. Additionally, many of these competitors may have substantial financial, marketing and other resources and may be well established in your market area. Quick-service and fast casual restaurant concepts compete on the basis of many factors, such as price, service, location, product quality, promotions and marketing programs. These businesses are often affected by other factors as well, such as changes in consumer taste, economic conditions, seasonal population fluctuation, and travel patterns. The ability of each Sub Station II restaurant to compete depends on its location, ingress and egress, signage, parking, service, employee attitudes, overhead, changing local market and economic conditions and many other factors both within and outside your control or our control.

Although we carefully evaluate persons who wish to become our franchisees, no screening process that we implement can conclusively determine whether you will succeed as a Sub Station II restaurant operator. Similarly, completion of our Management Training Program, which is described in Item 11, does not provide any assurance of success. You must rely on your own assessment of your suitability (in terms of energy, business skill, desire, temperament, people skills and financial capability, among other things) and your own advisors in deciding whether to become a Sub Station II restaurant operator.

Industry-Specific Laws and Regulations

We are not aware of any laws or regulations applicable to a Sub Station II restaurant that would not apply to restaurant businesses generally. You must comply with all applicable local, county, state and federal laws and regulations, which apply generally to the restaurant and foodservice industry including health, sanitation, food handling, food preparation, waste disposal, wage and hour, occupational health and safety, smoking restrictions, discrimination, employment, sexual harassment and advertising laws. Some laws require point of sale disclosures, including statements concerning nutritional and dietary characteristics of the food served at your Restaurant. There are other laws and regulations applicable to businesses generally (such as the Americans with Disabilities Act) with which you must comply. You should consult with your attorney and local, county, state and federal government agencies concerning these and other laws and ordinances that may affect the operations of the Restaurant before you sign a Franchise Agreement with us. You also must obtain all applicable real estate permits and licenses and operational licenses. It is your, and only your, responsibility, on a continuous basis to investigate and satisfy all local, county, state and federal laws as they vary from place to place and may change from time to time.

ITEM 2
BUSINESS EXPERIENCE

Director, President & Secretary: Sandra R Corbett

Sandra R. Corbett has served as our President since January 2012, our Secretary since 2005 and our Director since April 1988 in Sumter, South Carolina. From April 1998 to January 2012, she served as our Vice President.

Vice President & Director: Susan Owens

Susan Owens has served as our Vice President and Director since January 1988 in Sumter, South Carolina.

Director of Finance and Development: Alison Corbett

Alison M. Corbett has served as our Director of Finance and Development since January 2022 in Sumter, South Carolina. From January 2016 to January 2022, she served as our Director of Development. From January 2015 to December 2015, she served as our Training and Operations Specialist.

Senior Operations Manager: Jerry Queen

Mr. Queen has served as our Senior Operations Manager since May 2022 in Sumter, South Carolina. He served as our Operations Manager from November 2016 to May 2022.

ITEM 3
LITIGATION

No litigation is required to be disclosed in this Item.

ITEM 4
BANKRUPTCY

No bankruptcy information is required to be disclosed in this Item.

ITEM 5
INITIAL FEES

Deposit

If you have not yet secured a site for your Restaurant when we approve your franchise application, you must sign the Site Selection Agreement (Exhibit C) and pay a $5,000 deposit ("Deposit"). The Deposit is fully earned at the time paid and is non-refundable. If you are successful in securing a site for the Restaurant and you sign a Franchise Agreement for the Restaurant, we will credit the Deposit toward the Initial Franchise Fee due under the Franchise Agreement.

Initial Franchise Fee

You must pay an Initial Franchise Fee to Sub Station II in the amount of $20,000 in two installments. The first installment in the amount of $12,500 is due when you sign the Franchise Agreement (this installment is reduced to $7,500 if you secured your site for the Restaurant through the Site Selection Agreement and you paid the Deposit). The second installment in the amount of $7,500 is due when you request our authorization to open the Restaurant.

We will reduce the Initial Franchise Fee to $10,000 if you are operating another franchised Sub Station II restaurant when you sign the Franchise Agreement. The Initial Franchise Fee will be payable in two installments. The first installment in the amount of $5,000 is due when you sign the Franchise Agreement (this installment is waived if you secured your site for the Restaurant through the Site Selection Agreement and you paid the Deposit). The second installment in the amount of $5,000 is due when you request our authorization to open the Restaurant.

The Initial Franchise Fee is non-refundable for administrative and other expenses incurred by us in granting the franchise and for our lost or deferred opportunity to franchise others.

We supply you with a startup package of operational and promotional supplies ("Startup Package") 30 days before you open the Restaurant. You do not have to pay a separate fee to Sub Station II for the Startup Package as we include this $4,000 expenditure in your Initial Franchise Fee. The products included in the Startup Package are detailed in Exhibit C to the Franchise Agreement. Sub Station II may change any item or the quantity of any item in the Startup Package from time to time.

Variances in Fees

We did not reduce or waive any of these fees in our last fiscal year. Generally, these fees are uniformly imposed on our franchisees, however, in certain unique circumstances we may choose to reduce or waive a fee for a particular franchisee.

ITEM 6
OTHER FEES

TYPE OF FEE(1)	AMOUNT	DUE DATE	REMARKS
Royalty Fee	5% of Net Sales	Every Tuesday for the Net Sales from the preceding week	See Note 2 for the definition of Net Sales.

TYPE OF FEE[1]	AMOUNT	DUE DATE	REMARKS
Grand Opening Advertising	$3,500 - $6,000	30 days prior to opening and continuing for 30 days after opening	You must advertise and promote your Restaurant according to a Grand Opening Plan that we approve. These amounts are not paid to us.
Advertising and Promotion Obligation (APO)	Currently 4% of Net Sales as set forth below:	See below	Your APO will be divided between the Brand Fund, Local Store Marketing and a Market Cooperative (if a Market Cooperative has been set up in your market). We may increase the APO to 5% of Net Sales. See Item 11 for additional information regarding your advertising obligations.
Brand Fund	2% of Net Sales	Weekly, same as royalty fees	
Local Store Marketing	2% of Net Sales	Monthly	Your Local Store Marketing expenditures are not paid to us.
Market Cooperative	Amount determined by Market Cooperative when established	Same as royalty fees	Contribution will be paid to the Market Cooperative if one is established in your region. Contributions will be credited against your Local Store Marketing obligations.
Audit and Inspection Costs	Deficiency shown in the audit, plus interest	Within ten days after receipt of the audit or inspection report	The interest rate is the same as the interest rate for late payments (see below). If an inspection or audit discloses an understatement of Net Sales that exceeds 2% of the reported Net Sales, or if audit was conducted due to your failure to provide reports as required, you also must reimburse us for the costs of the audit including without limitation the charges of attorneys and independent accountants and the travel expenses, room and board and compensation for our employees.
Collection Costs and Expenses	Our costs and expenses	On demand, if required	Our collection costs and expenses include costs and commissions due a collection agency, costs incurred in creating or replicating reports demonstrating Net Sales of the Restaurant, reasonable attorneys' fees, court costs, expert witness fees, discovery costs and reasonable attorneys' fees and costs on appeal, together with interest charges on all of the foregoing.

TYPE OF FEE[1]	AMOUNT	DUE DATE	REMARKS
Costs and Attorneys' Fees	Our costs and expenses	As incurred	If we prevail in enforcing the terms of any agreement, you must pay our attorneys' fees and costs.
Indemnification	The losses and expenses that we and our affiliates incur	As incurred	You must indemnify and hold us and our affiliates harmless in all actions arising out of or resulting from the development or operation of your Restaurant excluding any gross negligence or willful misconduct by us.
Interest	Interest on the amount owed from the date due until paid	When any payment is overdue	The interest rate is the maximum rate permitted for indebtedness of this nature in the state in which the Restaurant is located not to exceed 1.5% per month or a portion of a month.
New Product and Supplier Testing	Reasonable cost of inspection and actual cost of testing	As incurred	If you wish to purchase products from an unapproved supplier, you must first submit to us a written request for such approval. We have the right to require that our representatives be permitted to inspect the supplier's facilities, and that samples from the supplier be delivered, either to us or to an independent laboratory designated by us for testing.
Post - Opening Assistance	Rates we specify, currently $250 per person, per day for up to a 10-hour shift	Within 30 days of receipt of invoice	At your request, we may provide special assistance at the Restaurant for which you will be required to pay our per diem fees and charges.
Reimbursement of Insurance Costs	Our out-of-pocket costs of obtaining coverage	Immediately upon receipt of invoice	If you fail to procure or maintain the required insurance, we may procure the insurance and charge its cost along with our out-of-pocket expenses to you.
Relocation	$1,500	Immediately upon receipt of invoice	All relocation requests must be approved by us. You will have to reimburse us for any expenses that we incur in excess of $1,500 in reviewing your site relocation proposal including travel expenses to review the site and to review plans and specifications for the build-out at the new site.
ServSafe Testing	The then-current pricing structure, currently $85 - $110 per attendee	Immediately upon receipt of invoice	As part of the Initial Franchise Fee, we provide the ServSafe training for up to three employees, along with one book at no additional cost to you. If you need to have additional personnel trained, the testing fee is $110 per attendee with book and $85 per attendee if no book is needed.

TYPE OF FEE[1]	AMOUNT	DUE DATE	REMARKS
Successor Fee	50% of our then-current Initial Franchise Fee	At the time you sign the successor franchise agreement	The successor fee is in addition to any costs for remodeling that we may require for the successor term.
Taxes	Amount of tax we incur	Immediately upon demand	You must reimburse us for any sales tax, gross receipt tax or similar tax (other than income tax) imposed on us for any payments to us required under the Franchise Agreement, unless the tax is credited against income tax otherwise payable by us.
Training: Management Training Program	Rates we specify, currently $250 per person, per day for up to 10-hour shift	Within 30 days of receipt of invoice	We do not charge a fee to train your Operating Principal and your Restaurant's general manager before you open your Restaurant. If we have to train additional managers, your staff or re-train your Certified Managers, you must pay our training fees.
Training: Additional Training	Tuition charge as established by us periodically	Within 30 days after receipt of invoice	We have the right to require certain of your employees as designated by us to attend training programs as well as periodic conventions, meetings, and conferences in addition to the Management Training Program provided by us. In addition to the tuition charge, you also will be required to pay all travel, living and other expenses incurred by your employees while attending training.
Transfer	$5,000 or greater amount to reimburse us for our costs	Prior to consummation of transfer	Transfers are subject to our prior written consent. There is no transfer fee for a transfer to an entity that you form for convenience of ownership. Our costs include our expenses in reviewing the franchise application for your transferee and our legal expenses in preparing the transfer documentation.

NOTES

(1) **General.** You must pay all fees owed to us by electronic funds transfer. Unless otherwise noted, all fees are imposed by and payable to us, are uniformly imposed, and are non-refundable. We reserve the right to reduce (and we have reduced) the Brand Fund Fee for certain franchisees for a limited period of time.

(2) **Definition of Net Sales.** "Net Sales" include all revenue from the sale of all services and products and all other income of every kind and nature (including stored value gift cards and gift certificates when redeemed but not when purchased, on-premise sales, off-premise sales, catering sales and any other type of sale) related to the Restaurant, whether for cash or credit and regardless of collection in the case of credit. The term Net Sales does not include: (a) any bona fide documented federal, state or municipal sales taxes collected by you from customers and paid by you to the appropriate taxing authority; (b) the sale of food or merchandise for which refunds have been made in good faith to customers; (c) the sale of furnishings, fixtures, equipment and supplies used in the operation of the Restaurant; (d) customer promotional discounts approved by us; and (e) employee meal discounts.

ITEM 7
ESTIMATED INITIAL INVESTMENT

YOUR ESTIMATED INITIAL INVESTMENT

Type of Expenditure	Amount (1) (Low)	Amount (1) (High)	Method of Payment (1)	When Due	To Whom Payment Is To Be Made
Deposit and Initial Franchise Fee **(2)**	$20,000	$20,000	Lump sum	When you sign the Franchise Agreement	Sub Station II
Real Estate **(3)**	Variable	Variable			
Lease Security Deposit **(4)**	$8,000	$15,000	Lump Sum	As arranged	Landlord
Construction and Leasehold Improvements **(5)**	$75,000	$250,000	Progress payments or Lump sum	As arranged	Contractors
Furniture, Fixtures, Equipment and Smallwares **(6)**	$90,000	$150,000	Lump sum	As incurred	Vendors
Office Equipment and Supplies **(7)**	$1,500	$2,500	Lump sum	As incurred	Vendors
Signage – Exterior and Interior & Catering **(8)**	$12,000	$25,000	Lump Sum	As incurred	Vendors
Computer, Electronics, Point of Sale System **(9)**	$6,000	$15,000	Lump sum	As incurred	Vendors
Opening Inventory **(10)**	$7,000	$10,000	As incurred	Before opening	Vendors
Insurance **(11)**	$3,000	$6,000	Installments	Before opening	Insurers
Utilities and Deposits **(12)**	$2,000	$4,000	Lump Sum	Before opening	Utility companies
Licenses and Permits **(13)**	$2,500	$5,000	Lump Sums	Before opening	Government Authorities
Architect and Engineering Fees **(14)**	$10,000	$25,000	As arranged	As incurred	Architecture and Engineering firms
Pre-opening training, labor and travel expense **(15)**	$5,000	$10,000	Before opening	As incurred	Airline, hotel, restaurants

Type of Expenditure	Amount (1) (Low)	Amount (1) (High)	Method of Payment (1)	When Due	To Whom Payment Is To Be Made
Grand Opening Advertising **(16)**	$3,500	$6,000	30 days prior to and 30 days after opening	As incurred	Vendors
Working Capital – 3 months **(17)**	$35,000	$70,000	As arranged	As incurred	Various
TOTAL ESTIMATED INITIAL INVESTMENT (18)	$280,500	$613,500	**(Does not include cost of purchasing or leasing real estate)**		

NOTES

(1) **Amount and Method of Payment.** Costs paid to us are not refundable, except as specifically described below. Whether any costs paid to third parties are refundable will vary based on the practice in the area where your Restaurant is located.

(2) **Deposit and Initial Franchise Fee.** The manner in which the Deposit and the Initial Franchise Fee are paid is explained in detail in Item 5, including an explanation of the circumstances under which we will make a partial refund of the Initial Franchise Fee. The Initial Franchise Fee includes the Startup Package.

(3) **Real Estate.** You may purchase or lease the site for your Restaurant, which will vary in size from 1,500 to 2,500 square feet. The purchase of the site will require additional expenditures by you initially, although the costs, whether to lease or purchase, will vary widely and will depend on such factors as the location and size of the site and the geographic region of the country and the size of the community in which the Restaurant is located. The Restaurant may be built as a free standing building, part of a strip shopping center or in a mall food court. The estimated cost to purchase a site for your Restaurant will range from $400,000 to $1,000,000. The estimated cost of leasing such a site will range from $48,000 to $60,000 per year. In addition, some leases may require the payment of percentage rent, which when added to the fixed monthly rent, typically equals five to ten percent of the net sales of the Restaurant. Any lease that you sign for the Restaurant premises must contain the provisions set forth in the Franchise Agreement and the Addendum to Lease form attached as Exhibit F to the Franchise Agreement. Lease agreements may include the following expenses: taxes, insurance, maintenance, fixed rent (with escalations), percentage rent and other charges related to the operation of the Restaurant.

(4) **Lease Security Deposit.** You may be required to pay a security deposit in the amount of one or two months' rent upon signing your lease agreement.

(5) **Construction and Leasehold Improvements.** These figures include estimates for the improvement of a property with 1,500 to 2,500 square feet of space, with a range of improvement cost of $50 to $100 per square foot.. The estimate applies 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 or suite that has been prepped with heating/cooling with delivery systems, lighting, electrical switches and outlets, lavatories, a finished ceiling, walls that are prepped for painting, plumbing and other utilities to stub, and a concrete slab floor. These numbers do not include architect fees but do recognize other fees typically charged by licensed professionals, (such as project managers, general contractors and licensed tradesman), who are contracted to install electrical, plumbing, and HVAC (heating, ventilation, air conditioning). In some instances, landlords may provide monetary allowances for materials or work, or rent credits during the time of construction, however such allowances or credits are not reflected in the expense range represented here. Your costs may be less or more than this estimate, depending upon where you are planning to open your franchise or if you receive the premises in any condition other than what is in the "vanilla box" description above or a non-standard commercial property. Financing may be available through your bank for some of the leasehold improvement costs; however, such financing will have costs and fees, which will cause the cost to exceed what is indicated in this chart. We recommend that you interview several contractors and check their references before engaging a contractor.

(6) **Furniture, Fixtures, Equipment and Smallwares.** This range covers the purchase of tables, chairs, and various items of décor for a location that is designed to seat 24 to 40 persons and production equipment necessary to produce the Restaurant's menu items. The range of cost recognizes instances when kitchen configurations differ, and different pieces, sizes or models may be recommended by our staff. Third party financing may be available to qualified candidates, however this too will generate various leasing or finance fees, incremental to the amounts listed here. Smallwares covers kitchen utensils, storage containers and cleaning equipment, as well as other items that would not be considered on their own as major equipment purchases.

(7) **Office Equipment and Supplies.** This is an estimate of the office equipment and an initial inventory of office supplies that you will need to purchase before you open the Restaurant.

(8) **Signage- Exterior and Interior & Catering.** This is an estimate of the cost to procure signage for the outside of the Restaurant building as well as interior signage, such as a menu board. The low estimate covers the fabrication of standard signage, while the high estimate takes into consideration a larger sign fabrication, as well as the configuration of the building, zoning laws and requirements, and restrictions imposed by your landlord. The estimates include catering signs to place on any vehicle that is delivering food from your Restaurant.

(9) **Computer, Electronics & Point of Sale System.** This estimate covers the purchase of a Point of Sale (POS) System, computer system, security system, and various electronic media equipment that we specify. See Item 11 for additional information.

(10) **Opening Inventory.** This estimate includes food products, paper products, chemicals and other items necessary for the opening day of the Restaurant.

(11) **Insurance.** This estimate covers the cost of insuring the Restaurant construction and premises prior to opening the Restaurant. See Item 8 for additional information regarding our insurance requirements during the operation of the Restaurant.

(12) **Utilities and Deposits.** This estimate covers the cost of utilities for the Restaurant and associated deposits that are required by the utility companies.

(13) **Licenses and Permits.** This estimate covers the cost of obtaining governmental licenses and permits to construct and operate the Restaurant.

(14) **Architect & Engineering Fees.** In most localities, you are responsible for engaging the services of a professional, licensed architect to produce blueprint drawings for your Restaurant. Prior to submitting the drawings to the local municipality for review and approval, we must review them to assess their conformity to our requirements and could potentially return them to your architect for additional modifications. Any modifications may incur further services by your architect, and these services may likely incur higher fees. Your exact costs will depend on the architect you select and/or if an engineer is necessary. You are responsible for ensuring that the plans meet all state and local requirements including the Americans with Disabilities Act.

(15) **Pre-opening Training, Labor and Travel Expenses.** This estimate includes the cost of sending two people to our Management Training Program in Lexington, South Carolina prior to opening the Restaurant. We do not charge tuition for the Management Training Program; however, you are responsible for any salaries, fringe benefits, meals, lodging and other living expenses incurred by your employees while attending the training program. This estimate also includes the pre-opening training salaries for your managers and employees.

(16) **Grand Opening Advertising.** You must advertise and promote the Restaurant for a 60-day period beginning 30 days prior to opening through 30 days following the opening of the Restaurant. You may spend more than the amount noted. You must submit documentation to verify that you have spent the required amount. Actual costs may vary based on the time of year that you open, the media costs in your market area, and the pace with which you are able to increase your sales.

(17) **Working Capital – Three Months.** This is our estimate of your expenses for the initial period after your business opens, including professional fees, three months of lease payments, the cost of three months of inventory (including restaurant equipment and food), payroll, facility expenses like utilities, insurance, pest control, security, repairs and maintenance, complimentary sales and other costs. The range provided also includes our best estimate of the cash requirements, including salaries for hourly employees and managers (excluding bonus) for the first three months of operations. For the purpose of this disclosure document, we have estimated the initial period to be three months from the date your Restaurant opens for business. These figures are estimates, and we cannot assure you that you will not have additional expenses in starting the Restaurant. Your actual costs will depend on factors like your management skill, experience and business acumen; local economic conditions; the local market for the Restaurant; the prevailing wage rate; competition in the market place; and the sales level reached during the initial period. These amounts do not include any estimates for debt service.

(18) **Total.** This estimate is based upon our experience in opening and owning Sub Station II restaurants and with working with our franchisees. 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 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. We do not provide financing to franchisees either directly or indirectly in connection with their initial investment requirements. The availability and terms of financing obtained from third parties will depend upon such factors as the availability of financing, your creditworthiness, collateral that you may make available, and the policies of local lending institutions.

ITEM 8
RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES

<u>Supplier Issues</u>

You must purchase all products, ingredients, supplies, materials, merchandise and other products used or offered for sale at the Restaurant solely from suppliers that we have approved in writing. In determining whether we will approve any particular supplier, we may consider various factors, including whether a supplier: can demonstrate, to our satisfaction, the ability to meet our then-current standards and specifications for such items; possesses adequate quality controls and capacity to supply our franchisees' needs promptly and reliably; would enable the System to take advantage of marketplace efficiencies; and has been approved in writing by us prior to any purchases by you, and not later disapproved. The term "supplier" includes manufacturers, distributors, resellers, and other vendors. We may appoint only one supplier for any particular item and we may designate ourselves or an affiliate as the sole supplier. We are not the only approved supplier for any materials that you must purchase from an approved supplier. A list of approved suppliers is available upon written request. Several of our officers own an interest in our company, however, none of our officers owns an interest in any of our third party suppliers.

If you wish to purchase any products or any items from an unapproved supplier, you must first submit to us a written request for approval of that supplier. You may not purchase any products or services from any supplier until that supplier has been approved in writing by us. We have the right to require that our representatives be permitted to inspect the supplier's facilities, and that samples from the supplier be delivered, either to us or to an independent laboratory designated by us for testing. We have the right to require that our representatives be permitted to inspect the supplier's facilities, and that samples from the supplier be delivered, either to us or to an independent laboratory designated by us for testing. You must reimburse us for the reasonable cost of inspecting the supplier's facilities and testing their products. You can expect these expenses to range from $50 to $100, per item tested. We may also require that the supplier comply with other requirements as we deem appropriate, including payment of reasonable continuing inspection fees and administrative costs, or other payment to us by the supplier on account of its dealings with our franchisees and for services that we may render to such suppliers. We may re-inspect the facilities and products of any such approved supplier and revoke our approval upon the supplier's failure to continue to meet our then-current criteria. The approval process ranges from 30 days for simple items to six months for highly complex food formulas, which require more extensive testing. Approval of a supplier may be conditioned on requirements relating to the frequency of delivery, reporting capabilities, standards of service, including prompt attention to complaints, sanitation standards, facility standards, insurance and other quality assurance requirements or other criteria, and concentration of purchases, as set forth above, and such approval may be temporary pending a further evaluation of the supplier by us.

We may establish one or more strategic alliances or preferred vendor programs with one or more nationally or regionally-known suppliers who are willing to supply all or some Sub Station II restaurants with some or all of the products and/or services that we require for use and/or sale in the development and/or operation of Sub Station II restaurants. We do not currently have purchasing or distribution cooperatives, but we reserve the right to establish them. We may limit the number of approved suppliers with whom you may deal, designate sources that you must use for some or all products and other products and services, and/or refuse any of your requests if we believe that this action is in the best interests of the System. We have unlimited discretion to approve or disapprove suppliers who may be permitted to sell products to our franchisees. We may establish commissaries and distribution facilities owned and operated by us or an affiliate that we will designate as an approved supplier.

We and our affiliates may negotiate purchasing arrangements under which suppliers agree to make equipment, products and services available to Sub Station II restaurants. If we or our affiliates receive any rebates, commissions or other payments from third-party suppliers based on your purchases from them, we and our affiliates may use any amounts received without restriction and for any purpose we and our affiliates deem appropriate.

You must comply with all terms, conditions, and obligations of all contracts and arrangements with suppliers, including contracts and arrangements negotiated by us or third parties as part of a network or multiple-franchise or multiple-restaurant supply and distribution arrangement, and your contracts with and obligations to suppliers. You must promptly pay all suppliers in accordance with the agreed-upon terms.

We supply you with the Startup Package of operational and promotional supplies 30 days before you open the Restaurant. You do not have to pay a separate fee to us for the Startup Package as we include this expenditure in your Initial Franchise Fee. The products included in the Startup Package are detailed in Exhibit C to the Franchise Agreement. We may change any item or the quantity of any item in the Startup Package from time to time. In our fiscal year ending August 31, 2022, we did not receive any revenue from the sale of Startup Packages to our franchisees.

We are one, but not the only, approved supplier of certain items of operational and promotional supplies and we will derive revenue from sales of such goods to our franchisees. In our fiscal year ending August 31, 2022, we received $55,425 from the sale of products other than the Startup Package to our franchisees, which is 1.7% of our total annual revenue of $3,223,809.

We have entered into arrangements with several suppliers that have agreed to pay rebates or commissions to us based on purchases made by franchised and Company-Owned Sub Station II restaurants. These rebates and commissions are usually based on the amount of product ordered. Generally, the amount ranges from $0.10 to $0.25 per pound of meat and cheese purchases and $2.25 per gallon on soft drink purchases. In our fiscal year ending August 31, 2022, we received $322,274 from supplier rebates based on purchases made by our franchisees, which is 10% of our total annual revenue of $3,223,809.

For all purchases from our approved suppliers, we and our Company-Owned Sub Station II restaurants will pay the same amount as our franchisees. We sometimes negotiate with various food vendors and distributors to get the best pricing for all Sub Station II restaurants, however, we have no obligation to do this, and you may always negotiate your own prices. From time to time some vendors and suppliers may also offer you a direct rebate at the same rate as that made available to us.

Your purchase of equipment, supplies and products from approved suppliers will be approximately 90% of all purchases and leases which you will incur in establishing your Restaurant and approximately 80% of all purchases and leases which you will incur in operating your Restaurant.

Computer Equipment

At our request, you must purchase or lease, and maintain, a computer operating system and related technology including a point of sale system and comply with our requirements, specifications and policies concerning the use of technology. See Item 11 for additional detail regarding the computer system. You must install all additions, changes, modifications, substitutions and/or replacements to the computer hardware, software, telephone and power lines, and other related facilities, as we direct. We may develop or have developed and require you to install: (1) computer software programs and accounting system software that you must use in connection with the Computer System ("Required Software"); (2) updates, supplements, modifications, or enhancements to the Required Software; (3) the tangible media upon which you must record or receive data; (4) the database file structure; (5) an extranet for informational assistance, which may include, without limitation, the Manual, training other assistance materials, and management reporting solutions; and (6) answering service requirements and/or system-wide phone order processing of all delivery orders, and/or to designate vendors that will provide such order processing. We may charge a reasonable software license fee for any Required Software. You must give us unimpeded access to your Computer System and Required Software.

We are using Maverick, an online ordering platform, where you must pay our vendor a one-time fee of $450 for the printer and an ongoing monthly fee of $99 plus $.10 per transaction.

Insurance

You must maintain in full force and effect throughout the term of the Franchise Agreement that insurance which you determine is necessary or appropriate for liabilities caused by or occurring in connection with the development or operation of your Restaurant, which shall include, at a minimum, insurance policies of the kinds, and in the amounts, required by us. Sub Station II must be named as an additional insured in such policies. We may reasonably increase the minimum coverage required and require different or additional kinds of insurance to reflect inflation, changes in standards of liability, higher damage awards or other relevant changes in circumstances. You will receive written notice of such modifications and must take prompt action to secure the additional coverage or higher policy limits. All insurance policies must be written by an insurance company (or companies) satisfactory to us and must comply with the standards and specifications, which we will supply to you in writing. These required insurance policies include, at a minimum, the following:

Comprehensive or Commercial General Liability Insurance, including broad form contractual liability, broad form property damage, personal injury, completed operations and products liability in the amount of not less than $1,000,000 per occurrence and $2,000,000 in the aggregate.

All Risks Property Insurance for fire and related peril (including floods and earthquakes where applicable) with limits of insurance of not less than the full replacement value of the Restaurant, and its furniture, fixtures, equipment, inventory and other tangible property with a co-insurance clause of at least 90%.

Business Interruption and Extra Expense Insurance, including rental payment continuation for a minimum of 12 months, loss of profits and other extra expenses experienced during the recovery from property loss.

Employer's Liability & Workmen's Compensation Insurance in the amount of $100,000 per person, $500,000 in the aggregate, $100,000 for occupational disease and a $1,000,000 umbrella policy. If you do not obtain an umbrella policy, then these coverage limits shall be increased to $1,000,000 per person, $1,000,000 in the aggregate, and $1,000,000 for occupational disease.

Employer's Practice Liability Insurance in the amount of $100,000.

Plate Glass Insurance for replacement of glass from breakage.

Workers' Compensation and such other insurance as may be required by statute or rule of the state or locality in which the Restaurant is located. This coverage shall also be in effect for all of your employees who participate in any of the Sub Station II training programs.

Builder's All Risk Insurance in connection with any new construction or substantial renovation, refurbishment or remodeling of the Restaurant. You also must maintain performance and completion bonds in forms and amounts, and written by carrier(s), reasonably satisfactory to us.

ITEM 9
FRANCHISEE'S OBLIGATIONS

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

OBLIGATION		SECTION IN FRANCHISE AGREEMENT (FA) AND SITE SELECTION AGREEMENT (SSA)	DISCLOSURE DOCUMENT ITEM
a.	Site selection and acquisition/lease	FA: 3 SSA: 3-6	7 & 11
b.	Pre-opening purchases/leases	FA: 4.3, 5.2.8, 8.1 & 15 SSA: 6	7 & 8
c.	Site development and other pre-opening requirements	3, 4 & 5	6, 7 & 11
d.	Initial and ongoing training	FA: 9	5, 6, 7 & 11
e.	Opening	FA: 5	11
f.	Fees	FA: 6 SSA: 1	5 & 6
g.	Compliance with standards and policies/Operations Manual	FA: 11 & 13	8 & 11
h.	Trademarks and proprietary information	FA: 14	13 & 14
i.	Restrictions on products/services	FA: 13.2. & 13.3	16
j.	Warranty and customer service requirements	FA: 13.17	11
k.	Territorial development and sales quotas	Not Applicable	12
l.	Ongoing product/service purchases	FA: 13.2 & 13.6	8
m.	Maintenance, appearance and remodeling requirements	FA: 13.15	11
n.	Insurance	FA: 15	6 & 7
o.	Advertising	FA: 8	6 & 11
p.	Indemnification	FA: 23	6
q.	Owner's participation/ management/staffing	FA: 13.18 & 16.7	11 & 15
r.	Records/reports	FA: 4.6 & 7	6
s.	Inspections/audits	FA: 4.5, 7.7 & 13.21	6 & 11
t.	Transfer	FA: 17 &18	17
u.	Renewal	FA: 2.2	17
v.	Post-termination obligations	FA: 22	17
w.	Non-competition covenants	FA: 20	17
x.	Dispute resolution	FA: 29 SSA: 12 - 13	17
y.	Other: Personal Guarantee	FA: Guarantee	15

ITEM 10
FINANCING

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

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

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

Our Obligations Prior To Opening

Before you open your Restaurant:

1. We will provide you with a copy of our site selection guidelines and, as you may request, a reasonable amount of consultation with respect to the guidelines. (Site Selection Agreement, Section 4)

2. If we decide to do so, review the terms of the lease for any Restaurant. (Site Selection Agreement, Section 6; Franchise Agreement, Section 3.2)

3. We will supply you with a proposed layout of your unit including all specifications on equipment and color schemes. You must prepare all required construction plans and specifications to suit the shape and dimensions of the Premises and ensure that these plans and specifications comply with applicable ordinances, building codes and permit requirements and with lease requirements and restrictions. You must use only registered architects, registered engineers, and professional and licensed contractors. (Franchise Agreement, Section 4.1.1)

4. Approve or refuse to approve your proposed construction plans, specifications and drawings for the Restaurant ("Plans") within 30 days after we receive the Plans. (Franchise Agreement, Section 4.1.2)

5. Supply you with the Startup Package. (Franchise Agreement, Section 4.4)

6. We may inspect the Premises and the course of construction of the Restaurant in order to determine whether construction is proceeding according to the Plans. (Franchise Agreement, Section 4.5)

7. If we choose to conduct one, provide you with a final inspection of the Restaurant and its Premises to determine if you have complied with the Franchise Agreement in connection with the development of the Restaurant. (Franchise Agreement, Section 5.1)

8. Assist you with the development of your first Annual Marketing Plan and review your subsequent Annual Marketing Plans. (Franchise Agreement, Section 8.4.2)

9. We will host and maintain an independent web page or online site for your Restaurant at an Internet address that we specify. (Franchise Agreement, Section 8.6)

10. If the Restaurant is your first Sub Station II restaurant, provide to your Operating Principal and the Restaurant's general manager the Sub Station II Management Training Program. (Franchise Agreement, Section 9.1)

11. Provide corporate representatives to assist in the opening of the Restaurant and in the training of your employees for a period of up to 14 days, excluding Sundays. (Franchise Agreement, Section 9.3)

12. Provide consultation and advice to you, as we deem appropriate, with regard to the development and operation of the Restaurant, building layout, furnishings, fixtures and equipment plans and

specifications, employee recruiting, selection and training, purchasing and inventory control, and such other matters, and such other matters as we deem appropriate. (Franchise Agreement, Section 10.1)

Our Obligations After Opening

During the operation of your Restaurant, we will:

1. Collect, administer and spend for advertising purposes monies paid by franchisees and Company-Owned Restaurants into the Brand Fund. (Franchise Agreement, Section 8.3)

2. Review and approve your Annual Marketing Plan. (Franchise Agreement, Section 8.4.2)

3. Have the right to designate any geographical area for purposes of establishing a Market Cooperative. (Franchise Agreement, Section 8.5)

4. Require, as we determine appropriate, your Operating Principal, managerial personnel, and/or other previously trained and experienced staff members to attend and complete satisfactorily various training courses that we periodically choose to provide, as well as periodic conventions, regional meetings, and conferences that we specify. (Franchise Agreement, Section 9.4)

5. Advise and consult with you in connection with the operation of the Restaurant and provide our knowledge and expertise regarding the System and pertinent new developments, techniques and improvements in the areas of restaurant design, management, food and beverage preparation, sales promotion, service concepts, employee recruiting, selection and training, purchasing and inventory control, and such other matters. We may provide these services through visits by our representatives to the Restaurant or your offices, the distribution of printed, filmed or electronic information, meetings or seminars, telephone communications, e-mail communications or other communications. (Franchise Agreement, Section 10.2)

6. Inspect the Restaurant and its operations to assist with Restaurant operations and to ensure compliance with the System. (Franchise Agreement, Section 10.3)

7. Provide electronic access to our Manual that we will post on a restricted Website, intranet or extranet. The Manual remains our property. We may revise the contents of the Manual, and you agree to comply with each new or changed section. (Franchise Agreement, Section 11) The Table of Contents of the Manual is attached as Exhibit D. As of the issuance date of this disclosure document, the Manual contained a total of 265 pages.

8. Change or modify the System, including modifications to the Manual, the System Standards, the menu and menu formats, the required equipment, the signage, the building and premises of the Restaurant (including the trade dress, décor and color schemes), the presentation of the Marks, the adoption of new administrative forms and methods of reporting and of payment of any monies owed to us (including electronic means of reporting and payment) and the adoption and use of new or modified Marks or copyrighted materials. (Franchise Agreement, Section 12.1)

Selecting the Location for the Restaurant

We do not select the site for your Restaurant. You select the site for your Restaurant (subject to our approval). If no site has been designated when we approve your franchise application, you must sign a Site Selection Agreement (Exhibit C) and select the site from within a non-exclusive designated market area agreed to in writing by you and us ("Site Selection Area"). Your Site Selection Area will typically be a city or county within a designated state. You must obtain our acceptance of a site within 180 days after you sign the Site Selection Agreement. If we have not accepted a site within the 180-day period, the Site Selection Agreement will expire and we will retain the Deposit paid under that Agreement. As noted in Item 1, you should not acquire any interest in a site for your Restaurant until you have been approved as a franchisee, and we have approved the site in writing.

You will submit a site application for one or more proposed sites for the Restaurant and submit to us, in the form specified, a completed site evaluation package that must include a copy of the site plans, photographs, demographic information, financial information, and such other information and materials as we may reasonably require, together with option contracts, letters of intent, or other evidence satisfactory to us which confirms your favorable prospects for obtaining ownership or leasehold interests in the sites. We will use reasonable efforts to accept or reject a proposed site within 30 days after the on-site evaluation. If we do not accept a proposed site in writing in this time period, we will be deemed to have rejected the site. Within 30 days after we accept a site, you must secure financing for the Restaurant and execute a lease or a binding agreement to purchase the site. We have the right to review the terms of the lease for any Restaurant and you will be required to have our form of Addendum to Lease signed by you and the landlord, which is attached as Exhibit A to the Site Selection Agreement and Exhibit F to the Franchise Agreement.

Time Between Agreement Signing and Opening

We estimate that the time from signing the Franchise Agreement or payment of the Initial Franchise Fee to the opening of the Restaurant is approximately six to 18 months. Factors affecting the length of time needed to open the Restaurant usually include your ability to obtain a lease and adequate financing, weather, local requirements and procedures for necessary permits and zoning, shortages or delayed installation of equipment, signs and fixtures and special circumstances affecting construction in a particular area, none of which are within our control. You must open the Restaurant no later than one year after you sign the Franchise Agreement.

Training

Prior to the opening of the Restaurant, your Operating Principal and general manager must attend, and become certified in, Sub Station II's Management Training Program. The Management Training Program is generally held at a franchised Sub Station II restaurant in Lexington, South Carolina and consists of seven to ten days of pre-opening training. We do not charge a tuition fee for these individuals to attend the Management Training Program. If the Operating Principal serves as the general manager, then at least one other manager must attend and become certified in the Management Training Program. If you wish to send additional personnel to the program, you may send two individuals at a time, however, you must pay our training fee in the amount of $200 per person, per 10-hour shift.

We will certify any management employee who successfully completes the Management Training Program as a "Certified Manager." The Management Training Program is offered throughout the year on an as-needed basis. You will be required to pay all salaries, benefits, travel, living and other expenses and transportation costs incurred by your employees while attending the Management Training Program. We will authorize the Restaurant to open only after an adequate number of your employees have attended and successfully completed the Management Training Program. We may offer portions of the Management Training Program over the Internet, company intranet or by webinar. You must pay all salaries, benefits, travel, living and other expenses incurred by your employees while attending the training.

For your first Sub Station II restaurant, we will provide the Management Training Program to your managers. For your second and subsequent Sub Station II restaurants, one of your Certified Managers must provide the Management Training Program to your managerial personnel at one of your Restaurants.

This Management Training Program is mandatory for all franchisees. The Manual is used as instructional material during the program.

Opening Training

We will send corporate representatives to the Restaurant to assist with the Restaurant opening for a period of up to 14 days. This Opening Training will also include on-site training for your staff members. You will not be required to pay any additional costs for any of the travel or living expenses incurred by our representative while he/she provides the Opening Training. As a part of the Opening Training, attendees must successfully complete a ServSafe food safety training and certification program administered by the National Restaurant Association Educational Foundation. We have Certified ServSafe Instructors on staff and we will administer this test for up to three people during the pre- or post-opening training. The cost for this service is included in your Initial Franchise Fee. If you need to have additional personnel trained, the testing fee is $110 per attendee with book and $85 per attendee if no book is needed.

The following chart summarizes the subjects taught during the Management Training Program and Opening Training:

TRAINING PROGRAM

Subject	Hours of Classroom Training	Hours of On The Job Training	Location
Opening Procedures	0	15 - 30	Sub Station II Restaurant in Lexington, South Carolina or your Restaurant
Setup Procedures	0	15 - 30	Sub Station II Restaurant in Lexington, South Carolina or your Restaurant
Sandwich Preparation	0	30 - 60	Sub Station II Restaurant in Lexington, South Carolina or your Restaurant
Closing Procedures and Paperwork	0	15 - 30	Sub Station II Restaurant in Lexington, South Carolina or your Restaurant
Total	0	75 - 150	

Our Senior Operations Manager, Jerry Queen directs the Training Program. Mr. Queen has six years of experience in training managers and employees of Sub Station II restaurants and 22 years of training experience with Wendy’s. We also have an additional trainer, Brandon Harbour, our Training and Operations Specialist, who has five years of training experience with us.

Training by You

Your Certified Managers are responsible for training the Restaurant’s staff. You must have a full staff in place and available for training at least three days before the Restaurant opens. We will authorize you to open the Restaurant only after an adequate number of your employees have attended and received certification in the position for which they were hired. Periodically, you must conduct such training programs for your employees as we may require, including those training programs required for your employees to become certified for the position(s) for which each employee was hired. Your Certified Managers also may offer the Management Training Program to your managerial employees. We will evaluate all managers trained by you and determine whether to certify the managers as Certified Managers. You are responsible for all costs that you incur in training your employees.

Training of Replacement Personnel

You must employ at the Restaurant the number of Certified Managers that we require, which in no event shall be less than two. Your replacement managerial personnel must satisfactorily complete the Management Training Program within 30 days after being designated as managerial personnel. Replacement managerial personnel may: (1) attend the next Management Training Program offered by us where there is an opening; or (2) be trained by your Certified Managers, however, they must be reviewed by our field personnel and receive our certification as Certified Managers prior to training your staff. We may charge reasonable registration or similar fees for these courses and you must pay all salaries, benefits, travel, living and other expenses incurred by your employees during all training courses and programs.

Additional Training

We may require your Operating Principal, Certified Managers, managerial personnel, and/or other previously trained and experienced staff members to attend and complete satisfactorily various training courses that we periodically choose to provide at the times and locations that we designate, as well as periodic conventions, meetings, and conferences that we specify. We may charge reasonable registration or similar fees for these meetings and you will need to pay all salaries, benefits, travel, living and other expenses incurred by your employees during all such meetings.

Advertising

You will have a periodic advertising and promotion obligation ("APO") in an amount of up to 5% of the Net Sales of the Restaurant which will be divided between the Brand Fund contribution, local store marketing and a Market Cooperative, as applicable. Currently, you must contribute 2% of the weekly Net Sales of the Restaurant to the Brand Fund (subject to a maximum payment of $100, which we may adjust on an annual basis) and you must spend 2% of the annual Net Sales of the Restaurant on local store marketing as described below. We have the right, following written notice to you, to reallocate the APO and to increase the APO; however we will not increase the APO by more than 0.5% percent of Net Sales in any 12-month period. In addition, we may not increase the APO above 5% of Net Sales. We may modify the marketing and advertising programs and the manner in which the marketing and advertising funds are used.

Brand Fund. We have established a Brand Fund for the enhancement and protection of the System and the Marks, and for the development of advertising, marketing, and public relations programs and materials. You will contribute to the Brand Fund at the same time and in the same manner as you pay the royalty fees to us. Sub Station II restaurants operated by us and our affiliates also will contribute to the Brand Fund on the same basis as comparable franchisees. We will use the Brand Fund, and the monies in the Brand Fund, for any purpose that we designate that we believe will enhance and protect the System and Marks and will improve and increase public recognition and perception of the System and Marks.

We direct all programs that the Brand Fund finances, with sole control over the creative concepts, materials, and endorsements used and their geographic, market, and media placement and allocation. You must participate in all advertising, marketing, promotions, research and public relations programs instituted by the Brand Fund. Among the programs, concepts, and expenditures for which we may utilize the Brand Fund monies are: (1) creative development and production of print ads, commercials, radio spots, point of purchase materials, direct mail pieces, door hangers, and other advertising and marketing materials; (2) creative development, preparation, production and placement of video, audio, and written materials and electronic media; (3) media placement and buying, including all associated expenses and fees; (4) administering regional and multi-regional marketing and advertising programs; (5) market research and customer satisfaction surveys, including the use of secret shoppers; (6) the creative development of, and actual production associated with, premium items, giveaways, promotions, contests, public relation events, and charitable or nonprofit events; (7) creative development of signage, posters, and individual Sub Station II restaurant décor items including wall graphics and signage; (8) Website, extranet and/or intranet development and maintenance; (9) development, implementation, and maintenance of an electronic commerce Website and/or related strategies; (10) development and implementation of search engine optimization strategies; (11) development and administration of consumer surveys, interviews and other customer satisfaction and retention policies; (12) retention and payment of advertising and marketing agencies and other outside advisors including retainer and management fees; and (13) public relations and community involvement activities and programs.

We will maintain a separate bank account and segregate Brand Fund monies from our other monies. We will not use the Brand Fund for any of our general operating expenses, but we and our affiliates may be reimbursed by the Brand Fund for administrative expenses directly related to the Brand Fund's marketing programs, including without limitation, conducting market research, preparing advertising and marketing materials, and collecting and accounting for contributions to the Brand Fund. We may use the Brand Fund to pay the administrative costs of the Brand Fund including managing the advertising, marketing, and promotional programs and payment of outside suppliers utilized by the Brand Fund, and we may use the Brand Fund to pay the reasonable salaries and benefits of personnel (including our personnel and our affiliates' personnel) who manage and administer the Brand Fund. We may use the Brand Fund to pay for other administrative costs, travel expenses of personnel while they are on Brand Fund business, meeting costs, overhead relating to Brand Fund business, and other expenses that we incur in activities reasonably related to administering or directing the Brand Fund and its programs. We will not use the Brand Fund for anything whose sole purpose is the marketing of franchises, however, the System Website, public relations activities, community involvement activities and other activities supported by the Brand Fund may contain information about franchising opportunities.

In our last fiscal year, which ended on August 31, 2022, we spent Brand Fund contributions in the following approximate amounts: 52.8% on media and public relations and research and development; and 48.2% on point of purchase items, artwork and packaging.

The Brand Fund will not be our asset. Although the Brand Fund is not a trust, we will hold all Brand Fund contributions for the benefit of the System, and use contributions only for the purposes described above. We do not owe any fiduciary obligation to you for administering the Brand Fund or for any other reason. The Brand Fund may spend in any fiscal year more or less than the total Brand Fund contributions in that year, borrow from us or others (paying reasonable interest) to cover deficits, or invest any surplus for future use. We will use all interest earned on Brand Fund contributions to pay for the administrative costs of the Brand Fund before using the Brand Fund's other assets. We will prepare an annual, unaudited statement of Brand Fund collections and expenses within 60 days after our fiscal year end. The statement is available for your review upon written request. We may incorporate the Brand Fund or operate it through a separate entity whenever we deem appropriate. The successor entity will have all of the rights and duties specified above.

We intend the Brand Fund to maximize and enhance public, franchisee, and employee recognition of the System and the Marks. Although we may use the Brand Fund, or portions of the monies in the Brand Fund, to create, develop, use and/or place advertising and marketing materials and programs, and we may try to engage in brand enhancement activities that will benefit all Sub Station II restaurants, we cannot and do not ensure that Brand Fund expenditures will be made in or affecting any geographic area, or will be proportionate or equivalent to Brand Fund contributions by Sub Station II restaurants operating in that geographic area. We do not guarantee or assure that you, the Restaurant or any Sub Station II restaurant will benefit directly or in proportion to their Brand Fund contribution from the brand enhancement activities of the Brand Fund or the development of advertising and marketing materials or the placement of advertising and marketing.

Local Store Marketing. Following the expiration of the Grand Opening Period, you must set aside at least 2% of the weekly Net Sales of the Restaurant and spend at least 2% of the annual Net Sales of the Restaurant for advertising and marketing in your market area ("Local Store Marketing"). Upon our request, you must submit appropriate documentation to verify full compliance with your Local Store Marketing obligations. If you fail to expend on an annual basis, the required amount, then you must contribute to the Brand Fund within 30 days after the close of our fiscal year any amounts that you should have expended to reach the Local Store Marketing requirement.

You must develop, on an annual basis, a marketing plan and spending budget ("Annual Marketing Plan") that we will approve or disapprove for you, the Restaurant, and the market area. We will assist you with the development of your first Annual Marketing Plan and, after that, you must develop and submit your Annual Marketing Plan for our approval by November 30 of each year. You must comply with all requirements regarding the Marketing Plan, including use of approved advertising and marketing materials, placement and purchase of advertising and marketing materials and media, and full compliance with all promotional recommendations.

Your local advertising and marketing materials must follow our guidelines, which may include, among other things, requirements for, or restrictions regarding, the use of the Marks and notices of our Website's domain name in the manner we designate. We may specify third parties that you must use for the design and development of your local advertising and marketing materials and you will be required to pay those third parties for their services. Your advertising and marketing materials will be completely clear, factual, and not misleading and conform to both the highest standards of ethical advertising and marketing and the advertising and marketing policies that we prescribe.

You may purchase local advertising and marketing materials from us or any source approved by us. You must purchase display advertising listings in print and on-line as required by us. We may provide to you samples of advertising and marketing materials, point of purchase items, signage, stationery, business cards and related materials at no cost. If you purchase these materials from a source other than us or our affiliates, these materials must comply with federal and local laws and regulations and with the guidelines for advertising and marketing promulgated from time to time by us. You must submit the materials to us or our designee at least ten days prior to first use for approval, which we may grant or withhold in our sole discretion. If we do not approve your submission within ten days, we will be deemed to have rejected the materials.

Your advertising and marketing materials may not contain any statement or material which, in our sole discretion, may be considered: (1) in bad taste or offensive to the public or to any group of persons; (2) defamatory of any person or an attack on any competitor; (3) to infringe upon the use, without permission, of any other persons' trade name, trademark, service mark or identification; or (4) inconsistent with our public image. All copyrights in and to advertising and marketing materials developed by you or on your behalf will be our sole property.

Market Cooperatives. We have the right to designate any geographical area for purposes of establishing a market advertising and promotional cooperative fund ("Market Cooperative"). If a Market Cooperative for the geographic area in which your Restaurant is located has been established at the time you open the Restaurant, you must become a member of that Market Cooperative. If a Market Cooperative for the geographic area in which the Restaurant is located is established after you open the Restaurant, you must become a member of the Market Cooperative within 30 days after the date the Market Cooperative is formed. You will not be required to be a member of more than one Market Cooperative. Any contributions to a Market Cooperative will be credited against your Local Store Marketing expenditures.

Each Market Cooperative shall be organized (including but not limited to bylaws and other organizational documents) and governed in a form and manner, and shall commence operations on a date, approved in advance by us in writing. The written organizational documents of the Market Cooperative will be made available for your review. Unless otherwise specified by us, the activities carried on by each Market Cooperative shall be decided by a majority vote of its members. Any Restaurants that we or our affiliates operate in the region shall have the same voting rights as those owned by our franchisees. Each Restaurant owner shall be entitled to cast one vote for each Restaurant owned. You will submit your required contribution to the Market Cooperative at the same time and in the same manner as your royalty fees and Brand Fund contributions, together with such statements or reports as may be required by us or by the Market Cooperative with our prior written approval. If so requested by us in writing, you will submit your payments and reports to the Market Cooperative directly to Sub Station II for distribution to the Market Cooperative. Each franchised and Company-Owned Restaurant in the region will contribute to the Market Cooperative in the same manner.

Each Market Cooperative shall be organized for the exclusive purpose of administering regional advertising programs and developing, subject to our approval, standardized promotional materials for use by the members in local advertising and promotion. No advertising or promotional plans or materials may be used by a Market Cooperative or furnished to its members without our prior approval. Each Market Cooperative must prepare annual financial statements which will be made available to the members of the Market Cooperative and to Sub Station II. We have the right to require the Market Cooperative to be formed in any geographic area and we have the right to require the form of the Market Cooperative to be changed, dissolved or terminated at any time. However, a Market Cooperative will not be terminated until all monies in that Cooperative have been expended for advertising and/or promotional purposes. Currently, there are no Market Cooperatives.

Computer System

Your Computer System (which consists of a personal computer capable of running a Microsoft Windows operating system and a point of sale system approved by us) must be capable of recording financial and customer data and communicating with us. Your point of sale system must record all sales at your Restaurant and be fully compatible with our computer system. Your point of sale system must include an information interface capability to communicate electronically with our computer system to provide us with continuous transaction level point of sale data. Currently, we have approved the Clover point of sale system. This system requires the payment of monthly fees ranging from $49 to $150. We may prescribe a different point of sale system or other proprietary computer hardware and software systems, which you will need to purchase. You must purchase or lease, and thereafter maintain, the Computer System, and comply with our requirements, specifications and policies concerning the use of technology as specified in the Franchise Agreement, the Manual or otherwise in writing. We will have the right at any time to retrieve and use the data and information from your Computer System that we deem necessary or desirable. There are no contractual limitations on our right to access this information and data.

We estimate that it will cost you approximately $6,000 to $15,000 to purchase the Computer System for your Restaurant. Most vendors have a standard warranty on their products, and extended warranty and maintenance programs may be available. We estimate that the current annual cost of an optional and/or required maintenance/support contract, including upgrades/updates, may range from $500 to $3,500 depending on numbers and types of equipment.

You are required to upgrade or update these systems during the term of the Franchise Agreement, and there is no contractual limitation on the frequency and the cost of the obligation. Upgrade and maintenance costs are subject to change, without notice.

ITEM 12
TERRITORY

Under the Franchise Agreement, we will grant you the right to operate continuously the Restaurant at the Premises. You may not relocate the Restaurant without our prior written consent, which may be withheld by us in our sole discretion. If we approve a relocation of your Restaurant, you must pay a relocation fee in the amount of $1,500 or such greater amount as is necessary to reimburse us for the reasonable expenses that we incur in connection with consideration of the request.

If we have not accepted your Restaurant site when you sign the Franchise Agreement, you must sign the Site Selection Agreement where you and we will designate a Site Selection Area. Your Site Selection Area will typically be a city or county within a designated state. Your rights in the Site Selection Area are not exclusive and we may establish, or franchise another to establish, a Sub Station II restaurant within the Site Selection Area.

If you remain in compliance with the terms and conditions of the Franchise Agreement, we will not establish or license others to establish another Sub Station II restaurant in a specified geographic area around the Restaurant (the "Protected Area"), which will be mutually agreed upon by Sub Station II and you, taking into consideration the density of the area. A description of the Protected Area will be attached as an appendix to the Franchise Agreement. There is no minimum size that your Protected Area must exceed. The perimeters of the Protected Area may be described by specific street boundaries, county lines, state lines, municipal boundaries, railroad tracks or other similar boundary descriptions, and the size may range from a portion of a metropolitan area to a county or a state in less densely populated areas.

You must provide catering services to customers located within your Protected Area. You may not directly solicit catering customers or provide catering services to customers located outside of the Protected Area unless you obtain our prior written permission. We may grant written permission to you to directly solicit catering customers and provide catering services in a geographic area adjacent to the Protected Area that we have not assigned as a protected territory of another Sub Station II restaurant. You do not have any rights of first refusal to any open area.

You will not receive an exclusive territory under the Franchise Agreement. You may face competition from other outlets that we and our affiliates franchise, license, sublicense, or own or from other channels of distribution or competitive brands we or our affiliates may control. We reserve certain rights that are specified in your Franchise Agreement such as (1) the right to operate Sub Station II restaurants outside your Protected Area; (2) the right to operate Sub Station II restaurants in your Protected Area that are located within certain nontraditional venues; (3) the right to sell products in your Protected Area from locations other than Sub Station II restaurants such as retail locations, supermarkets, gourmet shops, mail order and Internet sales; (4) the right to operate restaurants other than Sub Station II restaurants in your Protected Area; and (5) the right to acquire or be acquired by a competing chain that operates restaurants in your Protected Area. We will not compensate you for any sales made to customers in your Protected Area through any of the alternate channels of distribution described above.

The continuation of your territorial protection does not depend on the achievement of any particular sales volume, market penetration, or other contingency. You do not receive under the Franchise Agreement any options, rights of first refusal, or similar rights to develop or operate more than one Restaurant. Neither we nor any affiliate has established or has any present plan to establish other restaurant companies or other channels of distribution selling or leasing similar products or services under a different trademark.

ITEM 13
TRADEMARKS

We grant you the right to operate a Restaurant under the name "Sub Station II" and to use our other current or future Marks in the operation of your Restaurant. We own all rights in the following principal marks, each of which has been registered with United States Patent and Trademark Office on the Principal Register, and all required affidavits of continued use have been filed and accepted:

Trademark	Registration No.	Registration Date
SUB STATION II	4,413,459	October 8, 2013
	4,413,387	October 8, 2013
	4,585,518	August 12, 2014
IT'S HOW WE MAKE IT!	5,508,431	July 3, 2018
THE ULTIMATE	5,622,464	December 4, 2018
A COMPLETE MEAL ON A BUN	5,622,799	December 4, 2018

You must follow our rules when you use our Marks. You may not modify the Marks in any manner in connection with your display of, or creation or duplication of materials bearing, the Marks. You may not use the Marks or any variations of the Marks or marks or names confusingly similar to the Marks in any manner not authorized by us or in any legal entity name and may not use any other trade names, service marks or trademarks in conjunction with the Restaurant. If local laws or ordinances require that you file an affidavit of doing business under an assumed name or otherwise make a filing indicating that the Marks are being used as a fictitious or assumed name, you must include in that filing or application an indication that the filing is made "as a franchisee of Sub Station II, Inc." You must use the symbol ® with all registered marks and the symbol ™ with all pending registrations or other marks. You must have a sign on display in the Restaurant, the form of which shall be approved by us, that indicates that the Restaurant is independently owned and operated by you under license from Sub Station II, Inc.

You may not use the Marks or any variations of the Marks or marks or names confusingly similar to the Marks in any manner not authorized by us in writing as part of any URL, domain name, Website, meta-tag, download, application, posting, social networking profile, directory listing, screen name, anonymous name, blog, vlog, e-mail account, instant messaging account, texting identity, user generated content, or any other identification of you or the Restaurant in any electronic medium (collectively, and individually, "Electronic Identifiers"). We may grant or withhold our consent in our sole discretion and may condition our consent on such requirements as we deem appropriate, including, among other things, requiring you to obtain our prior written approval of: (1) any and all Electronic Identifiers related to the Restaurant; (2) the proposed form and content (including any visible and non-visible content such as meta-tags) of any Website related to the Restaurant; (3) your use of any hyperlinks or other links; (4) your use of any materials (including text, video clips, photographs, images and sound bites) in which any third party has an ownership interest; and (5) any proposed modification of your Website. We may designate the form and content of your Website and/or require that any such Website be hosted by us or a third party designated by us, using one or more Websites that we own and/or control. In addition, we may require you to establish hyperlinks to our Website or another Website designated by us.

If we elect to use a principal name other than "Sub Station II" to identify the System, we may select another name and notify you to change all or some items bearing the Marks to the new name within a reasonable period of time as determined by us without any liability to you, and you must promptly adopt that name.

There are no presently effective rulings of the United States Patent and Trademark Office, the Trademark Trial and Appeal Board, the trademark administrator of any state or any court relating to the principal Marks that would materially affect your right to use the Marks. There are no pending infringement, opposition or cancellation proceedings or material litigation involving the principal Marks.

There are no agreements currently in effect that significantly limit our right to use or license the use of the principal Marks in any manner material to you. We do not know of either superior prior rights or infringing uses that could materially affect your use of the principal Marks in any state.

We will reimburse you for any damages and expenses that you incur in any trademark infringement proceeding disputing your authorized use of any Mark that we license you to use. You must promptly inform us in writing as to any infringement of the Marks of which you have knowledge. You cannot make any demand or serve any notice, orally or in writing, or institute any legal action or negotiate, compromise or settle any controversy with respect to any such infringement without first obtaining our written approval. We have the right, but not the obligation, to bring such action or take such steps as we may deem advisable to prevent any such infringement and to join you as a party to any action in which we are or may be a party and as to which you are or would be a necessary or proper party. You also must promptly notify us of any litigation (including administrative or arbitration proceedings) of which you are aware instituted against us, our affiliates or you relating to the Marks. You must sign any and all instruments and documents, render such other assistance and do any acts and things as may, in the opinion of our counsel, be necessary or advisable to protect and maintain our interests in the Marks, including, without limitation, our interests in litigation or proceedings before the U.S. Patent and Trademark Office or other tribunal relating to the Marks.

ITEM 14
PATENTS, COPYRIGHTS AND PROPRIETARY INFORMATION

We do not own any patents or patent applications that are material to your Restaurant or the System. We claim copyright protection in the Manual and certain forms, architectural, engineering and construction plans, advertising materials, product recipes, formulas, specifications, ingredients, processes, techniques and methodologies, supplier information, customer lists, site information, equipment specifications, computer programs, newsletters, training materials, and operations and accounting materials. We have not registered those materials with the United States Registrar of Copyrights.

The Manual and these other materials contain our detailed standards and specifications for developing, managing and operating Sub Station II restaurants, including mandatory specifications and standards relating to the construction of the restaurants. The Manual and other proprietary information also may discuss the selection, purchase, storage, preparation, packaging, ingredients, recipes, cooking methods, service and sale of the products and beverages you will sell at your Restaurant. The Manual also contains information on management and employee training, marketing, advertising and sales promotions, signs, fixtures and furnishings, employee dress attire and appearance standards, menu concept, and business practices and procedures, such as bookkeeping, accounting, records retention and other business systems.

The Manual and all other materials and information provided or disclosed to you regarding the System are disclosed in confidence. You may not disclose any part of this information to anyone who is not your employee, and you will disclose to your employees only those parts of the System that an employee needs to know. You also must agree not to contest our interest in the trade secrets and confidential and proprietary information that comprises the System.

We are not required by any agreement to protect or defend copyrights or confidential information, although we intend to do so as appropriate. There is no currently effective determination of, or proceedings pending before, the United States Copyright Office or any court with respect to the copyrights discussed above. There are no agreements in effect pursuant to which we or our affiliates derive our right to use these copyrights and which would limit your use of any copyrighted materials that we supply to you. We are not aware of any infringing uses of our copyrighted materials that would affect your use of these materials.

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

If you are a legal entity, you must identify a Continuity Group that is comprised of individuals who own at least 66% of your ownership interests and voting securities. The members of the Continuity Group must be listed in an appendix to the Franchise Agreement and you must notify us of any change to the Continuity Group. The Continuity Group shall at all times own at least 66% of the ownership interests and voting securities in you.

You are not obligated to participate personally in the direct operation of the Restaurant; however, you must designate a qualified individual to serve as the "Operating Principal" of your Restaurant. The Operating Principal must: own at least a 10% equity ownership interest in you; be a member of the Continuity Group; devote full-time and reasonable efforts to supervising the operation of the Restaurant and those other Sub Station II restaurants operated by you in the same geographic area as the Restaurant and shall not engage in any other business or activity, directly or indirectly, that requires substantial management responsibility; maintain a primary residence within a reasonable driving distance of the Restaurant; and have successfully completed the Management Training Program, qualified as a Certified Manager and completed any additional training we require. We must approve the Operating Principal, and not have later withdrawn that approval. If the Operating Principal no longer qualifies, you must designate another qualified person to act as Operating Principal within 30 days after the date the prior Operating Principal ceases to be qualified. Your designee to become the Operating Principal must successfully complete the Management Training Program.

The Operating Principal shall remain active in overseeing the operations of the Restaurant, including, without limitation, regular, periodic visits to the Restaurant and sufficient communications with us to ensure that the Restaurant's operations comply with our operating standards. The Restaurant must be under the on-site supervision of the Operating Principal or a Certified Manager who meets our applicable training qualifications for that person's designated position. You must employ at the Restaurant the number of Certified Managers we require, which in no event shall be less than two (one of whom may be your Operating Principal). We may require you to have additional Certified Managers to manage the Restaurant based on the size or sales volume of your Restaurant. Your Certified Managers are not required to have an equity interest in you.

Your Continuity Group members, Operating Principal and Principal Owners, which include all owners of at least a 10% equity interest in you, must personally guarantee your performance of the Franchise Agreement. We may require that the spouse (or domestic partner or other immediate family member) of an owner also sign the guarantee. These individuals and your restaurant managers also must sign our form of Non-Disclosure and Non-Competition Agreement which is attached as Exhibit E to the Franchise Agreement.

ITEM 16
RESTRICTIONS ON WHAT THE FRANCHISEE MAY SELL

You must operate the Restaurant in strict conformity with the methods, standards and specifications that we prescribe in the Manual or otherwise in writing. You must use the Restaurant solely for the operation of a Sub Station II restaurant. You must maintain sufficient inventories, adequately staff each shift with qualified employees and continuously operate the Restaurant at its maximum capacity and efficiency for the minimum number of days and hours that we specify in the Manual or otherwise in writing. We currently require Sub Station II restaurants be open a minimum of six days a week for at least ten hours a day.

You must maintain a sufficient supply and use and/or sell only the products, ingredients, materials, supplies, merchandise and paper goods as conform to our written standards and specifications. You must sell or offer for sale only the products as have been expressly approved for sale in writing by us, sell or offer for sale all such products, utilizing the ingredients and employing the preparation standards and techniques, as we specify, refrain from any deviation from our standards and specifications, including the manner of preparation of products, and discontinue selling and offering for sale any products which we disapprove.

Within 14 days after receipt of written notice from us, you must begin selling any newly authorized menu items and cease selling any menu items that are no longer authorized. Within 30 days after receipt of written notice from us, you must begin selling any newly authorized merchandise and cease selling any merchandise that is no longer authorized. If any discontinued menu item or merchandise could pose a hazard to the public or prove detrimental to the system, you must immediately cease selling or using that item or ingredient. All food, beverage and merchandise items authorized for sale at the Restaurant must offered for sale under the specific name we designate. We may restrict sales of menu items to certain time periods during the day.

With respect to the sale of all menu items, products, merchandise or services, you will have sole discretion as to the prices to be charged to customers; however, we may set maximum prices on such menu items, products and services.

In order to protect our interest under the Franchise Agreement, we may apply for a policy of insurance on your life, if you are an individual franchisee, or on your key employees, shareholders or other owners as we deem appropriate. We will be responsible for the payment of the premiums with respect to such policy or policies.

We do not limit the customers to whom you may sell goods or services.

See Items 8 and 9 for more specific information on restrictions covering what you may sell.

ITEM 17

RENEWAL, TERMINATION, TRANSFER AND DISPUTE RESOLUTION

THE FRANCHISE RELATIONSHIP

The following tables list certain important provisions of the Franchise Agreement. You should read these provisions in the agreement attached to this disclosure document.

PROVISION	SECTION IN FRANCHISE AGREEMENT	SUMMARY
a. Length of the franchise term	2.1	Ten years from the date that the Restaurant opens.
b. Renewal or extension of the term	2.2	You have an option to remain a franchisee at the Premises for one ten-year successor term.
c. Requirements for you to renew or extend	2.2.1 – 2.2.8	You must: give timely notice; present evidence of right to remain in possession of Premises; not be in default of any agreement with us; be in substantial compliance with all agreements with us; renovate and modernize the Restaurant; update equipment, menu offerings, services, products, merchandise, methods and procedures to our then-current standards; be in compliance with then-current qualifications and training requirements; sign general release; sign a new franchise agreement with us which may contain terms and conditions materially different from your current Franchise Agreement, including higher royalty fees and advertising contributions; and pay a successor fee.
d. Termination by you	Not applicable	You have no right to terminate the Franchise Agreement.
e. Termination by us without cause	Not applicable	We have no right to terminate the Franchise Agreement without cause.
f. Termination by us with cause	21	We may terminate upon default.
g. "Cause" defined-curable defaults	21.3	You have ten days to cure monetary defaults. You have 20 days to cure all other defaults except those discussed in subsection h.
h. "Cause" defined – non-curable defaults	21.1, 21.2 & 20.3.3 & Site Selection Agreement, Section 3.2	Non-curable defaults that result in automatic termination: insolvency or general assignment for the benefit of creditors; bankruptcy; appointment of a receiver; proceedings for a composition with creditors is instituted; a final judgment remains unsatisfied or of record for 30 days or longer; you are dissolved; execution is levied against your business or property; suit to foreclose any lien or mortgage against the Premises or the Restaurant or its equipment is instituted and not dismissed within 30 days; or the real or personal property

PROVISION	SECTION IN FRANCHISE AGREEMENT	SUMMARY
		of the Restaurant is sold after levy thereupon by any sheriff, marshal, or constable. Non-curable defaults for which we will give you notice but no opportunity to cure: failure to timely obtain site approval or an interest in the Premises or to timely open the Restaurant; failure of your Operating Principal to complete the training; failure of your employees to attend the training; failure to operate the Restaurant for a period in excess of three consecutive business days or five individual days; unauthorized Transfer; violation of the confidentiality and non-competition restrictions; material misrepresentation or omission of a material fact in information furnished to us; knowing falsification of any report or making of any material misrepresentation; determination by us that your continued operation of the Restaurant will result in an imminent danger to public health or safety; loss of possession of the Premises; misuse of the Marks or trade dress or undertaking an act that impairs goodwill; repeated understatement of Net Sales or understatement of Net Sales by more than 5%; conviction of felony charge; assets, property, or interests are blocked under anti-terrorism laws or you or your Principal Owners violate such laws; default of other agreements; and repeated defaults.
i. Your obligations on termination / nonrenewal	22	Immediately cease to operate the Restaurant as a Sub Station II restaurant; cease use of Marks and System; pay amounts due; cancel assumed names; return Manual and other materials; assign lease to us or de-identify; continue to observe confidentiality and noncompetition restrictions; and refrain from operating a business under any name or in any manner that suggests connection to Sub Station II and its affiliates.
j. Assignment of contract by us	17	There are no restrictions on our right to assign.
k. "Transfer" by you-definitions	18.1	Includes transfer, pledge or other encumbrance of the Franchise Agreement or any rights under that Agreement, any interest in you, any material asset of yours or the Restaurant.
l. Our approval of transfer by you	18.1	We have the right to approve transfers.

PROVISION	SECTION IN FRANCHISE AGREEMENT	SUMMARY
m. Conditions for our approval of transfer	18.2 & 18.3	Conditions include: transferee meets our then-current qualifications, completes training, retains possession of the Restaurant, agrees to upgrade, remodel and refurbish the Restaurant; the sales price is reasonable; payment of amounts due; no default under any agreement with Sub Station II and its affiliates; no default beyond the applicable cure period under any real estate lease, equipment lease or financing instrument relating to the Restaurant or with any vendor or supplier to the Restaurant; payment of transfer fee; sign our then current form of standard Franchise Agreement; and sign general release.
n. Our right of first refusal to acquire your business	18.10	We or our designee can match any offer for your business.
o. Our option to purchase your business	22.11	We can purchase some or all of your assets on termination or default under your lease at the lesser of fair market value or book value.
p. Your death or disability	18.7.1.2	Transfer to parent, adult sibling, spouse, adult children, or member of the Continuity Group is permitted. Such Transfer shall be completed within a reasonable time, not to exceed six months from the date of death or permanent disability.
q. Non-competition covenants during the term of the franchise	20.2.2	No diversion of any business or customer to any competitor; no interest in any restaurant business that features submarine sandwiches; or that offers sandwiches, salads or any individual menu item that comprises 10% of sales at Sub Station II restaurants or whose method of operation or trade dress is similar to that used in the System.
r. Non-competition covenants after the franchise is terminated or expires	20.2.3	No activity as described in subsection q. above for two years within the Protected Area and within seven miles of any then-existing Sub Station II restaurant.
s. Modification of the agreement	26	No modification generally without signed agreement, but we may modify the System and the Manual.
t. Integration/merger clause	27	Only the terms of the Franchise Agreement and the exhibits are binding. Any other oral or written promises related to the subject matter of the Franchise Agreement may not be enforceable. Except for the statements contained in this disclosure document, you may not rely on any other oral or written statements you may have been provided about the franchise.
u. Dispute resolution by arbitration or mediation	29	Any dispute where the aggregate value of all disputed claims is less than $100,000 must be arbitrated. Claims related to misuse of confidential information, trade secrets, the Marks are not subject to arbitration and will be litigated.

PROVISION	SECTION IN FRANCHISE AGREEMENT	SUMMARY
v. Choice of forum	29.2	Arbitration and litigation matters must be filed where our principal offices are located, which currently is the State of South Carolina.
w. Choice of law	29.1	Subject to state law, the laws of the State of South Carolina apply.

ITEM 18
PUBLIC FIGURES

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

ITEM 19
FINANCIAL PERFORMANCE REPRESENTATIONS

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

Table 1 below displays the Net Sales, Food Costs and Labor Costs of four Company-Owned and 35 franchised Sub Station II restaurants that were open during the period from September 1, 2021 to August 31, 2022 (the "Reporting Period"). This financial performance representation does not include financial performance data related to one franchised Sub Station II restaurant that was not open during the entire Reporting Period.

	Systemwide	Top Third	Middle Third	Bottom Third	Company-Owned	Franchised Restaurants
No. of Restaurants	38	13	13	12	3	35
Range of Net Sales (2)	$152,635-1,209,685	$625,543-$1,209,685	$437,847-$595,861	$152,635-$414,520	$447,499-$745,238	$152,635-1,209,685
Median Net Sales	$534,472	$745,238	$531,819	$256,749	$646,217	$531,819
Average Net Sales	$540,389	$817,873	$518,396	$263,607	$622,985	$533,310

	Systemwide	Top Third	Middle Third	Bottom Third	Company-Owned	Franchised Restaurants
No. of Franchised Restaurants in each Group at or above Average Net Sales	17/45%	6/46%	7/54%	6/50%	2/67%	17/49%
Average Food Cost (3)	38.9%	39.1%	37.9%	39.8%	38.4%	39.1%
Average Labor Cost (4)	27.3%	26.4%	27.5%	28.1%	25.8%	27.5%
Franchised Restaurant Royalties Owed on Average Net Sales	$27,019	$40,894	$25,920	$13,180	$31,149	$26,665
Franchised Restaurants Brand Fund Contributions Owed	$42,600	$15,600	$15,600	$11,400	$3,600	$39,000

NOTES

1. The "Net Sales" figures are consistent with "Net Sales" as defined in Item 6 of this disclosure document.

2. Average Food Cost consists of the average food usage costs as a percentage of Net Sales experienced by the Restaurants in each tier.

3. Average Labor Cost consists of the average labor costs as a percentage of Net Sales experienced by the Restaurants in each tier. Labor costs vary widely depending on many factors. The cost of workers compensation insurance will vary depending on various factors, including the type and amount of coverage you provide, loss experience, the total number of employees covered and the requirements of applicable laws or regulations. Your labor costs will also be affected by the amount of vacation time and vacation pay that you provide to your employees, the rate of employee turnover, the local labor market, applicable minimum or "living" wage laws and health or other mandated benefits, and your control over costs.

4. During the Reporting Period, due to the ongoing COVID-19 pandemic, several restaurants reduced their hours of operation and closed on weekends. Due to state regulations, several restaurants had to close their dining rooms, not permit customers in the restaurant, and/or operate at a reduced dining capacity. Several units closed for multiple days during a month due to staff shortages caused by an employee(s) testing positive for COVID-19.

Some Sub Station II Restaurants have earned this much. Your individual results may differ. There is no assurance that you will earn as much.

We have not included the costs of sales and operating costs and expenses other than average food costs and average labor costs for the Sub Station II restaurants. Therefore, this financial performance representation does not reflect the costs of sales and other costs and expenses that must be deducted from the Net Sales figures to obtain your net income or profit. You should conduct an independent investigation of the costs and expenses you will incur in operating a franchised Sub Station II restaurant. Franchisees or former franchisees listed in this disclosure document may be one source of this information.

The restaurants reflected in this financial performance representation offer products and services for sale that are substantially similar to the products and services that you will offer for sale in your Restaurant. This financial performance representation is based upon sales data collected from the Sub Station II restaurants. The data has not been audited. Written substantiation for the financial performance representation will be made available to you upon reasonable request.

Other than the preceding financial performance representation, we do not make any representations about a franchise's future financial performance or the past financial performance of Company-Owned or franchised restaurants. 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 actual records of that restaurant. If you receive any other financial performance information or projections of your future income, you should report it to the franchisor's management by contacting our President and Chief Executive Officer, Sandra Corbett, 1237 Gadsden Street Suite 100, Columbia, South Carolina 29201, (803) 834-3007, the Federal Trade Commission, and the appropriate state regulatory agencies.

ITEM 20
OUTLETS AND FRANCHISEE INFORMATION

Table No. 1 – Systemwide Restaurant Summary
2020 to 2022[(1)]

Restaurant Type	Year	Restaurants at Start of Year	Restaurants at End of Year	Net Change
Franchised	2020	39	37	-2
	2021	37	36	-1
	2022	36	36	0
Company-Owned	2020	4	4	0
	2021	4	4	0
	2022	4	3	-1
Total Restaurants	2020	43	41	-2
	2021	41	40	-1
	2022	40	39	-1

Table No. 2 - Transfers of Restaurants from Franchisees to New Owners (Other than to Sub Station II or Its Affiliates) 2020 to 2022(1)

State	Year	Number of Transfers
NC	2020	0
	2021	0
	2022	2
SC	2020	0
	2021	1
	2022	2
Total	2020	0
	2021	1
	2022	4

Table No. 3 -Status of Franchised Restaurants 2020 to 2022(1)

State	Year	Restaurants At Start of Year	Restaurants Opened	Terminations	Non-Renewals	Reacquired by Sub Station II	Ceased Operations – Other Reason	Restaurants at End of Year (2)
KY	2020	3	0	0	0	0	0	3
	2021	3	0	0	0	0	0	3
	2022	3	0	0	0	0	0	3
NC	2020	9	0	0	0	0	0	9
	2021	9	0	0	0	0	1	8
	2022	8	0	0	0	0	0	8
SC	2020	25	0	0	2	0	0	23
	2021	23	0	0	0	0	0	23
	2022	23	1	1	0	0	0	23
TN	2020	1	0	0	0	0	0	1
	2021	1	0	0	0	0	0	1
	2022	1	0	0	0	0	0	1

State	Year	Restaurants At Start of Year	Restaurants Opened	Terminations	Non-Renewals	Reacquired by Sub Station II	Ceased Operations – Other Reason	Restaurants at End of Year (2)
VA	2020	1	0	0	0	0	0	1
	2021	1	0	0	0	0	0	1
	2022	1	0	0	0	0	0	1
Total	2020	39	0	0	2	0	0	37
	2021	37	0	0	0	0	1	36
	2022	36	1	1	0	0	0	36

Table No. 4 -Status of Company-Owned Restaurants
2020 to 2022(1)

State	Year	Restaurants at Start of Year	Restaurants Opened	Restaurants Reacquired from Franchisees	Restaurants Closed	Restaurants Sold to Franchisees	Restaurants at End of Year
SC	2020	4	0	0	0	0	4
	2021	4	0	0	0	0	4
	2022	4	0	0	1	0	3
Totals	2020	4	0	0	0	0	4
	2021	4	0	0	0	0	4
	2022	4	0	0	1	0	3

NOTES

(1) The numbers for 2020, 2021, and 2022 are as of August 31st of each year. If multiple events occurred affecting a restaurant, the table shows the event that occurred last in time. States not listed had no activity during the relevant time frame.

(2) Attached as Exhibit F is a list of the address and telephone number of each franchised location and franchisee as of August 31, 2022. Exhibit F also contains a list of the franchisees whose franchise was terminated, canceled, not renewed or otherwise voluntarily or involuntarily ceased to do business under a franchise agreement during our last fiscal year or failed to communicate with us within ten weeks of the issuance date of this disclosure document. If you buy this franchise, your contact information may be disclosed to other buyers when you leave the franchise system.

Table No. 5
Projected New Restaurants as of August 31, 2022

State	Franchise Agreements Signed But Restaurant Not Opened	Projected New Franchised Restaurants In Next Fiscal Year	Projected New Company- Owned Restaurants In Next Fiscal Year
SC	1	2	0
TOTAL	1	2	0

None of our franchisees have entered any confidentiality agreements that restrict their ability to speak openly about their experience with our franchise system.

There are no trademark-specific franchisee organizations.

ITEM 21
FINANCIAL STATEMENTS

Attached to this disclosure document as Exhibit E are the audited financial statements of Sub Station II, Inc. as of August 31, 2020, August 31, 2021 and August 31, 2022 and unaudited financial statements for the period ending December 31, 2022.

ITEM 22
CONTRACTS

The following agreements related to a Restaurant are attached as exhibits to this disclosure document:

Exhibit A   Confidentiality Agreement

Exhibit B   Franchise Agreement

Exhibit C   Site Selection Agreement

Exhibit E to Franchise Agreement   Non-Disclosure and Noncompetition Agreement

Exhibit F to Franchise Agreement   Form of Lease Addendum

We also require that you fill out our Compliance Questionnaire before signing the Franchise Agreement. The current form of Compliance Questionnaire is attached as Exhibit G.

ITEM 23
RECEIPTS

The last two pages of this disclosure document are detachable receipt pages. Please sign and date each of them as of the date you received this disclosure document and return one copy to us.

EXHIBIT A

CONFIDENTIALITY AGREEMENT

CONFIDENTIALITY AGREEMENT

THIS AGREEMENT is made as of _______________ ("Effective Date") by _________ (entity) and (individual) (jointly, "Potential Franchisee") in favor of and for the benefit of Sub Station II, Inc. ("Sub Station II").

RECITALS

Potential Franchisee has expressed interest in purchasing a franchise from Sub Station II to develop one or more Sub Station II Restaurant(s) ("Franchise"). In order to evaluate the possibility of purchasing a Franchise from Sub Station II, Potential Franchisee desires to receive from Sub Station II certain confidential business information. Potential Franchisee recognizes the importance of maintaining the confidentiality of this information.

NOW THEREFORE, for good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, Prospective Franchisee agrees as follows:

1. Confidential Information

A. Definition of Confidential Information. As used in this Agreement, the term "Confidential Information" means all information about Sub Station II or its affairs that Sub Station II or its representatives furnish to Potential Franchisee. Confidential Information includes, but is not limited to, Sub Station II's confidential and proprietary Operations Manual, or any portion of its contents, trade-secrets, know-how, methodologies, processes, formulas, specifications, Sub Station II Restaurant System information, operating procedures and standards, technical information, statistics, software, hardware, materials, plans, designs, schematics, reports, studies, notes, analyses, summaries, business, market and development plans and programs, financial information and projections, information regarding the retail and commercial operations of Sub Station II and its affiliates, and all information that: (1) derives independent economic value, actual or potential, from not being generally known to, and not being readily ascertainable by proper means by, other persons who can obtain economic value from its disclosure or use; (2) is the subject of efforts that are reasonable under the circumstances to maintain its secrecy; or (3) is designated by Sub Station II as confidential or proprietary. Confidential Information may be in written form or obtained orally. As used in this Agreement, the term "representatives" of a party shall include the directors, officers, employees, shareholders or other securities holders, partners, members, trustees, agents, lenders, advisors, subsidiaries and other foreign and domestic affiliates and/or related entities of a party.

B. Treatment of Confidential Information. Potential Franchisee acknowledges, understands and agrees that the Confidential Information: (1) is the exclusive and confidential property of Sub Station II or its affiliates and incorporates trade secrets and copyrights owned by them; (2) gives Sub Station II and its affiliates some competitive business advantage or the opportunity of obtaining such an advantage, the disclosure of which could be detrimental to the interests of Sub Station II and its affiliates; and (3) is not generally known by non-Sub Station II personnel. Potential Franchisee shall at all times treat the Confidential Information in accordance with this Agreement.

C. No Warranty. Although Potential Franchisee understands that Sub Station II has endeavored to include in the Confidential Information material known to it that it believes to be relevant for Potential Franchisee's purposes, Potential Franchisee further understands that Sub Station II does not make any representation or warranty as to the accuracy or completeness of the Confidential Information. Potential Franchisee further acknowledges that Sub Station II has not and will not make representations or warranties as to the potential sales at a Sub Station II Restaurant and no information supplied by Sub Station II shall be construed as a prediction of future sales. Potential Franchisee agrees that neither Sub Station II nor its representatives shall have any liability to Potential Franchisee, Potential Franchisee's representatives or any other person resulting from the use of the Confidential Information.

D. **No License.** This Agreement entitles Potential Franchisee to use the Confidential Information solely in connection with Potential Franchisee's exploration of the opportunity to purchase a Franchise. No license, express or implied, in the Confidential Information is granted to Potential Franchisee other than to use the Confidential Information in the manner and to the extent authorized by this Agreement. Except for the obligations of Potential Franchisee set forth in this Agreement, neither Potential Franchisee nor Sub Station II shall be under any obligation to enter into any additional agreements and/or contractual obligations with the other of any nature whatsoever as a result of this Agreement, including, without limitation, with respect to the possible sale of a Franchise.

2. Covenants of Potential Franchisee.

As a consequence of Potential Franchisee's acquisition or anticipated acquisition of Confidential Information, Potential Franchisee will occupy a position of trust and confidence with respect to Sub Station II's affairs and business. In view of the foregoing, Potential Franchisee agrees that it is reasonable and necessary that Potential Franchisee agree, while this Agreement is in effect, to the following:

A. **No Disclosure.** Potential Franchisee shall use the Confidential Information solely for purposes of evaluating whether or not Potential Franchisee will purchase a Franchise. Potential Franchisee shall not disclose the Confidential Information to any person or entity other than Potential Franchisee's attorney, accountant or other representatives as necessary to evaluate the opportunity provided by Sub Station II and agree to protect the Confidential Information against unauthorized disclosure using the same degree of care, but no less than a reasonable degree of care, as Potential Franchisee uses to protect Potential Franchisee's confidential information. Potential Franchisee represents that it has its own procedures in place to assure that its representatives are aware of their obligations to retain in confidence any Confidential Information they receive. Without in any way limiting the generality of Potential Franchisee's obligations under this Agreement, Potential Franchisee acknowledges and agrees that in no event will Potential Franchisee disclose any of the Confidential Information to any of Sub Station II's competitors.

B. **No Use, Copying or Transfer.** Potential Franchisee shall not use, copy or transfer Confidential Information in any way and shall protect the Confidential Information against unauthorized use, copying or transfer using the same degree of care, but no less than a reasonable degree of care, as Potential Franchisee uses to protect Potential Franchisee's confidential information. Potential Franchisee further agrees not to remove, overprint, or deface any notice of copyright, trademark, logo, or other notices of ownership from any Confidential Information.

C. **Applicability.** These covenants shall apply to all Confidential Information disclosed to Potential Franchisee by Sub Station II prior to the date of this Agreement.

D. **Return and/or Destruction of Confidential Information.** If, at any time, Sub Station II determines that it does not wish for Potential Franchisee to purchase a Franchise or Potential Franchisee determines that it does not wish to purchase a Franchise, or if Sub Station II requests, at any time and for any reason, that Potential Franchisee do so, Potential Franchisee agrees to: (1) immediately cease to use the Confidential Information; (2) immediately return, or destroy the Confidential Information and all copies thereof (whether or not such copies were authorized) and cause any third party to whom disclosure was made to do the same; and (3) at the request of Sub Station II, certify in writing that Potential Franchisee and all others to whom Potential Franchisee has provided such Confidential Information, have complied with subsections (1) and (2) above.

E. **Injunctive Relief.** Potential Franchisee understands that any violation of this Agreement will cause Sub Station II immediate and irreparable harm which money damages cannot adequately remedy. Therefore, upon any actual or impending violation of this Agreement, Potential Franchisee hereby consents to issuance by the federal or state court having jurisdiction where Sub Station II's principal offices are located or, at Sub Station II's election, any other court that may, assume jurisdiction, of any restraining order, preliminary and/or permanent injunction, without bond, restraining or enjoining such violation by Potential Franchisee or any entity or person acting in concert with Potential Franchisee. Potential Franchisee understands that such orders are additional to and do not limit the availability of any other remedy.

3. **Waiver**. Potential Franchisee acknowledges that no waiver by Sub Station II of any breach by Potential Franchisee of any provision of this Agreement shall be deemed a waiver of any preceding or succeeding breach of the same or any other provision of this Agreement. No such waiver shall be effective unless in writing and then only to the extent expressly set forth in writing.

4. **Miscellaneous.**

A. **Governing Law.** This Agreement and any claim or controversy arising out of or relating to this Agreement shall be governed by and construed in accordance with the laws of the State of South Carolina without regard to conflicts of laws principles.

B. **Severability**. If a court of competent jurisdiction deems any provision of this Agreement invalid, unreasonable or unenforceable, then the remaining provisions will not be affected, and the invalid provision may be enforced to the extent deemed reasonable by the court.

C. **Headings**. Section headings in this Agreement are for reference only and shall not be construed as modifying any provisions of this Agreement.

D. **Counterparts**. This Agreement may be executed in counterparts, and each copy so executed and delivered shall be deemed an original.

IN WITNESS WHEREOF, the undersigned Potential Franchisee has signed and delivered this Agreement as of the day and year above written.

POTENTIAL FRANCHISEE:

By:_________________________________

Print Name:____________________________

Date:________________________________

EXHIBIT B

FRANCHISE AGREEMENT

SUB STATION II RESTAURANT FRANCHISE AGREEMENT

Franchisee Name:________________________

Restaurant Premises: ____________________

____

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SUB STATION II RESTAURANT FRANCHISE AGREEMENT

THIS FRANCHISE AGREEMENT ("Agreement") is made as of the date identified on the last page of this Agreement (the "Effective Date") by and between Sub Station II, Inc. ("Sub Station II"), a corporation formed in the State of South Carolina with its principal business address at 1237 Gadsden Street, Suite 100, Columbia, South Carolina 29201, and the party identified on the last page of this Agreement ("Franchisee").

RECITALS:

As a result of the expenditure of time, skill, effort and money, Sub Station II has developed and owns a unique and distinctive system ("System") relating to the establishment and operation of quick service restaurant businesses operating in buildings that bear Sub Station II's interior and exterior trade dress under the "Sub Station II®" name and marks, which specialize in the sale of submarine sandwiches, deli sandwiches, salads, and such additional or alternate products as Sub Station II may designate from time to time for on-premises, carry-out and catering consumption ("Sub Station II Restaurants").

The distinguishing characteristics of the System include, without limitation, standards, policies and procedures for kitchen operations, inventory procurement and control, staffing and employee training, foodservice and customer service, maintaining quality and uniformity of menu items, products, merchandise and services offered and assistance with advertising and promotion. The System and its components may be changed, improved and further developed by Sub Station II from time to time.

Sub Station II identifies the System by means of the "Sub Station II®" name and mark and certain other names, marks, logos, insignias, slogans, emblems, symbols and designs (collectively "Marks"), which Sub Station II has designated, or may in the future designate, for use with the System. The Marks used to identify the System, including the principal Marks, may be modified by Sub Station II from time to time. Sub Station II continues to develop, use and control the use of these Marks in order to identify to the public the source of services and products marketed under the Marks and the System and to represent the System's high standards of quality, appearance and service.

Franchisee understands and acknowledges the importance of Sub Station II's high and uniform standards of quality, cleanliness, appearance, operations and service and the necessity of developing and operating the Restaurant in strict conformity with this Agreement and the Sub Station II Operations Manual ("Manual").

Franchisee desires to obtain a license to use the System and to operate continuously a franchised Sub Station II Restaurant at a site accepted by Sub Station II subject to the terms and conditions of this Agreement and in strict compliance with the standards and specifications established by Sub Station II. Sub Station II is willing to grant such a license to Franchisee.

NOW THEREFORE, in consideration of the mutual covenants, agreements and obligations set forth in this Agreement, and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties agree as follows:

1 GRANT AND PROTECTED AREA

1.1 Grant

1.1.1 Subject to the terms and conditions of this Agreement, Sub Station II hereby grants to Franchisee the right ("Franchise") and Franchisee accepts and undertakes the obligation to: (1) continuously operate one (1) franchised Sub Station II Restaurant under the System ("Restaurant"); (2) use, only in connection with the Restaurant, the Marks and the System, as they may be modified, improved or further developed from time to time by Sub Station II; and (3) do so only at the site accepted by Sub Station II and specified in Exhibit A ("Premises"). If Sub Station II has not approved the site for the Restaurant as of the Effective Date, Franchisee shall lease, sublease, or acquire a site for the Restaurant, subject to Sub Station II's approval in accordance with Section 3 of this Agreement and enter into a Site Selection Agreement with Sub Station II.

1.1.2 Franchisee may not operate the Restaurant at any site other than the Premises and may not relocate the Restaurant without Sub Station II's prior written consent, which may be withheld by Sub Station II in its sole discretion. If Sub Station II approves a relocation of the Restaurant, Franchisee shall pay a relocation fee to Sub Station II in the amount of One Thousand Five Hundred Dollars ($1,500) or such greater amount as is necessary to reimburse Sub Station II for all reasonable expenses actually incurred in connection with consideration of the relocation request.

1.1.3 Franchisee agrees that it will at all times faithfully, honestly and diligently perform its obligations under this Agreement, that it will continuously exert best efforts to promote and enhance the business of the Restaurant and that it will not engage in any other business or activity that may conflict with its obligations under this Agreement, except the development and operation of other Sub Station II Restaurants that are franchised by Sub Station II or its affiliates.

1.2 Protected Area

1.2.1 During the term of this Agreement, and provided that Franchisee is in compliance with the terms and conditions of this Agreement, Sub Station II and its affiliates will not establish, or license others to establish, another restaurant identified in whole or in part by the name and mark "Sub Station II" in the geographic area defined in Exhibit A ("Protected Area"), except as otherwise provided in this Agreement. The restrictions contained in this Section 1.2 do not apply to restaurants identified in whole or in part by the name and mark "Sub Station II" that are under construction or in operation in the Protected Area as of the Effective Date of this Agreement.

1.2.2 Except as expressly granted to Franchisee in Section 1.2.1, Sub Station II and its affiliates retain all rights with respect to Sub Station II Restaurants, the Marks, the sale of similar or dissimilar products and services, and any other activities Sub Station II deems appropriate whenever and wherever Sub Station II desires, including, but not limited to, the right to:

1.2.2.1 establish, and license others to establish, restaurants identified in whole or in part by the name and mark "Sub Station II" at any location outside of the Protected Area, notwithstanding their proximity to the Protected Area or the Premises or their actual or threatened impact on sales at the Restaurant;

1.2.2.2 establish, and license others to establish, restaurants identified in whole or in part by the name and mark "Sub Station II" and/or utilizing the System in the Protected Area that are located in airports, train stations, bus stations, service plazas, stadiums, arenas, convention centers, military facilities, educational institutions, hospitals, recreational theme parks, business or industrial foodservice venues, venues in which foodservice is or may be provided by a master concessionaire or contract foodservice provider, warehouse clubs, Indian reservations, casinos, gas stations or convenience stores or any similar institutional or captive market location not reasonably available to Franchisee ("Institutional Facilities") and notwithstanding such restaurants' proximity to the Premises or their actual or threatened impact on sales at the Restaurant;

1.2.2.3 sell and distribute, directly or indirectly, or license others to sell and distribute, directly or indirectly, any products, services or merchandise, from any location or to any purchaser (including, but not limited, to sales made at retail locations, supermarkets, gourmet shops, mail order, and on the Internet), so long as such sales are not conducted from a Sub Station II Restaurant operated from a location inside the Protected Area (excluding an Institutional Facility);

1.2.2.4 establish, acquire or operate, or license others to establish and operate, restaurants under other systems or other proprietary marks, which restaurants may offer or sell products or services that are different from the products and services offered from the Restaurant, and which restaurants may be located within or outside the Protected Area, notwithstanding such restaurants' proximity to the Premises or their actual or threatened impact on sales at the Restaurant; and

1.2.2.5 in the event Sub Station II or its affiliates acquire another restaurant chain or system, or Sub Station II or its affiliates are acquired by another chain or system, that operates and/or franchises restaurants that are the same as or similar to Sub Station II Restaurants in that they have a substantially similar menu or similar theme or concept, Sub Station II or its affiliates may establish, acquire or operate, or license others to establish and operate, restaurants under other systems or other marks, which restaurants may offer or sell products or services that are the same as, or similar to, the products and services offered from the Restaurant, and which restaurants may be located within or outside the Protected Area, despite these restaurants' proximity to the Premises or their actual or threatened impact on sales at the Restaurant.

1.3 Advertising and Promotional Materials, Website Defined. Sub Station II and Franchisee acknowledge that advertising and promotional materials created, placed, and/or distributed by Sub Station II, other franchisees operating under the System, or other entities authorized by Sub Station II, may appear in media distributed in, or may be directed to prospective customers located within, the Protected Area, including on Sub Station II's Website or any related Website. As used in this Agreement, the term "Website" means one or more related documents, designs, or other communications that can be accessed through electronic means (including, but not limited to, the Internet, the World Wide Web, Web home pages, social networking sites like Facebook, Twitter, LinkedIn, Google Wave, YouTube, blogs, vlogs, and other applications, and any online real estate equivalent).

1.4 Sale of Products and Services. Unless otherwise permitted by Sub Station II, Franchisee shall offer and sell only products and services previously authorized by Sub Station II, and only from the Premises, only in accordance with the requirements of this Agreement and the procedures set forth in the Manual, and only to retail customers for consumption. Franchisee shall not offer or sell products or services authorized under this Agreement through any other means, including without limitation, through satellite locations, temporary locations, carts or kiosks, Websites, the Internet, or any electronic media, without the prior written approval of Sub Station II, and only in accordance with Sub Station II's policies as they may be developed and/or modified from time to time.

1.5 Catering Services

1.5.1 Franchisee must participate in the Sub Station II Catering Program and provide the catering services designated by Sub Station II from the Restaurant to customers located within the Protected

Area subject to Franchisee's obligation to follow Sub Station II's procedures and menu requirements, purchase all supplies, products and ingredients through Sub Station II's approved and designated suppliers and otherwise follow the Manual as to the catering services. Franchisee will need to purchase signage that has been approved by Sub Station II for any vehicles they use to deliver catered goods. During the term of this Agreement, Franchisee has the exclusive right to directly solicit catering customers and provide catering services from the Restaurant only to customers with addresses located within the Protected Area. Franchisee may not directly solicit catering customers or provide catering services to customers located outside of the Protected Area unless Franchisee obtains Sub Station II's prior written permission. "Direct solicitation" includes, but is not limited to, solicitation in person, by telephone, by mail, by e-mail, through the Internet or other electronic means, and by distribution of brochures, business cards or other materials. If any of Franchisee's advertising for catering services within the Protected Area is in media that will or may reach a significant number of persons outside of the Protected Area, Franchisee must notify Sub Station II in advance and obtain Sub Station II's prior written consent. Sub Station II may establish catering rules and policies in the Manual from time to time, which Franchisee must follow.

1.5.2 Sub Station II may, in its sole discretion, grant written permission to Franchisee to directly solicit catering customers and provide catering services in a geographic area adjacent to the Protected Area that Sub Station II has not assigned as a protected territory of another Sub Station II Restaurant ("Extended Catering Area"). Upon receipt of written notice from Sub Station II, Franchisee agrees to stop directly soliciting catering customers and providing catering services in the Extended Catering Area and Franchisee shall provide Sub Station II with all customer information that Franchisee has acquired relating to that area. Franchisee will not have any rights of first refusal to any open area.

1.6 Principal Owners. Franchisee acknowledges and agrees that certain provisions of this Agreement apply to those individuals and entities who directly or indirectly hold an equity ownership interest in Franchisee of ten percent (10%) or more ("Principal Owners"). Franchisee shall be solely and completely responsible to ensure (and cause) each Principal Owner to comply with the terms of this Agreement. Franchisee agrees that any violation of the terms of this Agreement by Franchisee's Principal Owners shall constitute a default of the terms of this Agreement. In addition, each of Franchisee's Principal Owners must personally guarantee Franchisee's obligations under this Agreement as set forth in Section 16.6.

1.7 Forms of Agreement. Franchisee acknowledges that Sub Station II intends to enter into agreements with other franchisees that may contain provisions, conditions and obligations that differ from those contained in this Agreement. The existence of different forms of agreement and the fact that Sub Station II and other franchisees may have different rights and obligations do not affect the duties of the parties to this Agreement to comply with the terms of this Agreement.

2 TERM

2.1 Initial Term. The initial term of this Agreement ("Initial Term") and the Franchise granted by this Agreement shall begin on the date this Agreement is signed by Sub Station II and expire at midnight on the day preceding the tenth (10^{th}) anniversary of the date the Restaurant first opened for business, unless this Agreement is terminated at an earlier date pursuant to Section 21. (Sub Station II shall complete and forward to Franchisee a notice, in a form substantially similar to attached Rider 1, to memorialize the date the Restaurant first opened for business.) Franchisee acknowledges and agrees that it does not have the unilateral right to cease operating the Restaurant prior to the expiration of the Initial Term.

2.2 Successor Term. Upon the expiration of the Initial Term, Franchisee shall have an option to remain a franchisee at the Premises for one (1) successor term of ten (10) years ("Successor Term"). Franchisee shall give Sub Station II written notice of whether or not it intends to exercise its option not less than six (6) months, nor more than nine (9) months, before the expiration of the expiring term. Franchisee's failure to provide Sub Station II the required notice in a timely manner constitutes a waiver by Franchisee of its option to remain a franchisee beyond the expiration of the Initial Term. If Franchisee desires to continue as a franchisee for the Successor Term, Franchisee must comply with all of the following conditions prior to and at the end of the Initial Term:

2.2.1 Franchisee shall present evidence to Sub Station II that Franchisee has the right to remain in possession of the Premises, or other premises acceptable to Sub Station II, for the Successor Term and that Franchisee is able to maintain all licenses and permits necessary to continue to operate the Restaurant at the Premises for the Successor Term;

2.2.2 For a period of twelve (12) months prior to Franchisee's election to exercise its option through the expiration of the Initial Term, Franchisee shall not have been in default of any provision of this Agreement or any other agreement between Franchisee and Sub Station II or its affiliates; and, in the reasonable judgment of Sub Station II, Franchisee shall have substantially complied with all the terms and conditions of this Agreement, such other agreements, as well as the operating standards prescribed by Sub Station II during the term of this Agreement;

2.2.3 Franchisee shall make the capital expenditures required to renovate and modernize the Restaurant to conform to the interior and exterior designs, décor, color schemes, furnishings and equipment and presentation of the Marks consistent with the image of the System for new Sub Station II Restaurants at the time Franchisee provides Sub Station II with its notice, including such structural changes, remodeling, redecoration and modifications to existing improvements as may be necessary to do so;

2.2.4 Franchisee shall update the Restaurant's equipment, menu offerings, services, products, merchandise, methods and procedures of doing business to Sub Station II's then-current standards;

2.2.5 Franchisee and its personnel shall comply with Sub Station II's then-current qualification and training requirements prior to commencement of operations under the Successor Term;

2.2.6 Franchisee, all individuals who executed this Agreement and all guarantors of Franchisee's obligations under this Agreement shall execute a general release, in a form prescribed by Sub Station II, of any and all claims against Sub Station II and its affiliates, and their respective officers, directors, agents, and employees;

2.2.7 Franchisee shall execute Sub Station II's then-current form of franchise agreement, which shall supersede this Agreement in all respects (except with respect to the successor term provisions of the new franchise agreement, which shall not supersede this Section 2, and except for the initial franchise fee, which shall be deleted). Franchisee acknowledges that the terms, conditions, and provisions of the new franchise agreement, and the obligations of the parties under that agreement, may differ substantially from the terms, conditions, provisions and obligations in this Agreement, including, without limitation, a higher percentage royalty fee and advertising contribution, and a different or modified Protected Area; and

2.2.8 Franchisee shall pay, in lieu of an initial franchise fee, a successor fee equal to fifty percent (50%) of Sub Station II's then-current initial franchise fee for a new Restaurant.

2.2.9 Failure by Franchisee to comply with the requirements of this Section 2.2 prior to expiration of the Initial Term shall be deemed an election by Franchisee not to exercise its option to remain a franchisee for the Successor Term and shall result in termination of this Agreement and the Franchise granted by this Agreement at the expiration of the Initial Term.

3 SITE DEVELOPMENT PROCEDURES

3.1 Site Acquisition. Upon Sub Station II's acceptance of a site and after Franchisee secures an ownership or leasehold interest in the site, Sub Station II will insert its address into Exhibit A, and it will be the Premises. Franchisee acknowledges and agrees that Sub Station II's acceptance of one or more sites is not a representation or a promise by Sub Station II that a Sub Station II Restaurant at the site will achieve a certain sales volume or a certain level of profitability. Similarly, Sub Station II's acceptance of one or more sites and its rejection of other sites is not a representation or a promise that the accepted site will have a higher sales volume or be more profitable than a site which Sub Station II did accept. Sub Station II assumes no liability or responsibility for: (1) evaluation of the site's soil for hazardous substances; (2) inspection of any structure on the site for asbestos or other toxic or hazardous materials; (3) compliance with the Americans with Disabilities Act ("ADA"); or (4) compliance with any other applicable law. It is Franchisee's sole responsibility to obtain satisfactory evidence and/or assurances that the site (and any structures thereon) is free from environmental contamination and in compliance with the requirements of the ADA.

3.2 Lease Review. Franchisee may not begin construction of the Restaurant at the Premises until Franchise has delivered to Sub Station II a copy of the fully signed lease for the Premises ("Lease") or deed. Sub Station II has the right to review the terms of the Lease for the Restaurant. Franchisee acknowledges that Sub Station II's review of the Lease is not a guarantee or warranty, express or implied, of the success or profitability of a Sub Station II Restaurant operated at the Premises. Sub Station II's review will indicate only whether Sub Station II believes that the terms of the Lease meet Sub Station II's then-acceptable criteria. The Lease must: (1) in form and substance, be satisfactory to Sub Station II; (2) include provisions such as those set forth in Sub Station II's form of Addendum to Lease (the current form of which is attached as Exhibit F) as modified from time to time; (3) be for an aggregate term of (at least) ten (10) years in a combination of initial and renewal terms; (4) contain terms and conditions and payments that are commercially reasonable in Sub Station II's opinion; and (5) include any other provisions as Sub Station II may require from time to time. The Lease shall not contain any covenants or other obligations that would prevent, limit or adversely affect Franchisee from performing its obligations under this Agreement. Franchisee may not amend or modify the Lease without Sub Station II's prior written approval and Franchisee must provide Sub Station II with any fully signed addenda to the Lease within five (5) days after execution. Sub Station II's approval of the Lease does not constitute a warranty or representation of any kind, express or implied, as to its fairness or suitability or as to Franchisee's ability to comply with its terms, and Sub Station II does not assume any liability or responsibility to Franchisee or to any third parties due to such approval.

3.3 Rights Afforded to Sub Station II. Notwithstanding the terms of any Lease or Section 3.2, Franchisee shall: (1) deliver to Sub Station II, immediately after delivery to or by Franchisee, any notice of default under the Lease which threatens or purports to terminate the Lease or result in a foreclosure thereof; (2) permit Sub Station II to enter the Premises to protect the Marks or the System or to cure any default under the Lease or this Agreement, all at Franchisee's expense; and (3) not amend the Lease in any way which is inconsistent with the provisions of Sections 3.2 and the terms set forth in Sub Station II's form Addendum to Lease.

4 CONSTRUCTION OF THE RESTAURANT

4.1 Restaurant Development

4.1.1 Franchisee assumes all cost, liability and expense for developing, constructing and equipping the Restaurant. Sub Station II will supply Franchisee with a proposed layout of the Restaurant including all specifications on equipment and color schemes. It shall be Franchisee's responsibility to have prepared all required construction plans and specifications to suit the shape and dimensions of the Premises and Franchisee must ensure that these plans and specifications comply with applicable ordinances, building codes and permit requirements and with lease requirements and restrictions. Franchisee shall use only registered architects, registered engineers, and professional and licensed contractors.

4.1.2 Franchisee shall submit proposed construction plans, specifications and drawings for the Restaurant ("Plans") to Sub Station II and shall, upon Sub Station II's request, submit all revised or "as built" Plans during the course of such construction. Sub Station II will approve or refuse to approve the Plans and notify Franchisee within thirty (30) days after Sub Station II receives the Plans. Once Sub Station II has approved the Plans, no substantial change shall be made to the Plans without Sub Station II's prior approval. If, in the course of construction, any such change in the Plans is contemplated, Sub Station II's approval must first be obtained before proceeding. Sub Station II shall approve or reject Plan changes within ten (10) business days after receipt. Sub Station II shall not unreasonably withhold its approval of the Plans or revisions to the Plans.

4.1.3 Franchisee is prohibited from beginning site preparation or construction prior to receiving written notification from Sub Station II that Sub Station II has approved the Plans. All construction must be in accordance with Plans approved by Sub Station II and must comply in all respects with applicable laws, ordinances and local rules and regulations. The Restaurant may not open if construction has not been performed in substantial compliance with Plans approved by Sub Station II, and this Agreement may be terminated if such non-compliance is not cured within a commercially reasonable amount of time. Sub Station II may, in its sole discretion, furnish guidance to Franchisee in developing the Restaurant and may periodically inspect the Premises during its development.

4.2 <u>Construction</u>

4.2.1 Franchisee shall obtain all zoning classifications, clearances, consents, permits and licenses required in connection with the construction of the Restaurant. Upon request, copies of such permits and licenses shall be provided to Sub Station II. Prior to the commencement of construction, Franchisee shall have provided to Sub Station II a copy of the fully-executed Lease or, if Franchisee owns the Premises, proof of Franchisee's ownership interest. Once construction has commenced, it shall continue uninterrupted except for interruption by reason of events constituting Force Majeure (as defined in Section 24) until completed. Franchisee agrees, at its sole expense, to do, or cause to be done, the following, before opening the Restaurant: (1) secure all financing required to develop and operate the Restaurant (Sub Station II will not provide any financing for developing the Restaurant); (2) obtain and maintain all required building, utility, sign, health, sanitation, business and other permits and licenses applicable to the Restaurant; (3) construct all required improvements to the Premises and decorate the exterior and interior of the Restaurant in compliance with the Plans approved by Sub Station II; (4) purchase or lease and install all specified and required fixtures, equipment, furnishings and interior and exterior signs required for the Restaurant; and (5) purchase an opening inventory for the Restaurant of only authorized and approved products and other materials and supplies.

4.3 <u>Acquisition of Necessary Furnishings, Fixtures and Equipment</u>

4.3.1 Franchisee agrees to use in the development and operation of the Restaurant only the fixtures, furnishings, equipment and signs that Sub Station II has approved for Sub Station II Restaurants as meeting its specifications and standards for quality, design, appearance, function and performance. Franchisee further agrees to place or display at the Restaurant (interior and exterior) only those signs, emblems, lettering, logos and display materials that Sub Station II approves in writing from time to time.

4.3.2 Franchisee shall purchase or lease approved brands, types or models of fixtures, furnishings, equipment and signs only from suppliers designated or approved by Sub Station II, which may include Sub Station II. If Franchisee proposes to purchase, lease or otherwise use any fixtures, furnishings, equipment or signs which have not been approved by Sub Station II, Franchisee shall first notify Sub Station II in writing and shall, at its sole expense, submit to Sub Station II upon its request sufficient specifications, photographs, drawings and/or other information or samples for a determination as to whether those fixtures, furnishings, equipment and/or signs comply with Sub Station II's specifications and standards. Sub Station II will, in its sole discretion, approve or reject the items and notify Franchisee within thirty (30) days after Sub Station II receives the request.

4.4 Startup Package. Thirty (30) days prior to opening the Restaurant, Sub Station II will supply Franchisee with a startup package of operational and promotional supplies ("Startup Package"). Franchisee does not have to pay a separate fee to Sub Station II for the Startup Package. The products included in the Startup Package are detailed in Exhibit C to this Agreement. Sub Station II may change any item or the quantity of any item in the Startup Package from time to time.

4.5 Inspection, Cooperation. During the course of construction and/or renovation, Franchisee shall (and shall cause Franchisee's architect, engineer, contractors, and subcontractors to) cooperate fully with Sub Station II and its designees for the purpose of permitting Sub Station II and its designees to inspect the Premises and the course of construction of the Restaurant in order to determine whether construction is proceeding according to the Plans. Without limiting the generality of the foregoing, Franchisee and Franchisee's architect, engineer, contractors and subcontractors shall: (1) supply Sub Station II or its designees with samples of construction materials, test borings, corings, due diligence environmental studies, supplies, equipment and other material and reports, if any such tests, studies or reports indicate there may be material problems or as Sub Station II or its designees may request; and (2) afford Sub Station II's representatives and its designees access to the Premises and to the construction work in order to permit Sub Station II and its designees to carry out their inspections.

4.6 Reports. If requested by Sub Station II, Franchisee shall submit to Sub Station II, on or before the first day of each month (or more frequently if Sub Station II requests), a report with photographs showing progress made in connection with the construction and equipping of the Restaurant.

4.7 Limitation of Sub Station II's Liability. Notwithstanding the right of Sub Station II to approve the Plans and to inspect the construction work at the Restaurant, Sub Station II and its designees shall have no liability or obligation with respect to the Premises, the design or construction of the Restaurant or the furnishings, fixtures and equipment to be acquired; Sub Station II's rights being exercised solely for the purpose of ensuring compliance with the terms and conditions of this Agreement.

5 OPENING OF THE RESTAURANT

5.1 Final Inspection. Franchisee shall notify Sub Station II in writing at least forty-five (45) days prior to the date Franchisee expects construction and/or renovation to be completed and a certificate of occupancy to be issued. If requested by Sub Station II, Franchisee shall submit a copy of the certificate of occupancy to Sub Station II. Sub Station II reserves the right, after receiving Franchisee's notice, to conduct a final inspection of the Restaurant and its premises to determine if Franchisee has complied with this Agreement. Sub Station II shall not be liable for delays or losses occasioned by its inability to complete its investigation and to make a determination within this period. If Franchisee builds any portion of the Restaurant outside of Sub Station II's specifications without receiving Sub Station II's prior written consent, Sub Station II shall have the right to delay the opening of the Restaurant until Franchisee, at its sole expense, brings the Restaurant's development within full compliance of Sub Station II's specifications. Franchisee shall not open the Restaurant for business without Sub Station II's express written authorization, which will not be granted unless Franchisee has satisfied the conditions contained in Section 5.2.

5.2 Authorization to Open the Restaurant. Franchisee must open the Restaurant no later than eighteen (18) months after the Effective Date ("Opening Deadline"). Sub Station II will not authorize the opening of the Restaurant unless all the following conditions have been met:

5.2.1 Franchisee is not in material default under this Agreement or any other agreements with Sub Station II; Franchisee is not in default beyond the applicable cure period under any real estate lease, equipment lease or financing instrument relating to the Restaurant; Franchisee is not in default beyond the applicable cure period with any vendor or supplier to the Restaurant; and for the previous six (6) months, Franchisee has not been in default beyond the applicable cure period under any agreement with Sub Station II;

5.2.2 Franchisee has paid the Initial Franchise Fee (as defined in Section 6.1.) and any other amounts then due to Sub Station II;

5.2.3 Franchisee has received a certificate of occupancy and all required state and local government certifications, permits, and licenses necessary for the operation of the Restaurant, including licenses and certifications for Franchisee's staff and other personnel;

5.2.4 Sub Station II is satisfied that the Restaurant was constructed and/or renovated and equipped substantially in accordance with Sub Station II's standards and specifications;

5.2.5 Franchisee has signed all agreements required prior to opening, including, but not limited to, this Agreement and the Lease, if applicable;

5.2.6 Franchisee has complied with Sub Station II's requirements for the Grand Opening Plan as described in Section 8.1;

5.2.7 Franchisee has hired and trained a staff as required by Section 9;

5.2.8 Franchisee has purchased an opening inventory of approved products and supplies from Sub Station II's designated and approved suppliers (as defined in Section 13.2);

5.2.9 Franchisee has provided to Sub Station II copies of certificates for all insurance policies required by Section 15 or such other evidence of insurance coverage and payment of premiums as Sub Station II reasonably may request; and

5.2.10 Franchisee pays the balance of the Initial Franchise Fee that is due to Sub Station II under Section 6.1 below.

6 FEES

6.1 Initial Franchise Fee. Franchisee shall pay to Sub Station II an Initial Franchise Fee in the amount of Twenty Thousand Dollars ($20,000), which will be due and payable as follow: (a) Twelve Thousand Five Hundred Dollars ($12,500) at the time that Franchisee executes this Agreement; provided however, that if Franchisee has entered into a Site Selection Agreement with Sub Station II for the selection of the Premises and paid to Sub Station II a deposit in the amount of Five Thousand Dollars ($5,000) (the "Deposit"), then Sub Station II will credit the Deposit paid by Franchisee towards this portion of the Initial Franchise Fee; and (b) Seven Thousand Five Hundred Dollars ($7,500) at the time Franchisee requests Sub

Station II's authorization to open the Restaurant as provided in Section 5.2 above. If Franchisee operates another franchised Sub Station II restaurant when this Agreement is signed, then Sub Station II will reduce the Initial Franchise Fee to Ten Thousand Dollars ($10,000) (Five Thousand Dollars ($5,000) of which will be due when Franchisee executes this Agreement (which will be waived if Franchisee paid the Deposit under a Site Selection Agreement) and Five Thousand Dollars ($5,000) of which will be due when Franchisee requests Sub Station II's authorization to open the Restaurant. Franchisee acknowledges and agrees that the Initial Franchise Fee is non-refundable for administrative and other expenses incurred by Sub Station II in granting the franchise and for Sub Station II's lost or deferred opportunity to franchise others.

6.2 Royalty Fee. In addition to all other amounts to be paid by Franchisee to Sub Station II, Franchisee shall pay Sub Station II a nonrefundable and continuing weekly royalty fee in an amount equal to five percent (5%) of the Net Sales (as defined below) of the Restaurant, for the right to use the System and the Marks at the Premises ("Royalty Fee"). Franchisee must transmit the Royalty Fee to Sub Station II in the manner and by the method specified by Sub Station II (which may include, as provided for in Section 6.7 an automatic, electronic debit of funds) on or before Tuesday at 5:00 PM Eastern Time of each week, based on the Net Sales from the preceding week. In addition, on or before the Monday at 5:00 PM Eastern Time of each week, Franchisee must send to Sub Station II on a form approved by Sub Station II (or as Sub Station II otherwise directs) a signed statement of the Net Sales of the Restaurant for the preceding week.

6.3 Net Sales. "Net Sales" include all revenue from the sale of all services and products and all other income of every kind and nature (including stored value gift cards and gift certificates when redeemed but not when purchased, on-premise sales, off-premise sales, catering sales and any other type of sale) related to the Restaurant, whether for cash or credit and regardless of collection in the case of credit. The term Net Sales does not include: (1) any bona fide documented federal, state or municipal sales taxes collected by Franchisee from customers and paid by Franchisee to the appropriate taxing authority; (2) the sale of food or merchandise for which refunds have been made in good faith to customers; (3) the sale of furnishings, fixtures, equipment and supplies used in the operation of the Restaurant; (4) customer promotional discounts approved by Sub Station II; and (5) employee meal discounts.

6.4 Marketing Contributions. Franchisee shall contribute to the Brand Fund and a Market Cooperative, if applicable, at the same time and in the same manner as the Royalty Fee in accordance with Section 8.

6.5 Interest. If any payments by Franchisee due to Sub Station II are not received by Sub Station II by the date due, Franchisee, in addition to paying the amount owed, shall pay Sub Station II interest on the amount owed from the date due until paid at the maximum rate permitted for indebtedness of this nature in the state in which the Restaurant is located, not to exceed one and a half (1.5%) per month or a portion of a month. Payment of interest by Franchisee on past due obligations is in addition to all other remedies and rights available to Sub Station II pursuant to this Agreement or under applicable law.

6.6 Partial Payments. No payment by Franchisee or acceptance by Sub Station II of any monies under this Agreement for a lesser amount than due shall be treated as anything other than a partial payment on account. Franchisee's payment of a lesser amount than due with an endorsement, statement or accompanying letter to the effect that payment of the lesser amount constitutes full payment shall be given no effect, and Sub Station II may accept the partial payment without prejudice to any rights or remedies it may have against Franchisee. Acceptance of payments by Sub Station II other than as set forth in this Agreement shall not constitute a waiver of Sub Station II's right to demand payment in accordance with the requirements of this Agreement or a waiver by Sub Station II of any other remedies or rights available to it pursuant to this Agreement or under applicable law. Notwithstanding any designation by Franchisee, Sub Station II shall have sole discretion to apply any payments by Franchisee to any of its past due indebtedness for Royalty Fees, marketing contributions, purchases from Sub Station II or its affiliates, interest or any other indebtedness. Sub Station II has the right to accept payment from any other entity as payment by Franchisee. Acceptance of that payment by Sub Station II will not result in that other entity being substituted for Franchisee.

6.7 Method of Payment

6.7.1 Franchisee must comply with all of Sub Station II's payment policies, procedures, and requirements, as described in the Manual or otherwise in writing. Franchisee must sign and deliver to Sub Station II the documents Sub Station II requires to authorize Sub Station II to electronically debit Franchisee's business checking account ("Electronic Depository Transfer Account" or "EDTA") automatically for the Royalty Fees, Brand Fund contributions, Market Cooperative contributions, purchases from Sub Station II and/or its affiliates and other amounts due under this Agreement. Sub Station II will debit the EDTA for these amounts on their due dates. Franchisee must ensure that funds are available in the EDTA to cover Sub Station II's withdrawals.

6.7.2 If Franchisee fails to report the Net Sales of the Restaurant, Sub Station II may debit Franchisee's EDTA for one hundred and twenty percent (120%) of the highest weekly Royalty Fee, Brand Fund contributions and Market Cooperative contributions that Sub Station II previously debited from Franchisee's EDTA. If the amounts that Sub Station II debits from Franchisee's EDTA are less than the amounts Franchisee actually owes to Sub Station II (once Sub Station II has determined the true and correct Net Sales), Sub Station II will debit Franchisee's EDTA for the balance on the day Sub Station II specifies. If the amounts that Sub Station II debits from Franchisee's EDTA are greater than the amounts Franchisee actually owes to Sub Station II, Sub Station II will credit the excess against the amounts Sub Station II otherwise would debit from Franchisee's EDTA during the following week.

6.7.3 Sub Station II may require Franchisee to pay any amounts due under this Agreement or otherwise by means other than automatic, electronic debit (*e.g.*, by check) whenever Sub Station II deems appropriate, and Franchisee must comply with Sub Station II's payment instructions. If Sub Station II supplies products to Franchisee, Sub Station II may require pre-payment or COD depending on Sub Station II's then-current policies and Franchisee's payment record with Sub Station II.

6.8 Collection Costs and Expenses. Franchisee must pay to Sub Station II on demand any and all collection costs and expenses (including, without limitation, costs and commissions due a collection agency, costs incurred in creating or replicating reports demonstrating Net Sales of the Restaurant, reasonable attorneys' fees, court costs, expert witness fees, discovery costs and reasonable attorneys' fees and costs on appeal, together with interest charges on all of the foregoing) incurred by Sub Station II in enforcing the terms of this Agreement, including, without limitation, in collecting any monies owed by Franchisee to Sub Station II.

6.9 No Offset. Franchisee shall not withhold or off-set any portion of any payment due to Sub Station II alleged non-performance under this Agreement or any other agreement by and between Sub Station II and Franchisee or their respective affiliates.

7 RECORDKEEPING AND REPORTS

7.1 Recordkeeping. Franchisee agrees to use computerized cash and data capture and retrieval systems that meet Sub Station II's specifications and to record sales of the Restaurant electronically or on tape for all sales at or from the Restaurant Premises. Franchisee shall keep and maintain, in accordance with any procedures set forth in the Manual, complete and accurate books and records pertaining to the

Restaurant sufficient to fully report to Sub Station II, which may include a prescribed chart of accounts and/or use of a designated accounting program or platform. Franchisee's books and records shall be kept and maintained using generally accepted accounting principles ("GAAP") if Franchisee uses GAAP in any of its other operations, or using other recognized accounting principles applied on a consistent basis that accurately and completely reflect the financial condition of Franchisee. Franchisee must preserve all of its books and records (including, but not limited to, state and federal income tax returns, sales checks, purchase orders, invoices, payroll records, customer and client lists, check stubs, sales tax records and returns, cash receipts and disbursement journals, general ledgers, corporate, limited liability or partnership records and meeting minutes) for at least seven (7) years after the later of preparation or filing (or such longer period as may be required by any governmental entity) and make those books and records available and provide duplicate copies to Sub Station II within ten (10) days after Sub Station II's written request. Franchisee may maintain electronic books and records.

7.2 Quarterly Reports. Franchisee shall, at Franchisee's expense, submit to Sub Station II, in the form prescribed by Sub Station II, a quarterly profit and loss statement and balance sheet (both of which may be unaudited) within thirty (30) days after the end of each quarter of each calendar year. Sub Station II shall have the right, to be exercised in its sole discretion, to require that Franchisee provide Sub Station II profit and loss statements and balance sheets at other times requested by Sub Station II. Each statement and balance sheet shall be signed by Franchisee or by Franchisee's treasurer or chief financial officer attesting that it is true, correct and complete and uses accounting principles applied on a consistent basis that accurately and completely reflect Franchisee's financial condition.

7.3 Annual Reports. Franchisee shall, at Franchisee's expense, provide to Sub Station II, in the form prescribed by Sub Station II, either a reviewed or audited profit and loss statement and balance sheet for the Restaurant within sixty (60) days after the end of each calendar year to be signed by Franchisee or by Franchisee's treasurer or chief financial officer attesting that the financial statements present fairly the financial position of Franchisee and the results of operations of the Restaurant during the period covered. Franchisee shall, at its expense when requested by Sub Station II, cause its accountant to consult with Sub Station II concerning such financial statements.

7.4 Other Reports. Franchisee shall submit to Sub Station II, for review or auditing, such other forms, reports, records, information and data as Sub Station II may reasonably designate, in the form and at the times and places reasonably required by Sub Station II, upon request and as specified from time to time in the Manual or otherwise in writing.

7.5 Data. All data provided by Franchisee in any form, and whether required by this Section 7 or any other requirement under the System or in the Manual, including data uploaded to Sub Station II's computer system from Franchisee's Computer System (as described in Section 13.10) and/or downloaded from Franchisee's Computer System to Sub Station II's computer system, is and will be owned exclusively by Sub Station II, including without limitation, Customer Data (described in Section 13.11), customer lists and e-mail lists, and Sub Station II will have the right to use such data in any manner that Sub Station II deems appropriate without compensation to Franchisee. In addition, all other data created or collected by Franchisee in connection with the System, or in connection with Franchisee's operation of the Restaurant (including but not limited to consumer and transaction data), is and will be owned exclusively by Sub Station II during the term of, and following termination or expiration of, this Agreement. Copies and/or originals of such data must be provided to Sub Station II upon Sub Station II's request. Sub Station II hereby licenses use of such data back to Franchisee, at no additional cost, solely for the term of this Agreement and solely for Franchisee's use in connection with the business franchised under this Agreement. Sub Station II may use all such information, data, and reports in any manner, including, without limitation, providing financial and operating reports to franchisees and operators operating under the System.

7.6 Public Filings. If Franchisee is or becomes a publicly-held entity in accordance with other provisions of this Agreement, Franchisee shall send to Sub Station II copies of all reports (including responses to comment letters) or schedules that Franchisee may file with the U.S. Securities and Exchange Commission (certified by Franchisee's chief executive officer to be true, correct, complete and accurate) and copies of any press releases it may issue, within three (3) days of the filing of those reports or schedules or the issuance of those releases. If Franchisee requests information from Sub Station II to compile Franchisee's reports, Franchisee must reimburse Sub Station II for its costs and expenses in preparing such reports.

7.7 Audit Rights

7.7.1 Sub Station II or its designee shall have the right at all reasonable times, both during and after the term of this Agreement, to inspect, copy and audit Franchisee's books, records, and federal, state and local tax returns, and such other forms, reports, information and data as Sub Station II reasonably may designate, applicable to the operation of the Restaurant. If an inspection or audit discloses an understatement of Net Sales, Franchisee shall pay Sub Station II, within ten (10) days after receipt of the inspection or audit report, the deficiency in the Royalty Fees and marketing contributions plus interest (at the rate and on the terms provided in Section 6.5) from the date originally due until the date of payment. If an inspection or audit is made necessary by Franchisee's failure to furnish reports or supporting records as required under this Agreement, or to furnish such reports, records or information on a timely basis, or if Sub Station II's examination reveals an understatement of Net Sales that exceeds two percent (2%) of the amount that Franchisee actually reported to Sub Station II for the period examined; then: (1) Franchisee must reimburse Sub Station II for the costs of the examination, including, without limitation, the charges of attorneys and independent accountants and the travel expenses, room and board, and compensation of Sub Station II's employees; and (2) Sub Station II may require Franchisee to provide Sub Station II with periodic audited statements. If Sub Station II's examination reveals an understatement of the Net Sales of the Restaurant for any period by two percent (2%) or more three (3) or more times during any eighteen (18) month period, or by more than five percent (5%) on any one (1) occasion, then in addition to Franchisee's obligations in subsection (1) above, Sub Station II may immediately terminate this Agreement. The foregoing remedies shall be in addition to all other remedies and rights available to Sub Station II under this Agreement or applicable law.

7.7.2 If Franchisee fails to provide Sub Station II on a timely basis with the records, reports and other information required by this Agreement or, upon request of Sub Station II, with copies of the same, Sub Station II or its designee shall have access at all reasonable times (and as often as necessary) to Franchisee's books and records for the purpose, among other things, of preparing the required records, reports and other information. Franchisee promptly shall reimburse Sub Station II or its designee for all costs and expenses associated with Sub Station II's obtaining such records, reports or other information.

8 MARKETING AND PROMOTION

8.1 Grand Opening Advertising. At least sixty (60) days prior to the opening of the Restaurant, Franchisee must submit a Grand Opening Advertising Plan ("Grand Opening Plan") to Sub Station II outlining Franchisee's proposal for grand opening advertising of the Restaurant. Franchisee shall not implement the Grand Opening Plan unless and until Sub Station II has consented to the Grand Opening Plan in writing. Franchisee agrees to modify the Grand Opening Plan as requested by Sub Station II and, thereafter, no substantial changes shall be made to the Grand Opening Plan without the advance written consent of Sub Station II. In addition to the requirements of Section 8.4, Franchisee shall, during the period beginning thirty (30) days before the scheduled opening of the Restaurant and continuing for thirty (30) days after the Restaurant first opens for business ("Grand Opening Period"), spend the amount designated by Sub Station II, which will range between Three Thousand Five Hundred Dollars ($3,500) and Six

Thousand Dollars ($6,000), to conduct grand opening advertising in authorized advertising media and for authorized expenditures (as defined in Section 8.4.) Within ten (10) days after the end of the Grand Opening Period, Franchisee shall submit proof of such grand opening advertising expenditures to Sub Station II.

8.2 Marketing Contributions and Expenditures. This Section 8 describes Sub Station II's marketing, public relations and advertising programs; however, Sub Station II reserves the right to modify these programs and the manner in which the marketing and advertising funds are used for such purposes from time to time, in whole or in part, as Sub Station II deems necessary. Franchisee acknowledges and recognizes the importance of the standardization of advertising programs to the furtherance of the goodwill and public image of the System and the Marks. During the term of this Agreement, Franchisee shall have a periodic advertising and promotion obligation ("APO") in an amount of up to five percent (5.0%) of the Net Sales of the Restaurant as set forth in this Section 8 and Exhibit D (as it may be revised from time to time). Franchisee shall pay, at the same time and in the same manner as the Royalty Fee, that portion of the APO as Sub Station II may direct to the Brand Fund in accordance with Section 8.3 and to a Market Cooperative in accordance with Section 8.5. The remainder of the APO shall be spent for Local Store Marketing in accordance with Section 8.4. Sub Station II has the right, following written notice to Franchisee, to reallocate the APO and to increase the APO; however Sub Station II will not increase the APO by more than one half of one percent (0.5%) of Net Sales in any twelve (12) month period. In addition, Sub Station II may not increase the APO above five percent (5.0%) of Net Sales. The parties shall periodically revise Exhibit D to reflect the then-current APO.

8.3 Brand Fund

8.3.1 Sub Station II has established and administers through its unincorporated subsidiary, Southeastern Promotions, a Brand Fund for the enhancement and protection of the System and the Marks, and for the development of advertising, marketing, and public relations programs and materials as Sub Station II deems appropriate. Franchisee shall make a weekly contribution to the Brand Fund in the amount set forth on Exhibit D, as subsequently modified by Sub Station II from time to time, at the same time and in the same manner as Franchisee pays the Royalty Fees. Sub Station II Restaurants operated by Sub Station II and its affiliates also will contribute to the Brand Fund on the same basis as comparable franchisees.

8.3.2 Sub Station II will have sole discretion to use the Brand Fund, and the monies in the Brand Fund, for any purpose that Sub Station II designates that Sub Station II believes will enhance and protect the System and Marks and will improve and increase public recognition and perception of the System and Marks. Sub Station II will direct all programs that the Brand Fund finances, with sole control over the creative concepts, materials, and endorsements used and their geographic, market, and media placement and allocation. Franchisee must participate in all advertising, marketing, promotions, research and public relations programs instituted by the Brand Fund. Among the programs, concepts, and expenditures for which Sub Station II may utilize the Brand Fund monies are: (1) creative development and production of print ads, commercials, radio spots, point of purchase materials, customizable digital graphics, posters, signage, direct mail pieces, door hangers, and other advertising and marketing materials; (2) creative development, preparation, production and placement of professional photography, video, audio, and written materials and electronic media; (3) media placement and buying, including all associated expenses and fees; (4) administering regional and multi-regional marketing and advertising programs; (5) market research and customer satisfaction surveys, including the use of secret shoppers; (6) the creative development of, and actual production associated with, premium items, giveaways, promotions, contests, public relation events, and charitable or nonprofit events; (7) creative development of signage, posters, and individual Sub Station II Restaurant décor items including wall graphics and signage; (8) Website, extranet and/or intranet development and maintenance; (9) development, implementation, and maintenance of an electronic commerce Website and/or related strategies; (10) development and implementation of search engine optimization strategies; (11) development and administration of consumer surveys, interviews and other customer satisfaction and retention policies; (12) retention and payment of advertising and marketing agencies and other outside advisors including retainer and management fees; and (13) public relations and community involvement activities and programs.

8.3.3 Sub Station II will maintain a separate bank account and segregate Brand Fund monies from its other monies. Sub Station II will not use the Brand Fund for any of its general operating expenses, however, Sub Station II and its affiliates may be reimbursed by the Brand Fund for administrative expenses directly related to the Brand Fund's marketing programs, including without limitation, conducting market research, preparing advertising and marketing materials, and collecting and accounting for contributions to the Brand Fund. Sub Station II may use the Brand Fund to pay the administrative costs of the Brand Fund including managing the advertising, marketing, and promotional programs and payment of outside suppliers utilized by the Brand Fund, and Sub Station II may use the Brand Fund to pay the reasonable salaries and benefits of personnel (including Sub Station II's personnel and its affiliates' personnel) who manage and administer the Brand Fund. Sub Station II may use the Brand Fund to pay for other administrative costs, travel expenses of personnel while they are on Brand Fund business, meeting costs, overhead relating to Brand Fund business, and other expenses that Sub Station II incurs in activities reasonably related to administering or directing the Brand Fund and its programs. Sub Station II will not use the Brand Fund for anything whose sole purpose is the marketing of franchises; however, Franchisee acknowledges that the System Website, public relations activities, community involvement activities and other activities supported by the Brand Fund may contain information about franchising opportunities.

8.3.4 The Brand Fund will not be Sub Station II's asset. Although the Brand Fund is not a trust, Sub Station II will hold all Brand Fund contributions for the benefit of the System, and use contributions only for the purposes described in this Section 8.3. Sub Station II does not owe any fiduciary obligation to Franchisee for administering the Brand Fund or for any other reason. The Brand Fund may spend in any fiscal year more or less than the total Brand Fund contributions in that year, borrow from Sub Station II or others (paying reasonable interest) to cover deficits, or invest any surplus for future use. Sub Station II will use all interest earned on Brand Fund contributions to pay for the administrative costs of the Brand Fund before using the Brand Fund's other assets. Sub Station II will prepare an annual, unaudited statement of Brand Fund collections and expenses within sixty (60) days after Sub Station II's fiscal year end. The statement is available for Franchisee's review upon written request to Sub Station II's Chief Financial Officer. Sub Station II may incorporate the Brand Fund or operate it through an entity other than Southeastern Promotions whenever Sub Station II deems appropriate. The successor entity will have all of the rights and duties specified in this Section 8.3.

8.3.5 Sub Station II intends the Brand Fund to maximize and enhance public, franchisee, and employee recognition of the System and the Marks. Although Sub Station II may use the Brand Fund, or portions of the monies in the Brand Fund, to create, develop, use and/or place advertising and marketing materials and programs, and Sub Station II may try to engage in brand enhancement activities that will benefit all Sub Station II Restaurants, Sub Station II cannot and does not ensure that Brand Fund expenditures will be made in or affecting any geographic area, or will be proportionate or equivalent to Brand Fund contributions by Sub Station II Restaurants operating in that geographic area. Sub Station II does not guarantee or assure that Franchisee, the Restaurant or any Sub Station II Restaurant will benefit directly or in proportion to their Brand Fund contribution from the brand enhancement activities of the Brand Fund or the development of advertising and marketing materials or the placement of advertising and marketing.

8.3.6 Sub Station II has the right, but no obligation, to use collection agents and institute legal proceedings to collect Brand Fund contributions at the Brand Fund's expense. Sub Station II also may forgive, waive, settle, and compromise all claims by or against the Brand Fund. Sub Station II assumes no direct or indirect liability or obligation to Franchisee for collecting amounts due to the Brand Fund. Sub Station II has the sole right to enforce the obligations of franchisees who contribute to the Brand Fund, and neither Franchisee nor any other franchisees who contribute to the Brand Fund will be deemed a third party beneficiary with respect to the Brand Fund obligations of other franchisees or have any right to enforce the obligation of any franchisee to contribute to the Brand Fund.

8.3.7 Sub Station II may at any time defer or reduce contributions of a Sub Station II franchisee to the Brand Fund and, upon thirty (30) days prior written notice to Franchisee, reduce or suspend Brand Fund contributions and operations for one or more periods of any length and disband (and, if disbanded, subsequently reinstate) the Brand Fund. If Sub Station II disbands the Brand Fund, Sub Station II will spend all monies in the fund for advertising and/or promotional purposes or distribute all unspent monies to its franchisees and to Sub Station II and its affiliates in proportion to their respective Brand Fund contributions during the preceding twelve (12) month period.

8.4 Local Store Marketing

8.4.1 Following the expiration of the Grand Opening Period, Franchisee must set aside at least the amount set forth on Exhibit D, as subsequently modified by Sub Station II from time to time, each week and spend and spend at least that amount annually for advertising and marketing in Franchisee's market area ("Local Store Marketing"). Upon Sub Station II's request, Franchisee must submit appropriate documentation to verify full compliance with Franchisee's Local Store Marketing obligations. If Franchisee fails to expend on an annual basis, the required amount, then Franchisee must contribute to the Brand Fund within thirty (30) days after the close of Sub Station II's fiscal year any amounts that Franchisee should have expended to reach the Local Store Marketing requirement.

8.4.2 Franchisee must develop, on an annual basis, a marketing plan and spending budget ("Annual Marketing Plan") that Sub Station II has approved for Franchisee, the Restaurant, and Franchisee's market area. Sub Station II will assist Franchisee with the development of Franchisee's first Annual Marketing Plan prior to the date the Restaurant opens for business. Thereafter, Franchisee must develop and submit Franchisee's Annual Marketing Plan for Sub Station II's approval by November 30 of each year. Franchisee must comply with all requirements regarding the Marketing Plan, including use of approved advertising and marketing materials, placement and purchase of advertising and marketing materials and media, and full compliance with all promotional recommendations.

8.4.3 Franchisee's local advertising and marketing materials must follow Sub Station II's guidelines, which may include, among other things, requirements for, or restrictions regarding, the use of the Marks and notices of Sub Station II's Website's domain name in the manner Sub Station II designates. Sub Station II may specify third parties that Franchisee must use for the design and development of Franchisee's local advertising and marketing materials and Franchisee will be required to pay those third parties for their services. Franchisee agrees that Franchisee's advertising and marketing materials will be completely clear, factual, and not misleading and conform to both the highest standards of ethical advertising and marketing and the advertising and marketing policies that Sub Station II prescribes from time to time.

8.4.4 Franchisee may purchase local advertising and marketing materials from Sub Station II or any source approved by Sub Station II. Franchisee must purchase display advertising listings in print and on-line if specified by Sub Station II. If Franchisee purchases these materials from a source other than Sub Station II or its affiliates, these materials must comply with federal and local laws and regulations and with the guidelines for advertising and marketing promulgated from time to time by Sub Station II and must be submitted to Sub Station II or Sub Station II's designee at least ten (10) days prior to first use for approval, which Sub Station II may grant or withhold in Sub Station II's sole discretion.

If Sub Station II does not approve Franchisee's submission within ten (10) days after the day Sub Station II received the materials, Sub Station II will be deemed to have not approved the materials.

8.4.5 In no event will Franchisee's advertising and marketing materials contain any statement or material which, in Sub Station II's sole discretion, may be considered: (1) in bad taste or offensive to the public or to any group of persons; (2) defamatory of any person or an attack on any competitor; (3) to infringe upon the use, without permission, of any other persons' trade name, trademark, service mark or identification; or (4) inconsistent with Sub Station II's public image or that of the System. Franchisee acknowledges and agrees that any and all copyrights in and to advertising and marketing materials developed by Franchisee or on Franchisee's behalf will be Sub Station II's sole property, and Franchisee must execute such documents (and, if necessary, require Franchisee's independent contractors to execute such documents) as may be deemed reasonably necessary by Sub Station II to give effect to this provision.

8.5 Market Cooperative. Sub Station II shall have the right to designate any geographical area for purposes of establishing a market advertising and promotional cooperative fund ("Market Cooperative"). If a Market Cooperative for the geographic area in which the Restaurant is located has been established at the time Franchisee opens the Restaurant, Franchisee shall immediately become a member of such Market Cooperative, unless otherwise permitted by Sub Station II. If a Market Cooperative for the geographic area in which the Restaurant is located is established during the term of this Agreement, Franchisee shall become a member of such Market Cooperative within thirty (30) days after the date on which the Market Cooperative is formed, unless otherwise permitted by Sub Station II. In no event shall Franchisee be required to be a member of more than one (1) Market Cooperative. Any contributions to a Market Cooperative will be credited against Franchisee's Local Store Marketing expenditures. The following provisions shall apply to each such Market Cooperative:

8.5.1 Each Market Cooperative shall be organized (including but not limited to bylaws and other organizational documents) and governed in a form and manner, and shall commence operations on a date, approved in advance by Sub Station II in writing. Unless otherwise specified by Sub Station II, the activities carried on by each Market Cooperative shall be decided by a majority vote of its members. Any Restaurants that Sub Station II operates in the region shall have the same voting rights as those owned by its franchisees. Each Restaurant owner shall be entitled to cast one (1) vote for each Restaurant owned.

8.5.2 Each Market Cooperative shall be organized for the exclusive purpose of administering regional advertising programs and developing, subject to Sub Station II's approval, standardized promotional materials for use by the members in local advertising and promotion.

8.5.3 No advertising or promotional plans or materials may be used by a Market Cooperative or furnished to its members without the prior approval of Sub Station II, pursuant to the procedures and terms as set forth in Section 8.4.4 above and all advertising shall adhere to the standards set forth in Section 8.4.5 above.

8.5.4 Franchisee shall submit its required contribution to the Market Cooperative at the same time and in the same manner as the Royalty Fee and Brand Fund contributions, together with such statements or reports as may be required by Sub Station II or by the Market Cooperative with Sub Station II's prior written approval. If so requested by Sub Station II in writing, Franchisee shall submit its payments and reports to the Market Cooperative directly to Sub Station II for distribution to the Market Cooperative.

8.5.5 Although once established, each Market Cooperative is intended to be of perpetual duration, Sub Station II maintains the right to terminate any Market Cooperative. A Market Cooperative shall not be terminated, however, until all monies in that Market Cooperative have been expended for advertising and/or promotional purposes.

8.6 Web Page. Sub Station II will host and maintain an independent web page or online site for the Restaurant at an Internet address that Sub Station II specifies. Sub Station II will provide and maintain this web page using a standard template. Franchisee agrees not to promote, offer or sell any products or services, or to use any of the Marks, relating to the Restaurant through any other Website, web page or any future technological avenues without Sub Station II's prior written consent.

9 TRAINING

9.1 Management Training Program

9.1.1 Before the Restaurant opens for business, Franchisee's Operating Principal (as described in Section 16.7) and the Restaurant's general manager must attend, and become certified in the Sub Station II Management Training Program. If the Operating Principal serves as the general manager of the Restaurant, at least one (1) other manager must attend and become certified in the Management Training Program. If Franchisee wishes to have additional personnel attend the Management Training Program prior to opening the Restaurant, up to two (2) additional personnel at a time may attend additional training sessions and Franchisee shall pay Sub Station II's then-current training fees. Sub Station II shall certify any of Franchisee's management employees who successfully complete the Management Training Program as a "Certified Manager." The Management Training Program consists of seven (7) to ten (10) days of training and includes classroom instruction and on-the-job training. The Management Training Program is held at a Sub Station II restaurant or at Sub Station II's designated training facilities. Sub Station II may offer portions of the Management Training Program over the Internet, Sub Station II's company intranet or by webinar. Sub Station II will bear all expenses for the Management Training Program that Sub Station II provides; however, Franchisee must pay all salaries, benefits, travel, living and other expenses incurred by Franchisee and its employees while attending the training.

9.1.2 Sub Station II may dismiss from the Management Training Program any person whom Sub Station II does not believe will perform acceptably in the position for which he/she has been hired by Franchisee or who fails to comport himself/herself with the standards Sub Station II requires of its employees, and Franchisee shall provide a suitable replacement within thirty (30) days of such dismissal. Sub Station II will authorize the Restaurant to open only after two (2) managers have been certified as Certified Managers after successfully completing the Management Training Program.

9.1.3 If the Restaurant is Franchisee's first Sub Station II Restaurant, then Sub Station II will provide the Management Training Program. For Franchisee's second and subsequent Sub Station II Restaurants, one of Franchisee's Certified Managers must provide the Management Training Program to Franchisee's managerial personnel at one of Franchisee's Restaurants.

9.2 Training by Franchisee

9.2.1 Franchisee's Certified Managers are responsible for training the Restaurant's staff. Franchisee must have a full staff in place and available for training at least three (3) days before the Restaurant opens. Sub Station II will authorize Franchisee to open the Restaurant only after an adequate number of Franchisee's employees, as determined by Sub Station II in its sole discretion, have attended and received certification in the position for which they were hired. Periodically, Franchisee must conduct such training programs for Franchisee's employees as Sub Station II may require, including those training programs required for Franchisee's employees to become certified for the position(s) for which each employee was hired. Franchisee's Certified Managers also may offer the Management Training Program to Franchisee's managerial employees. Sub Station II shall evaluate all managers trained by Franchisee and determine whether to certify the managers as Certified Managers. Franchisee will be responsible for all costs that Franchisee incurs in training Franchisee's employees in accordance with this Section 9.2.

9.2.2 Sub Station II may periodically visit the Restaurant to ensure that Franchisee's Certified Managers and staff continue to meet Sub Station II's standards. Sub Station II has the right to de-certify any of Franchisee's personnel (including managers and hourly employees) who consistently fail to maintain Sub Station II's System Standards as set forth in the Manual. Any such employees may not return to their positions at the Restaurant until they have been successfully retrained. If Sub Station II determines, in its sole discretion, that Franchisee's Certified Managers are no longer qualified to train Franchisee's employees, then Franchisee, at Sub Station II's election, must either have the Certified Managers attend and successfully complete the Management Training Program and be re-certified as Certified Managers or designate replacement personnel to complete the Management Training Program to be certified as Franchisee's Certified Managers. Sub Station II may charge a reasonable training fee to re-certify Franchise's employees and managers.

9.2.3 If Franchisee does not have any Certified Managers on staff, then Franchisee must send Franchisee's managerial employees to the Management Training Program offered by Sub Station II and Sub Station II will send a trainer to the Restaurant to train Franchisee's hourly employees. If Franchisee is required to send Franchisee's training and managerial employees to the Management Training Program because Franchisee does not have a Certified Manager, then Franchisee must pay Sub Station II's then current tuition fee for Franchisee's employees who attend the Management Training Program, in addition to paying all salaries, benefits, travel, living and other expenses incurred by Franchisee's employees while attending the Management Training Program. If Sub Station II sends a trainer to the Restaurant, Franchisee must pay Sub Station II's then-current per diem fees and all travel, living and other expenses incurred by Sub Station II's trainer.

9.3 Opening Training. Sub Station II will send a corporate representatives to the Restaurant to assist with the Restaurant opening for a period of up to fourteen (14) days ("Opening Training"). This Opening Training will also include on-site training for Franchisee's staff members. As a part of the Management Training Program, attendees must successfully complete a ServSafe food safety training and certification program administered by the National Restaurant Association Educational Foundation. Sub Station II will provide the ServSafe training for up to three (3) individuals at no additional cost to Franchisee, however, Franchisee must pay Sub Station II's then current fees to provide the ServSafe training to additional personnel. Franchisee will not be required to pay any additional costs for any of the travel or living expenses incurred by Sub Station II's representative while they provide the Opening Training. Sub Station II will determine the hours of training for Franchisee's staff members. If Franchisee requests, and Sub Station II agrees to provide, additional or special guidance, assistance, or training during this opening phase, Franchisee agrees to pay Sub Station II's then applicable charges, including fees for Sub Station II's personnel and their travel and living expenses.

9.4 Ongoing Training. Sub Station II may require Franchisee's Operating Principal, Certified Managers, managerial personnel, and/or other previously trained and experienced staff members to attend and complete satisfactorily various training courses that Sub Station II periodically chooses to provide at the times and locations that Sub Station II designates, as well as periodic conventions, meetings, and conferences that Sub Station II specifies. Sub Station II may charge reasonable registration or similar fees for these meetings. Franchisee agrees to pay all salaries, benefits, travel, living and other expenses incurred by Franchisee and Franchisee's employees during all such meetings.

9.5 Training of Replacement Personnel. Franchisee shall employ at the Restaurant the number of Certified Managers required by Sub Station II, which in no event shall be less than two (2). Sub Station

II requires that Franchisee's replacement managerial personnel satisfactorily complete the Management Training Program within thirty (30) days after being designated as managerial personnel. Replacement managerial personnel may: (1) attend the next Management Training Program offered by Sub Station II where there is an opening; or (2) be trained by Franchisee's Certified Managers, however, they must be reviewed by Sub Station II's field personnel and receive Sub Station II's certification as Certified Managers prior to training Franchisee's staff. Sub Station II may charge reasonable registration or similar fees for these courses. Franchisee agrees to pay all salaries, benefits, travel, living and other expenses incurred by Franchisee and Franchisee's employees during all training courses and programs. Franchisee understands and agrees that any specific ongoing training or advice Sub Station II provides does not create an obligation (whether by course of dealing or otherwise) to continue to provide such specific training or advice, all of which Sub Station II may discontinue and modify from time to time.

9.6 General Guidance. Sub Station II will advise Franchisee from time to time regarding the operation of the Restaurant based on Franchisee's reports to Sub Station II and/or Sub Station II's direct or indirect observations, and Sub Station II will provide guidance to Franchisee with respect to: (1) Sub Station II's System Standards and operating procedures used by Sub Station II Restaurants; (2) advertising and marketing materials and programs; (3) employee training and staff recruiting programs; and (4) administrative, bookkeeping, accounting, and inventory control procedures. Sub Station II will provide ongoing advice and consultation to Franchisee through the Manual, bulletins or other written materials, electronic media, telephone, national or regional meetings and/or in person at Sub Station II's office or the Restaurant. If Franchisee requests, and Sub Station II agrees to provide, additional or special guidance, assistance, or training, then Franchisee must pay Sub Station II's then applicable charges, including Sub Station II's fees for its personnel and their related travel and living expenses.

9.7 Training Materials and Methods. All training materials that Sub Station II provides to Franchisee remain Sub Station II's property. Sub Station II reserves the right to provide training programs in person, on tape, via the Internet, webinar, in printed or electronic format or by other means.

9.8 Expenses. Franchisee is responsible for any travel expenses, living expenses, wages, and other expenses incurred by Franchisee and Franchisee's trainees while attending Sub Station II's training programs.

9.9 Control by Sub Station II. Notwithstanding anything to the contrary in this Section 9, Franchisee and Sub Station II recognize and agree that Sub Station II does not exercise any day-to-day control of the Premises, security at the Premises, food preparation, the hiring and firing of employees, or other forms of day-to-day control.

10 ADDITIONAL SERVICES BY SUB STATION II

10.1 Pre-Opening Assistance. Sub Station II may provide consultation and advice to Franchisee, as Sub Station II deems appropriate, with regard to the development and operation of the Restaurant, building layout, furnishings, fixtures and equipment plans and specifications, employee recruiting, selection and training, purchasing and inventory control, and such other matters as Sub Station II deems appropriate.

10.2 Post-Opening Assistance. Sub Station II periodically, as Sub Station II deems appropriate, shall advise and consult with Franchisee in connection with the operation of the Restaurant. Sub Station II, as it deems appropriate, shall provide to Franchisee Sub Station II's knowledge and expertise regarding the System and pertinent new developments, techniques and improvements in the areas of restaurant design, management, food and beverage preparation, sales promotion, service concepts, employee recruiting, selection and training, purchasing and inventory control, and such other matters as Sub Station II deems appropriate. Sub Station II may provide these services through visits by Sub Station II's representatives to the Restaurant or Franchisee's offices, the distribution of printed, filmed or electronic information, meetings or seminars, telephone communications, e-mail communications or other communications. At Franchisee's request, Sub Station II may provide special assistance at the Restaurant for which Franchisee will be required to pay Sub Station II's per diem fees and charges that Sub Station II may establish from time to time.

10.3 Periodic Inspections. Sub Station II shall periodically inspect the Restaurant and its operations to assist Franchisee's operations and ensure compliance with the System.

10.4 Delegation. Sub Station II has the right, from time to time, to delegate the performance of any portion or all of its obligations and duties under this Agreement to designees, whether affiliates or agents of Sub Station II or independent contractors with which Sub Station II has contracted to provide this service.

11 MANUAL

11.1 Manual and System Standards. Franchisee acknowledges receipt on loan of the Manual, which contains information and knowledge that is unique, necessary and material to the System. Sub Station II may provide electronic access to Franchisee during the term of this Agreement to the Manual that Sub Station II will post on a restricted Website, intranet or extranet to which Franchisee will have access. The Manual contains the System Standards, which include mandatory and suggested specifications, standards, operating procedures, reporting requirements and rules that Sub Station II periodically prescribes for developing and operating a Sub Station II Restaurant and information on Franchisee's other obligations under this Agreement. Franchisee must operate the Restaurant at all times in strict conformity with the Manual and the System Standards. Franchisee must use the forms and reports contained in the Manual for conducting business and reporting to Sub Station II. Sub Station II has the right to amend and supplement the Manual periodically by letter, electronic mail, bulletin, DVDs, audio tapes, compact disks, software or other communications concerning the System to reflect changes in the image, specifications and standards relating to developing, equipping, furnishing and operating a Sub Station II Restaurant. Franchisee shall keep its copy of the Manual current and up-to-date with all additions and deletions provided by or on behalf of Sub Station II and shall purchase whatever equipment and related services (including, without limitation, computer system, Internet service, dedicated phone line, facsimile machine, etc.) as may be necessary to receive these communications. Franchisee must monitor and access the Website, intranet and/or extranet for any updates to the Manual or System Standards and Franchisee must comply with each new or changed standard promptly. If a dispute relating to the contents of the Manual develops, the master copy maintained by Sub Station II at its principal offices shall control. Prior to accessing Sub Station II's intranet or extranet Franchisee must abide by Sub Station II's Terms of Use as published by Sub Station II from time to time.

11.2 Confidentiality of the Manual. Franchisee acknowledges that the contents of the Manual are confidential and that the Manual contains Sub Station II's trade secrets and copyrighted material. Any passwords or other digital identifications necessary to access the Manual on the Website, intranet or extranet also are deemed to be confidential and proprietary to Sub Station II. Accordingly, Franchisee agrees that Franchisee will not disclose the Manual, passwords or other digital identifications to any person other than employees of the Restaurant who need to know its contents. Franchisee's employees with access to the Manual will sign a confidentiality agreement before accessing the Manual. Franchisee may not at any time copy, duplicate, record, or otherwise reproduce any part of the Manual.

12 MODIFICATIONS OF THE SYSTEM

12.1 System Modifications. Sub Station II, in its sole discretion, shall be entitled from time to time to change or modify the System, including modifications to the Manual, the System Standards, the menu and menu formats, the required equipment, the signage, the building and premises of the Restaurant (including the trade dress, décor and color schemes), the presentation of the Marks, the adoption of new administrative forms and methods of reporting and of payment of any monies owed to Sub Station II (including electronic means of reporting and payment) and the adoption and use of new or modified Marks or copyrighted materials. Franchisee shall accept and use or display in the Restaurant any such changes or modifications to the System as if they were a part of the System at the time this Agreement was executed, and Franchisee will make such expenditures as the changes or modifications in the System may reasonably require.

12.2 Major Renovation. Extensive structural changes, major remodeling and renovations, and substantial modifications to existing equipment and improvements to modernize and conform the Restaurant to the image of the System for new Sub Station II Restaurants shall be required at Sub Station II's request (but not more often than once during the term of this Agreement). Within thirty (30) days after receipt of Sub Station II's written notice regarding the required remodel, Franchisee shall prepare and complete drawings and plans for the required remodel. These drawings and plans must be submitted to, and their use approved by, Sub Station II prior to the commencement of work. Franchisee shall complete the required remodel within ninety (90) days after receipt of Sub Station II's written notice. If the costs of the required remodel exceed Twenty Thousand Dollars ($20,000), then Franchisee shall have six (6) months to complete the work at the Restaurant. In the event Sub Station II determines, in its sole discretion, that Franchisee cannot amortize the cost of the remodel over the remaining years of the Initial Term, Sub Station II may agree to extend the Initial Term of this Agreement. Capital expenses necessary for the repair and maintenance of the Premises, exterior and interior signage, menu boards, furniture, paint and flooring are not subject to the expense and time limitations described in this Section.

12.3 Variations from System Standards. Sub Station II has the right, in its sole discretion, to waive, defer or permit variations from the System Standards or the applicable agreement to any franchisee or prospective franchisee based on the peculiarities of a particular site, existing building configuration or circumstance, density of population, business potential, trade area population or any other condition or circumstance. Sub Station II shall have the right, in its sole discretion, to deny any such request Sub Station II believes would not be in the best interests of the System.

12.4 Franchisee's Development of System Improvements. If Franchisee develops any new concepts, processes or improvements relating to the System, whether or not pursuant to a test authorized by Sub Station II, Franchisee promptly shall notify Sub Station II and provide Sub Station II with all information regarding the new concept, process or improvement, all of which shall become the property of Sub Station II and its affiliates and which may be incorporated into the System without any payment to Franchisee. Franchisee, at its expense, promptly shall take all actions deemed necessary or desirable by Sub Station II to vest in Sub Station II ownership of such concepts, processes or improvements.

13 PERFORMANCE STANDARDS AND UNIFORMITY OF OPERATION

Products sold and services performed under the Marks have a reputation for quality. This reputation has been developed and maintained by Sub Station II, and it is of the utmost importance to Sub Station II, Franchisee and all other franchisees of Sub Station II that this reputation be maintained. In recognition of the mutual benefits that come from maintaining the reputation for quality enjoyed by the System, Franchisee covenants and agrees, with respect to the operation of the Restaurant, that Franchisee and its employees shall comply with all of the requirements of the System as set forth in the Manual or otherwise, and Franchisee additionally shall comply with the following:

13.1 System 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 Sub Station II may from time to time prescribe in the Manual or otherwise in writing. Franchisee agrees:

13.1.1 To maintain in sufficient supply, and to use and/or sell at all times only such products, ingredients, materials, supplies, merchandise and paper goods as conform to Sub Station II's written standards and specifications, and to refrain from deviating therefrom by the use or offer of any non-conforming items without Sub Station II's specific prior written consent.

13.1.2 To sell or offer for sale only such products and services as have been expressly approved for sale in writing by Sub Station II; to sell or offer for sale all such products and services, utilizing the ingredients and employing the preparation standards and techniques, as specified by Sub Station II; to refrain from any deviation from Sub Station II's standards and specifications, including the manner of preparation of products, without Sub Station II's prior written consent; and to discontinue selling and offering for sale any products and services which Sub Station II shall have the right to disapprove, in writing, at any time. If Franchisee deviates or proposes to deviate from Sub Station II's standards and specifications, whether or not such deviation is approved by Sub Station II, such deviation shall become the property of Sub Station II.

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

13.1.4 To purchase and install, at Franchisee's expense, all fixtures, furnishings, equipment, decor, and signs as Sub Station II shall specify; and to refrain from installing or permitting to be installed on or about the Restaurant premises, without Sub Station II's prior written consent, any fixtures, furnishings, equipment, decor, signs, or other items not previously approved as meeting Sub Station II's standards and specifications.

13.1.5 To fully and faithfully comply with all applicable governing authorities, laws and regulations. Franchisee shall immediately close the Restaurant and terminate operations in the event that: (1) any products sold at the Restaurant evidence adulteration or deviation from the standards set for products by Sub Station II; (2) any products sold at the Restaurant fail to comply with applicable laws or regulations; or (3) Franchisee fails to maintain the products, Restaurant premises, equipment, personnel, or operation of the Restaurant in accordance with any applicable law or regulations. In the event of such closing, Franchisee shall immediately notify Sub Station II in writing and Franchisee shall destroy immediately in accordance with procedures set forth in the Manual, or otherwise in writing by Sub Station II, all products which it knows, or should know through the exercise of reasonable care, to be adulterated, tainted, contaminated, spoiled, unsafe, or otherwise unfit for human consumption and eliminate the source thereof, and remedy any unsanitary, unsafe, or other condition or other violation of the applicable law or regulation. Franchisee shall not reopen the Restaurant until after Sub Station II has inspected the Restaurant premises, and Sub Station II has determined that Franchisee has corrected the condition and that all products sold at the Restaurant comply with Sub Station II's standards.

13.2 Suppliers. Franchisee shall purchase all products, ingredients, supplies, materials, merchandise and other products used or offered for sale at the Restaurant solely from suppliers that Sub Station II has approved in writing. In determining whether it will approve any particular supplier, Sub Station II shall consider various factors, including a supplier who can demonstrate, to Sub Station II's continuing reasonable satisfaction, the ability to meet Sub Station II's then-current standards and specifications for such items; who possesses adequate quality controls and capacity to supply Franchisee's needs promptly and reliably; who would enable the System, in Sub Station II's sole opinion, to take advantage of marketplace efficiencies; and who has been approved in writing by Sub Station II prior to any purchases by Franchisee from any such supplier, and have not thereafter been disapproved. For the purpose of this Agreement, the term "supplier" shall include, but not be limited to, manufacturers, distributors, resellers, and other vendors. Franchisee recognizes that Sub Station II shall have the right to appoint only one manufacturer, distributor, reseller, and/or other vendor for any particular item, and that Sub Station II may so designate itself or its affiliate.

13.2.1 If Franchisee wishes to purchase any products or any items from an unapproved supplier, Franchisee shall first submit to Sub Station II a written request for such approval. Franchisee shall not purchase any products or services from any supplier until, and unless, such supplier has been approved in writing by Sub Station II. Sub Station II shall have the right to require that its representatives be permitted to inspect the supplier's facilities, and that samples from the supplier be delivered, either to Sub Station II or to an independent laboratory designated by Sub Station II for testing. Sub Station II may also require that the supplier comply with such other requirements as Sub Station II may deem appropriate, including payment of reasonable continuing inspection fees and administrative costs, or other payment to Sub Station II by the supplier on account of their dealings with Franchisee or other franchisees, for use, without restriction (unless otherwise instructed by the supplier) and for services that Sub Station II may render to such suppliers. Sub Station II reserves the right, at its option, to reinspect from time to time the facilities and products of any such approved supplier and to revoke its approval upon the supplier's failure to continue to meet any of Sub Station II's then-current criteria. Nothing in the foregoing shall be construed to require Sub Station II to approve any particular supplier, nor to require Sub Station II to make available to prospective suppliers, standards and specifications for formulas, which Sub Station II shall have the right to deem confidential.

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

13.2.3 Sub Station II and its affiliates may negotiate purchasing arrangements under which suppliers agree to make equipment, products and services available to Sub Station II Restaurants Sub Station II and its affiliates may receive fees, commissions, rebates, royalties, or other consideration from suppliers based on sales to Franchisee and Sub Station II and its affiliates may use any amounts received without restriction and for any purpose Sub Station II and/or its affiliates deem appropriate.

13.2.4 Franchisee shall comply with all terms, conditions, and obligations of all contracts and arrangements with suppliers, including contracts and arrangements negotiated by Sub Station II or third parties as part of a network or multiple-franchise or multiple-restaurant supply and distribution arrangement, and Franchisee's contracts with and obligations to suppliers. Franchisee shall promptly pay all suppliers in accordance with the agreed-upon terms.

13.3 Authorized Menu Items and Merchandise

13.3.1 Within fourteen (14) days after receipt of written notice from Sub Station II, Franchisee shall begin selling any newly authorized menu items and cease selling any menu items that are no longer authorized. Within thirty (30) days after receipt of written notice from Sub Station II, Franchisee shall begin selling any newly authorized merchandise and cease selling any merchandise that is no longer authorized. However, if any discontinued menu item or merchandise could pose a hazard to the public or prove detrimental to the system, Franchisee must cease selling or using that item or ingredient immediately. Franchisee shall purchase any additional equipment and smallwares as Sub Station II deems reasonably necessary in connection with new menu items. If Sub Station II requires Franchisee to begin offering a new menu item which requires the purchase of additional equipment, a reasonable period of time, as determined in the sole discretion of Sub Station II, shall be provided for the financing, purchase and installation of any such equipment before such new menu items must be offered for sale at the Restaurant.

13.3.2 All food, beverage and merchandise items authorized for sale at the Restaurant shall be offered for sale under the specific name designated by Sub Station II. Sub Station II, in its sole discretion, may restrict sales of menu items to certain time periods during the day.

13.3.3 If Franchisee has a suggestion for a new menu item or for a change to an authorized menu item or Franchisee desires to participate in a test market program, Franchisee shall provide Sub Station II written notice prior to implementation. Franchisee shall not add or modify any menu item or participate in a test market program without first having obtained Sub Station II's prior written approval.

13.4 Menu Boards and Formats. Sub Station II shall have the right to prescribe, and subsequently vary, one or more menu boards and formats to be utilized in the Restaurant. The menu boards and formats may include requirements concerning organization, graphics, product descriptions, illustrations and other matters (except prices) related to the menu. Prescribed menu boards and formats may vary depending on region, market size or other factors deemed relevant by Sub Station II. If any menu board and format utilized by Franchisee ceases to be an authorized menu board and format, Franchisee shall have a reasonable period of time (not to exceed three (3) months) to discontinue use of the old menu board and format and begin using an authorized menu board and format.

13.5 Promotional Materials. Franchisee shall require all advertising and promotional materials, signs, decorations, paper goods (including without limitation disposable food and beverage containers, bags, napkins, menus, and all forms and stationery used in the Restaurant), any and all replacement trade dress products, and other items which may be designated by Sub Station II to bear Sub Station II's then-current Marks and logos in the form, color, location, and manner then-prescribed by Sub Station II.

13.6 Signs and Logos. Subject to local ordinances, Franchisee shall prominently display in and upon the land and buildings of the Restaurant interior and exterior signs and logos using the name "Sub Station II," without any prefix or suffix, and those other names, marks, advertising signs and logos, of such nature, form, color, number, location and size, and containing that material as Sub Station II may from time to time direct. Franchisee shall not display in or upon the Premises any sign, logo or advertising media of any kind to which Sub Station II objects.

13.7 Entertainment Equipment. Franchisee shall not permit at the Restaurant any juke box, vending or game machine, gum machine, game, ride, gambling or lottery device, coin or token operated machine, or any other music, film or video device not authorized by Sub Station II.

13.8 Incentive Programs. Franchisee shall offer for sale, and will honor for purchases by customers, any incentive or convenience programs which Sub Station II may institute from time to time, and Franchisee shall do so in compliance with Sub Station II's standards and procedures for such programs.

13.9 Prices. With respect to the sale of all menu items, products, merchandise or services, Franchisee shall have sole discretion as to the prices to be charged to customers; provided, however, that Sub Station II may set maximum prices on such menu items, products, and services. If Sub Station II has imposed such a maximum price on a particular menu item, product, or service, Franchisee may charge any price for such menu item, product, or service, up to and including the maximum price set by Sub Station II.

13.10 Technology and Computer System. At Sub Station II's request, Franchisee shall purchase or lease, and thereafter maintain, a computer operating system and related technology including a point of sale system ("Computer System") and comply with Sub Station II's requirements, specifications and policies concerning the use of technology, as they may be specified in this Agreement, or specified or modified in the Manual or otherwise in writing.

13.10.1 Sub Station II shall have the right at any time to retrieve and use such data and information from Franchisee's Computer System that Sub Station II deems necessary or desirable, including, without limitation, the uses identified in Section 7.5 above. In view of the contemplated interconnection of computer systems and the necessity that such systems be compatible with each other, Franchisee expressly agrees that it shall strictly comply with Sub Station II's standards and specifications for all item(s) associated with Franchisee's Computer System, and will otherwise operate its Computer System in accordance with Sub Station II's standards and specifications. To ensure full operational efficiency and optimum communication capability between and among equipment and computer systems installed by Franchisee, Sub Station II, and other franchisees, Franchisee agrees, at its expense, that Franchisee shall keep its Computer System in good maintenance and repair, and, at its expense, and following the determination that Sub Station II shall have the right to make, to the effect that same will prove economically or otherwise beneficial to all System franchisees, that Franchisee shall promptly install such additions, changes, modifications, substitutions and/or replacement to Franchisee's computer hardware, software, telephone and power lines, and other related facilities, as Sub Station II directs periodically in writing. Franchisee shall provide to Sub Station II, upon Sub Station II's request, all e-mail lists and customer lists used or maintained by Franchisee on the Computer System or elsewhere.

13.10.2 Sub Station II has the right, but not the obligation, to develop or have developed for it, or to designate, any or all of the following: (1) computer software programs and accounting system software that Franchisee must use in connection with the Computer System ("Required Software"), which Franchisee must install; (2) updates, supplements, modifications, or enhancements to the Required Software, which Franchisee must install; (3) the tangible media upon which such Franchisee must record or receive data; (4) the database file structure of Franchisee's Computer System; (5) an extranet for informational assistance, which may include, without limitation, the Manual, training other assistance materials, and management reporting solutions; and (6) answering service requirements and/or system-wide phone order processing of all catering orders, and/or to designate vendors that will provide such order processing.

13.10.3 Franchisee agrees to install and use the Computer System and Required Software in the manner that Sub Station II requires. Sub Station II may charge a reasonable software license fee for any Required Software.

13.10.4 Franchisee agrees to implement and periodically upgrade and make other changes to the Computer System and Required Software as Sub Station II may reasonably request in writing, which shall not be more often than one (1) upgrade per year (collectively, "Computer Upgrades").

13.10.5 Franchisee agrees to comply with Sub Station II's written specifications (whether in the Manual or otherwise) with respect to the Computer System and the Required Software, and with respect to Computer Upgrades, at Franchisee's own expense.

13.10.6 Franchisee agrees to afford Sub Station II unimpeded access to its Computer System and Required Software in the manner, form, and at the times that Sub Station II requests. Franchisee shall provide Sub Station II with user identifications and passwords required to access files and other information contained on the Computer System.

13.10.7 Because changes to technology are dynamic and not predictable within the term of this Agreement, and in order to provide for inevitable but unpredictable changes to technological needs and opportunities, Franchisee agrees: (1) that Sub Station II will have the right to establish, in writing, reasonable new standards to address new technologies, whether published in the Manual or otherwise in writing, and that Sub Station II has the right to implement those changes in technology into the System; and (2) to abide by Sub Station II's reasonable new standards as if this Section 13.10, and other technology provisions in this Agreement, were periodically revised for that purpose.

13.11 Customer Data. Franchisee agrees that all data that it collects from customers and potential customers in connection with the Restaurant ("Customer Data") is deemed to be owned exclusively by Sub Station II, and Franchisee also agrees to provide the Customer Data to Sub Station II at any time that Sub Station II requests. Franchisee has the right to use Customer Data while this Agreement or a successor Franchise Agreement is in effect, but only in connection with operating the Restaurant and only in accordance with the policies that Sub Station II establishes from time to time. Franchisee may not sell, transfer, or use Customer Data for any purpose other than operating the Restaurant and marketing "Sub Station II brand" products and services. However, if Franchisee Transfers the Restaurant (as provided in Section 18 below), as part of the Transfer, Franchisee must also Transfer use of the Customer Data to the buyer as part of the total purchase price paid for the Restaurant.

13.12 Privacy Laws. Franchisee agrees to abide by all applicable laws pertaining to the privacy of consumer, employee, and transactional information ("Privacy Laws"). Franchisee agrees to comply with Sub Station II's standards and policies pertaining to Privacy Laws. Franchisee agrees not to publish, disseminate, implement, revise, or rescind a data privacy policy without Sub Station II's prior written consent as to said policy.

13.13 POS or Cash Register Systems. Franchisee agrees to record all sales on computer-based point of sale systems or such other types of cash register systems that Sub Station II has the right to designate or approve in the Manual or otherwise in writing ("POS System"). The POS System is deemed to be part of Franchisee's Computer System. Franchisee agrees that only trained and qualified personnel will be assigned the responsibility for conducting transactions on the POS System. Franchisee shall accept debit cards, credit cards, mobile payment applications, stored value gift cards or other non-cash systems specified by Sub Station II to enable customers to purchase authorized products and shall obtain all necessary hardware and/or software used in connection with these non-cash systems.

13.14 Gift Cards. If Sub Station II requires, Franchisee agrees to participate in any gift card program that Sub Station II specifies. For this purpose, Franchisee must purchase the software, hardware, blank cards, and other items needed to sell and process the gift cards, which Sub Station II may specify in writing in the Manual or otherwise. Franchisee also agrees to pay such periodic and per-swipe transaction fees as may be required by the vendor of the gift card system. Franchisee must sell or honor such gift cards only in accordance with Sub Station II's written standards. Franchisee must account for all gift card sales, card redemptions, and other gift card transactions in the manner Sub Station II specifies in the Manual. Franchisee must maintain sufficient cash reserves to pay Sub Station II or other franchisees as part of any network-wide periodic reconciliation of the gift card program. Franchisee shall pay Sub Station II or make payments as specified by Sub Station II, in such amounts and at such times as directed by Sub Station II, in accordance with Sub Station II's gift card rules, programs and policies. Franchisee agrees not to sell, issue, or redeem gift certificates or stored value cards other than gift cards that Sub Station II has approved in writing.

13.15 Upkeep of the Restaurant. Franchisee shall constantly maintain and continuously operate the Restaurant and all furniture, fixtures, equipment, furnishings, floor coverings, interior and exterior signage, the building interior and exterior, interior and exterior lighting, landscaping and parking lot surfaces in first-class condition and repair in accordance with the requirements of the System, including all ongoing necessary remodeling, redecorating, refurbishing and repairs. In addition, Franchisee shall promptly and diligently perform all necessary maintenance, repairs and replacements to the Restaurant as Sub Station II may prescribe from time to time, including periodic interior and exterior painting and replacement of obsolete or worn out signage, floor coverings, furnishings, equipment and decor. Franchisee shall not make any material alterations to the Restaurant that affect operations or the image of the System without Sub Station II's prior written approval. Franchisee acknowledges and agrees that the requirements of this Section are both reasonable and necessary to ensure continued public acceptance and patronage of Sub Station II Restaurants, to assist the Restaurant to compete effectively in the marketplace and to avoid deterioration or obsolescence of the operation of the Restaurant.

13.16 Maximum Operation of the Restaurant. During the term of this Agreement, Franchisee shall use the Premises solely for the operation of the Restaurant and shall maintain sufficient inventories, adequately staff each shift with qualified employees and continuously operate the Restaurant at its maximum capacity and efficiency for the minimum number of days and hours set forth in the Manual or as Sub Station II otherwise prescribes in writing (subject to the requirements of local laws and licensing requirements).

13.17 Customer Complaints. Franchisee shall immediately resolve any customer complaints regarding the quality of food or beverages, service and/or cleanliness of the Restaurant or any similar complaints. When any customer complaints cannot be immediately resolved, Franchisee shall use reasonable efforts to resolve the customer complaints as soon as practical and shall, whenever feasible, give the customer the benefit of the doubt. If Sub Station II, in its sole discretion, determines that its intervention is necessary or desirable to protect the System or the goodwill associated with the System, or if Sub Station II, in its sole discretion, believes that Franchisee has failed adequately to address or resolve any customer complaints, Sub Station II may, without Franchisee's consent, resolve any complaints and charge Franchisee an amount sufficient to cover Sub Station II's reasonable costs and expenses in resolving the customer complaints, which amount Franchisee shall pay Sub Station II immediately on demand.

13.18 Restaurant Management and Personnel

13.18.1 The Restaurant shall at all times be under the on-site supervision of the Operating Principal or a manager that has completed the Management Training Program ("Certified Manager") who must meet, to the satisfaction of Sub Station II, Sub Station II's applicable training qualifications for their designated position. Franchisee shall employ at the Restaurant the number of Certified Managers required by Sub Station II, which in no event shall be less than two (2) (one of whom may be the Operating Principal). The Operating Principal shall remain active in overseeing the operations of the Restaurant, including, without limitation, regular, periodic visits to the Restaurant and sufficient communications with Sub Station II to ensure that the Restaurant's operations comply with the operating standards as promulgated by Sub Station II from time to time in the Manual or otherwise in written or oral communications.

13.18.2 Franchisee shall hire all employees of the Restaurant and be exclusively responsible for the terms of their employment and compensation, and for the proper training of such employees in the operation of the Restaurant, in human resources and customer relations. Franchisee shall establish at the Restaurant a training program for all employees that meets the standards prescribed by Sub Station II. Franchisee shall employ only suitable persons of good character and reputation who will at all times conduct themselves in a competent and courteous manner in accordance with the image and reputation of Sub Station II and the System and, while on duty, comply with the dress attire, personal appearance and hygiene standards set forth in the Manual. Franchisee shall use reasonable efforts to ensure that Franchisee's employees maintain a neat and clean appearance and render competent and courteous service to all customers and fellow employees of the Restaurant.

13.19 Compliance with Laws and Good Business Practices, Taxes

13.19.1 Franchisee shall secure and maintain in force in its name all required licenses, permits and certificates relating to the operation of the Restaurant. Franchisee shall operate the Restaurant in full compliance with all applicable laws, ordinances and regulations including, without limitation, all laws or regulations governing or relating to the handling of food products, immigration and discrimination, occupational hazards and health insurance, employment laws, including, without limitation, workers' compensation insurance, unemployment insurance, and the withholding and payment of federal and state income taxes, social security taxes and sales taxes. All advertising and promotion by Franchisee shall be completely factual and shall conform to the highest standards of ethical advertising. Franchisee shall, in all dealings with Franchisee's customers, suppliers and the public, adhere to the highest standards of honesty, integrity, fair dealing and ethical conduct. Franchisee agrees to refrain from any business or advertising practice that may be injurious to the goodwill associated with the Marks or the business of Sub Station II or its affiliates, the System or other restaurants operated or franchised by Sub Station II or its affiliates.

13.19.2 Franchisee shall promptly pay when due all taxes levied or assessed, including, without limitation, income, unemployment, and sales taxes, and all accounts and other indebtedness of every kind incurred by Franchisee in the conduct of the business franchised under this Agreement. Franchisee shall pay Sub Station II an amount equal to any sales tax, gross receipts tax, or similar tax (other than income tax) imposed on Sub Station II with respect to any payments to Sub Station II required under this Agreement, unless the tax is credited against income tax otherwise payable by Sub Station II.

13.19.3 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; however, in no event shall Franchisee permit a tax sale or seizure by levy of execution or similar writ or warrant, or attachment by a creditor, to occur against the premises of the Restaurant, or any improvements thereon.

13.19.4 Franchisee shall notify Sub Station II in writing within five (5) days after the commencement of: (1) any action, suit or proceeding, or 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 Franchisee or the Restaurant; or (2) of any notice of violation of any law, ordinance or regulation relating to health or sanitation at the Restaurant.

13.20 800 Number, Secret Shoppers. In order to (among other things) maintain and enhance the goodwill associated with the Marks, the System and each Sub Station II Restaurant, Franchisee agrees to participate in programs initiated to verify customer satisfaction and/or Franchisee's compliance with all operational and other aspects of the System, including (but not limited to) an 800 number, secret shoppers or other programs as Sub Station II may require. Sub Station II will share the results of these programs, as they pertain to the Restaurant, with Franchisee.

13.21 Sub Station II Inspections. To determine whether Franchisee and the Restaurant are in compliance with this Agreement and with all specifications, quality standards and operating procedures prescribed by Sub Station II for the operation of Sub Station II Restaurants, Sub Station II or its designees shall have the right at any reasonable time and without prior notice to Franchisee to: (1) inspect the Premises; (2) observe, photograph and videotape the operations of the Restaurant for such consecutive or intermittent periods as Sub Station II deems necessary; (3) remove samples of any food and beverage product, material or other products for testing and analysis (without paying for the samples); (4) interview personnel of the Restaurant; (5) interview customers of the Restaurant; and (6) inspect and copy any books, records and documents relating to the operation of the Restaurant or, upon the request of Sub Station II or its designee, require Franchisee to send copies thereof to Sub Station II or its designee. Franchisee shall present to its customers those evaluation forms as are periodically prescribed by Sub Station II and shall participate and/or request its customers to participate in any surveys performed by or on behalf of Sub Station II as Sub Station II may direct. Franchisee agrees to cooperate fully with Sub Station II or its designee in connection with any such inspections. Franchisee shall take all necessary steps to immediately correct any deficiencies detected during these inspections.

13.22 Franchisee Advisory Committee. Sub Station II reserves the right to create a franchisee advisory committee ("FAC"). Franchisee will be required to participate in any communication programs developed by the FAC. Franchisee must participate, at its sole cost, in the FAC if Franchisee or one of its owners or employees is elected or appointed as a committee member. Franchisee may be required to pay a fee for, or contribute to, the FAC in an amount determined by the FAC.

14 MARKS

14.1 Scope. The term "Marks" as used in this Agreement refers to all words, symbols, insignia, devices, designs, trade names, service marks, trade dress features or combinations thereof designated by Sub Station II as identifying the System and the products sold and services provided in connection with the System. Sub Station II shall, from time to time, advise Franchisee as to any additions or deletions to the Marks, and Franchisee's right to use the Marks shall be deemed modified by those additions or deletions.

14.2 Limited Right to Use Marks. Franchisee's right to use the Marks is limited to its use of the Marks in the operation of the Restaurant at the Premises and as expressly provided in this Agreement and the Manual. Franchisee shall not modify the Marks in any manner in connection with Franchisee's display of, or creation or duplication of materials bearing, the Marks. Franchisee shall not use the Marks or any variations of the Marks or marks or names confusingly similar to the Marks in any manner not authorized by Sub Station II or in any legal entity name and shall not use any other trade names, service marks or trademarks in conjunction with the Restaurant. If local laws or ordinances require that Franchisee file an affidavit of doing business under an assumed name or otherwise make a filing indicating that the Marks are being used as a fictitious or assumed name, Franchisee shall include in such filing or application an indication that the filing is made "as a franchisee of Sub Station II, Inc." Franchisee shall use the symbol ® with all registered marks and the symbol ™ with all pending registrations or other marks. Franchisee must have a sign on display in the Restaurant, the form of which shall be approved by Sub Station II that indicates that the Restaurant is independently owned and operated by Franchisee under license from Sub Station II, Inc.

14.3 Use of Marks on Internet. Franchisee shall not use the Marks or any variations of the Marks or marks or names confusingly similar to the Marks in any manner not authorized by Sub Station II in writing as part of any URL, domain name, Website, meta-tag, download, application, posting, social networking profile, directory listing, screen name, anonymous name, blog, vlog, e-mail account, instant messaging account, texting identity, user generated content, or any other identification of Franchisee or the Restaurant in any electronic medium (collectively, and individually, "Electronic Identifiers"). Sub Station II may grant or withhold its consent in its sole discretion and may condition its consent on such requirements as Sub Station II deems appropriate, including, among other things, that Franchisee obtain Sub Station II's prior written approval of: (1) any and all Electronic Identifiers related to the Restaurant; (2) the proposed form and content (including any visible and non-visible content such as meta-tags) of any Website related to the Restaurant; (3) Franchisee's use of any hyperlinks or other links; (4) Franchisee's use of any materials (including text, video clips, photographs, images and sound bites) in which any third party has an ownership interest; and (5) any proposed modification of Franchisee's Website. Sub Station II may designate the form and content of Franchisee's Website and/or require that any such Website be hosted by Sub Station II or a third party designated by Sub Station II, using one or more Websites that Sub Station II owns and/or controls. In addition, Sub Station II may require Franchisee to establish hyperlinks to Sub Station II's Website or another Website designated by Sub Station II. Sub Station II may charge Franchisee a fee for developing, reviewing and approving Franchisee's Website and/or for hosting the Website.

14.4 Modifications to Marks. If Sub Station II should elect to use a principal name other than "Sub Station II" to identify the System, Sub Station II may select another name and notify Franchisee to change all or some items bearing the Marks to the new name within a reasonable period of time as determined by Sub Station II without any liability to Franchisee, and Franchisee promptly shall adopt that name. Franchisee shall bear the sole cost and expense of making these changes, and Sub Station II shall have no obligation or liability to Franchisee as a result of any such changes.

14.5 Franchisee's Acknowledgements Concerning the Marks. Franchisee agrees that nothing in this Agreement gives it any right, title or interest in the Marks (except the right to use the Marks in accordance with the terms of this Agreement), that the Marks are the sole property of Sub Station II, that Franchisee shall not directly or indirectly contest the validity or ownership of the Marks or Sub Station II's right to license the Marks, and that any and all uses by Franchisee of the Marks and the goodwill arising therefrom shall inure exclusively to the benefit of Sub Station II. Franchisee will not seek to register, reregister, assert claim to ownership of, license or allow others to use, or otherwise appropriate to itself, any of the Marks or any mark or name confusingly similar thereto, or the goodwill symbolized by any of the foregoing except to the extent this action inures to the benefit of, and has the prior written approval of, Sub Station II. Any unauthorized use of the Marks by Franchisee or attempt by Franchisee, directly or indirectly, to register the Marks in any jurisdiction shall constitute a breach of this Agreement and an infringement of Sub Station II's rights in and to the Marks.

14.6 Notice of Infringement. Franchisee promptly shall inform Sub Station II in writing as to any infringement of the Marks of which it has knowledge. Franchisee shall not make any demand or serve any notice, orally or in writing, or institute any legal action or negotiate, compromise or settle any controversy with respect to any such infringement without first obtaining Sub Station II's written approval. Sub Station II shall have the right, but not the obligation, to bring such action or take such steps as it may deem advisable to prevent any such infringement and to join Franchisee as a party to any action in which Sub Station II is or may be a party and as to which Franchisee is or would be a necessary or proper party. Franchisee also shall promptly notify Sub Station II of any litigation (including administrative or arbitration proceedings) of which Franchisee is aware instituted against Sub Station II, its affiliates or Franchisee relating to the Marks. Franchisee shall execute any and all instruments and documents, render such other assistance and do any acts and things as may, in the opinion of Sub Station II's counsel, be necessary or advisable to protect and maintain Sub Station II's interests in the Marks, including, without limitation, Sub

Station II's interests in litigation or proceedings before the U.S. Patent and Trademark Office or other tribunal relating to the Marks.

15 INSURANCE

15.1 Procurement of Insurance by Franchisee. Franchisee shall be responsible for all loss or damage arising from or related to Franchisee's development and operation of the Restaurant, and for all demands or claims with respect to any loss, liability, personal injury, death, property damage, or expense whatsoever occurring upon the premises of, or in connection with the development or operation of, the Restaurant. Franchisee shall maintain in full force and effect throughout the term of this Agreement that insurance which Franchisee determines is necessary or appropriate for liabilities caused by or occurring in connection with the development or operation of the Restaurant which shall include, at a minimum, insurance policies of the kinds, and in the amounts, required by Section 15.2. Sub Station II shall be identified as an additional insured on such policies.

15.2 Minimum Insurance Requirements. All insurance policies shall be written by an insurance company or companies satisfactory to Sub Station II, in compliance with the standards, specifications, coverages and limits set forth in the Manual or otherwise provided to Franchisee in writing. Sub Station II may reasonably increase the minimum required coverage and require different or additional kinds of insurance to reflect inflation, changes in standards of liability, higher damage awards or other relevant changes in circumstances. Franchisee shall receive written notice of such modifications and shall take prompt action to secure the additional coverage or higher policy limits. These policies shall include, at a minimum, the following:

15.2.1 Comprehensive or Commercial General Liability Insurance, including broad form contractual liability, broad form property damage, personal injury, completed operations and products liability in the amount of not less than One Million Dollars ($1,000,000) per occurrence and Two Million Dollars ($2,000,000) in the aggregate.

15.2.2 All Risks Property Insurance for fire and related peril (including floods and earthquakes where applicable) with limits of insurance of not less than the full replacement value of the Restaurant, and its furniture, fixtures, equipment, inventory and other tangible property with a co-insurance clause of at least 90%.

15.2.3 Business Interruption and Extra Expense Insurance, including rental payment continuation for a minimum of twelve (12) months, loss of profits and other extra expenses experienced during the recovery from property loss.

15.2.4 Employer's Liability & Workmen's Compensation Insurance in the amount of $100,000 per person, Five Hundred Thousand Dollars ($500,000) in the aggregate, One Hundred Thousand Dollars ($100,000) for occupational disease and a One Million Dollar ($1,000,000) umbrella policy. If Franchisee does not obtain an umbrella policy, then these coverage limits shall be increased to One Million Dollars ($1,000,000) per person, One Million Dollars ($1,000,000) in the aggregate, and One Million Dollars ($1,000,000) for occupational disease.

15.2.5 Employer's Practice Liability Insurance in the amount of One Hundred Thousand Dollars ($100,000).

15.2.6 Plate Glass Insurance for replacement of glass from breakage.

15.2.7 Workers' Compensation and such other insurance as may be required by statute or rule of the state or locality in which the Restaurant is located. This coverage shall also be in effect for all of Franchisee's employees who participate in any of the Sub Station II training programs.

15.2.8 Builder's All Risk Insurance in connection with any new construction or substantial renovation, refurbishment or remodeling of the Restaurant. Franchisee shall also maintain performance and completion bonds in forms and amounts, and written by carrier(s), reasonably satisfactory to Sub Station II.

15.3 General Insurance Requirements. The following general requirements shall apply to each insurance policy that Franchisee is required to maintain under this Agreement:

15.3.1 Each insurance policy shall be specifically endorsed to provide that the coverages shall be primary and that any insurance carried by any additional insured shall be excess and non-contributory. The applicable limits of each insurance policy shall be exhausted before any benefits (defense or indemnity) may be obtained under any other insurance (including self-insurance) providing coverage to Sub Station II. In the event payments are required to be made under Sub Station II's own insurance policies or self-insurance (whether for defense or indemnity) before the applicable coverage limits for the insurance policies obtained by Franchisee are exhausted, Franchisee agrees to reimburse, hold harmless and indemnify Sub Station II and its insurers for such payments. Franchisee shall notify its insurers of this Agreement and shall use reasonable efforts to obtain an endorsement on each policy it obtains pursuant to Section 15.2 stating as follows:

> The applicable limits of this policy shall be applied and exhausted before any benefits may be obtained (whether for defense or indemnity) under any other insurance (including self-insurance) that may provide coverage to Sub Station II, Inc. All insurance coverage obtained by Sub Station II shall be considered excess insurance with respect to this policy, the benefits of which excess insurance shall not be available until the applicable limits of this policy are exhausted.

15.3.2 No insurance policy shall contain a provision that in any way limits or reduces coverage for Franchisee in the event of a claim by Sub Station II or its affiliates.

15.3.3 Each insurance policy shall extend to, and provide indemnity for, all obligations and liabilities of Franchisee to third parties and all other items for which Franchisee is required to indemnify Sub Station II under this Agreement.

15.3.4 Each insurance policy shall be written by an insurance company that has received and maintains an "A+" or better rating by the latest edition of Best's Insurance Rating Service.

15.3.5 No insurance policy shall provide for a deductible amount that exceeds Five Thousand Dollars ($5,000), unless otherwise approved in writing by Sub Station II, and Franchisee's co-insurance under any insurance policy shall be ninety percent (90%) or greater.

15.4 Proof of Insurance. No later than thirty (30) days after this Agreement is executed by Sub Station II, and at least thirty (30) days prior to each policy renewal date thereafter, Franchisee shall submit evidence of satisfactory insurance and proof of payment therefor to Sub Station II. The evidence of insurance shall include a statement by the insurer that the policy or policies will not be canceled or materially altered without at least thirty (30) days' prior written notice to Sub Station II. Upon request, Franchisee also shall provide to Sub Station II copies of all or any policies, and policy amendments and riders.

15.5 No Representations. Franchisee acknowledges that no requirement for insurance contained in this Agreement or the Manual constitutes advice or a representation by Sub Station II that only such policies, in such amounts, are necessary or adequate to protect Franchisee from losses in connection with its business under this Agreement. Maintenance of this insurance, and the performance by Franchisee of its obligations under this Section, shall not relieve Franchisee of liability under the indemnification provisions of this Agreement.

15.6 Procurement of Insurance by Sub Station II. Should Franchisee, for any reason, fail to procure or maintain at least the insurance required by this Section 15, as revised from time to time pursuant to the Manual or otherwise in writing, Sub Station II shall have the immediate right and authority, but not the obligation, to procure such insurance and charge its cost to Franchisee. Franchisee shall reimburse Sub Station II for all out-of-pocket costs incurred by Sub Station II in obtaining such insurance on behalf of Franchisee immediately upon Franchisee's receipt of an invoice therefor.

15.7 Life Insurance. In order to protect the interest of Sub Station II under this Agreement, Franchisee agrees that Sub Station II may apply for a policy of insurance on the life of Franchisee, if an individual; otherwise, on such of Franchisee's key employees, shareholders or other owners as Sub Station II deems appropriate, in such amount as hereinafter provided. Franchisee agrees to do everything necessary to cause a policy to be issued pursuant to any such application as may be filed by Sub Station II. Sub Station II shall be the owner of any such policy or policies of insurance acquired and shall be responsible for the payment of the premiums with respect to such policy or policies.

16 ORGANIZATION OF FRANCHISEE

16.1 Representations

16.1.1 If Franchisee is a legal entity such as a corporation, a limited liability company or a partnership, Franchisee makes the following representations and warranties: (1) it is duly organized and validly existing under the laws of the state of its formation; (2) it is qualified to do business in the state or states in which the Restaurant is located; (3) execution of this Agreement and the development and operation of the Restaurant is permitted by its governing documents; and (4) unless waived in writing by Sub Station II, Franchisee's Articles of Incorporation, Articles of Organization or written partnership agreement shall at all times provide that the activities of Franchisee are limited exclusively to the development and operation of Sub Station II Restaurants.

16.1.2 If Franchisee is an individual, or a partnership comprised solely of individuals, Franchisee makes the following additional representations and warranties: (1) each individual has executed this Agreement; (2) each individual shall be jointly and severally bound by, and personally liable for the timely and complete performance and a breach of, each and every provision of this Agreement; and (3) notwithstanding any Transfer for convenience of ownership, pursuant to Section 18.4, each individual shall continue to be jointly and severally bound by, and personally liable for the timely and complete performance and a breach of, each and every provision of this Agreement.

16.2 Governing Documents. If Franchisee is a legal entity, copies of Franchisee's governing documents and any amendments, have been furnished to Sub Station II. When any of these governing documents are modified or changed, Franchisee promptly shall provide copies to Sub Station II.

16.3 Ownership Interests. All interests in Franchisee are owned as set forth in attached Exhibit B. Franchisee shall comply with Section 18 prior to any change in ownership interests and shall execute addenda to Exhibit B as changes occur in order to ensure the information contained in Exhibit B is true, accurate and complete at all times. The requirements of this Section 16.3 shall apply only to Franchisee's Continuity Group (defined in Section 16.5) if, as of the date of the first franchise-related agreement between Franchisee and Sub Station II or one of its affiliates, Franchisee was a publicly-held entity (i.e., an entity that has a class of securities traded on a recognized securities exchange or quoted on the inter-dealer quotation sheets known as the "pink sheets"). If Franchisee becomes a publicly-held entity after that date, it shall thereafter be required to execute addenda to Exhibit B only with respect to changes in ownership interests of members of the Continuity Group.

16.4 Restrictive Legend. If Franchisee is a corporation, Franchisee shall maintain stop-transfer instructions against the transfer on its records of any voting securities, and each stock certificate of the corporation shall have conspicuously endorsed upon its face the following statement: "Any assignment or transfer of this stock is subject to the restrictions imposed on assignment by the Sub Station II Restaurant Franchise Agreement(s) to which the corporation is a party." If Franchisee is a publicly-held corporation these requirements shall apply only to the stock owned by Franchisee's Continuity Group. If Franchisee is a limited liability company, each membership or management certificate or other evidence of interest in Franchisee shall have conspicuously endorsed upon its face the following statement: "Any assignment or transfer of an interest in this limited liability company is subject to the restrictions imposed on assignment by the Sub Station II Restaurant Franchise Agreement(s) to which the limited liability company is a party." If Franchisee is a partnership, its written partnership agreement shall provide that ownership of an interest in the partnership is held subject to, and that further assignment or transfer is subject to, all restrictions imposed on assignment by this Agreement.

16.5 Continuity Group. If Franchisee is a legal entity, Exhibit B lists those persons whom Sub Station II and Franchisee have designated as Franchisee's "Continuity Group." In the event of any change in the Continuity Group or in the ownership interests of any member of the Continuity Group, Franchisee shall execute addenda to Exhibit B to reflect the change. The Continuity Group shall at all times own at least sixty-six (66%) of the ownership interests and voting securities of Franchisee.

16.6 Guarantee of Performance. Each of Franchisee's Principal Owners, Operating Principal and members of the Continuity Group shall jointly and severally guarantee Franchisee's performance of each and every provision of this Agreement by executing the guarantee of performance attached to this Agreement ("Guarantee"). For purposes of calculating the equity interest of a person, all interests held by the following shall be attributed, requiring guarantees from all such individuals or entities: (1) family of an individual including his brothers and sisters (whether by the whole or half-blood), spouse, ancestors, lineal descendants, and spouses of any of these individuals and lineal descendants of any of such spouses; and (2) any entities controlled in the aggregate by some or all of such individuals. In addition, Sub Station II may require that the spouse (or domestic partner or other immediate family member) of a Principal Owner of Franchisee sign the Guarantee.

16.7 Operating Principal. If Franchisee is owned by more than one individual, Franchisee shall designate and retain an individual to serve as the Operating Principal. The Operating Principal as of the Effective Date is identified in Exhibit B. Unless waived in writing by Sub Station II, the Operating Principal shall meet all of the following qualifications:

16.7.1 The Operating Principal shall, at all times, be a Principal Owner of Franchisee with at least a ten percent (10%) equity ownership interest. This Section 16.7.1 shall not apply if Franchisee was a publicly-held entity or a wholly-owned subsidiary of a publicly-held entity as of the date of the first franchise-related agreement between Franchisee and Sub Station II.

16.7.2 The Operating Principal, at all times, shall be a member of the Continuity Group and, at a minimum, shall devote full-time and reasonable efforts to supervising the operation of the Restaurant and those other Sub Station II Restaurants operated by Franchisee in the same geographic area as the Restaurant and shall not engage in any other business or activity, directly or indirectly, that requires substantial management responsibility.

16.7.3 The Operating Principal shall maintain his primary residence within a reasonable driving distance of the Restaurant.

16.7.4 The Operating Principal shall have successfully completed the Management Training Program, shall be qualified as a Certified Manager, and shall have successfully completed any additional training required by Sub Station II.

16.7.5 Sub Station II shall have approved the Operating Principal, and not have later withdrawn that approval.

16.7.6 If the Operating Principal no longer qualifies as such, Franchisee shall designate another qualified person to act as Operating Principal within thirty (30) days after the date the prior Operating Principal ceases to be qualified. Franchisee's designee to become the Operating Principal must successfully complete the Management Training Program. Following Sub Station II's approval of a new Operating Principal, that person shall execute the Guarantee unless waived by Sub Station II in its sole discretion.

17 TRANSFERS BY SUB STATION II

Franchisee acknowledges that Sub Station II maintains a staff to manage and operate the System and that staff members can change as employees come and go. Franchisee represents that Franchisee has not signed this Agreement in reliance on any particular owner, director, officer, or employee remaining with Sub Station II in that capacity. Sub Station II has the absolute, unrestricted right, exercisable at any time, to change its ownership or form and/or transfer and assign all or any part of its rights and obligations under this Agreement to any person or legal entity without Franchisee's consent. After Sub Station II's transfer or assignment of this Agreement to a third party who expressly assumes Sub Station II's obligations under this Agreement, Sub Station II no longer will have any performance or other obligations under this Agreement.

18 TRANSFERS BY FRANCHISEE

18.1 Sub Station II's Prior Written Approval Required. Franchisee understands and acknowledges that the rights and duties set forth in this Agreement are personal to Franchisee and that Sub Station II has entered into this Agreement in reliance on Franchisee's business skill, financial capacity, personal character, experience and demonstrated or purported ability in developing and operating high quality foodservice operations. Accordingly, Franchisee, any immediate or remote successor to any part of Franchisee's interest in this Agreement, and any individual, partnership, corporation or other legal entity which directly or indirectly controls Franchisee, shall not without the prior written consent of Sub Station II, transfer, pledge or otherwise encumber (collectively "Transfer"): (1) this Agreement or any of the rights and obligations of Franchisee under this Agreement; (2) any interest in Franchisee; or (3) any material asset of Franchisee or the Restaurant; provided, however, that Franchisee may grant a security interest in, or otherwise encumber certain assets of the Restaurant, excluding the Franchise Agreement, in connection with Franchisee obtaining financing for the development and/or operation of the Restaurant or equipment leasing, if such financing satisfies the requirements of Sub Station II, which may include, without limitation, execution of agreements by Sub Station II, Franchisee, Franchisee's owners and any secured creditor of

Franchisee, in a form satisfactory to Sub Station II, acknowledging such creditor's obligations to be bound by the terms of this Section 18.

18.2 Transfer Considerations. Franchisee shall advise Sub Station II in writing of any proposed Transfer, submit (or cause the proposed transferee to submit) a franchise application for the proposed transferee, and submit a copy of all contracts and all other agreements or proposals, and all other information requested by Sub Station II, relating to the proposed Transfer. If Sub Station II does not exercise its right of first refusal, the decision as to whether or not to approve a proposed Transfer shall be made by Sub Station II in its sole discretion and shall include numerous factors deemed relevant by Sub Station II. These factors may include, but will not be limited to, the following:

18.2.1 The proposed transferee (and if the proposed transferee is other than an individual, such owners of an interest in the transferee as Sub Station II may request) must demonstrate that it has extensive experience in high quality restaurant operations of a character and complexity similar to the restaurants franchised by Sub Station II or its affiliates; meets the managerial, operational, experience, quality, character and business standards for a franchisee promulgated by Sub Station II from time to time; possesses a good character, business reputation and credit rating; has an organization whose management culture is compatible with Sub Station II's management culture; and has adequate financial resources and working capital to meet Franchisee's obligations under this Agreement;

18.2.2 The proposed transferee's Operating Principal must satisfactorily complete Sub Station II's Management Training Program (and any other required training programs required by Sub Station II) and pay any then-current training fees;

18.2.3 The proposed transferee has demonstrated an ability to obtain possessory rights in the Premises;

18.2.4 Franchisee has corrected any existing deficiencies of the Restaurant of which Sub Station II has notified Franchisee, and/or the proposed transferee agrees to upgrade, remodel, and refurbish the Restaurant in accordance with Sub Station II's then current requirements and specifications for Sub Station II Restaurants within the time period Sub Station II specifies following the effective date of the Transfer (Sub Station II will advise the proposed transferee before the effective date of the Transfer of the specific actions that are required and the time period within which such actions must be taken);

18.2.5 If Franchisee finances any portion of the purchase price, the sales price shall not be so high, in Sub Station II's reasonable judgment, as to jeopardize the ability of the transferee to develop, maintain, operate and promote the Restaurant and meet financial obligations to Sub Station II, third party suppliers and creditors. Sub Station II's decision with respect to a proposed Transfer shall not create any liability on the part of Sub Station II: (1) to the transferee, if Sub Station II approves the Transfer and the transferee experiences financial difficulties; or (2) to Franchisee or the proposed transferee, if Sub Station II disapproves the Transfer pursuant to this Section 18 or for other legitimate business purposes. Sub Station II, without any liability to Franchisee or the proposed transferee, has the right, in its sole discretion, to communicate and counsel with Franchisee and the proposed transferee regarding any aspect of the proposed Transfer;

18.2.6 All of Franchisee's accrued monetary obligations to Sub Station II and its affiliates (whether arising under this Agreement or otherwise) and all other outstanding obligations related to the Restaurant (including, but not limited to, bills from suppliers, taxes, judgments and any required governmental reports, returns, affidavits or bonds) have been satisfied or, in the reasonable judgment of Sub Station II, adequately provided for. Sub Station II reserves the right to require that a reasonable sum of money be placed in escrow to ensure that all of these obligations are satisfied;

18.2.7 If Franchisee or its owners finance any part of the purchase price, Franchisee and/or its owners agree that all of the proposed transferee's obligations under promissory notes, agreements, or security interests reserved in the Restaurant are subordinate to the transferee's obligation to pay Royalty Fees, Brand Fund contributions, and other amounts due to Sub Station II, its affiliates, and third party suppliers and vendors and otherwise to comply with this Agreement; and

18.2.8 Franchisee is not then in material default of any provision of this Agreement or any other agreement between Franchisee and Sub Station II or its affiliates, is not in default beyond the applicable cure period under any real estate lease, equipment lease or financing instrument relating to the Restaurant and is not in default beyond the applicable cure period with any vendor or supplier to the Restaurant.

18.3 Conditions of Transfer. If Sub Station II approves a proposed Transfer, prior to the Transfer becoming effective:

18.3.1 Franchisee shall pay Sub Station II a nonrefundable Transfer fee in the amount of Five Thousand Dollars ($5,000) or such greater amount as is required to reimburse Sub Station II for reasonable expenses associated with reviewing the application for Transfer including legal and accounting fees;

18.3.2 The proposed transferee shall execute Sub Station II's then-current standard form of franchise agreement for a term that will expire as of the end of the Initial Term; and

18.3.3 Franchisee, all individuals who executed this Agreement and all guarantors of Franchisee's obligations must execute a general release and a covenant not to sue, in a form satisfactory to Sub Station II, of any and all claims against Sub Station II and its affiliates and their respective past and present officers, directors, shareholders, agents and employees, in their corporate and individual capacities, including, without limitation, claims arising under federal, state and local laws, rules and ordinances, and claims arising out of, or relating to, this Agreement, any other agreements between Franchisee and Sub Station II or its affiliates and Franchisee's operation of the Restaurant and all other Sub Station II Restaurants operated by Franchisee.

18.4 Transfers for Convenience of Ownership. If Franchisee is an individual or a partnership and desires to Transfer this Agreement to a corporation (or limited liability company) formed for the convenience of ownership, the requirements of Section 18.2 shall apply to such a Transfer; however, Franchisee will not be required to pay a Transfer fee. Sub Station II's approval also will be conditioned on the following: (1) the corporation (or limited liability company) must be newly organized; (2) prior to the Transfer, Sub Station II must receive a copy of the documents specified in Section 16.2 and the transferee shall comply with the remaining provisions of Section 16; and (3) Franchisee must own all voting securities of the corporation (or membership interests of the limited liability company) or, if Franchisee is owned by more than one (1) individual, each person shall have the same proportionate ownership interest in the corporation (or the limited liability company) as prior to the Transfer.

18.5 Issuance or Exercise of Stock Options. Notwithstanding the provisions of this Section 18, the issuance of options or the exercise of options pursuant to a qualified stock option plan or a qualified employee stock ownership plan shall not be considered a Transfer and shall not require the prior written approval of Sub Station II; provided no more than a total of forty-nine percent (49%) of Franchisee's outstanding voting securities are subject to the qualified stock option plan or qualified employee stock ownership plan.

18.6 Changes in Ownership of Voting Securities. If Franchisee was a publicly-held entity as of the date of the first franchise-related agreement between Franchisee and Sub Station II or its affiliates, Section 18.2 shall be applicable to Transfers of ownership interests in Franchisee only if the proposed Transfer would result in either: (1) fifty percent (50%) or more of Franchisee's voting securities being held by different shareholders than as of the date of the first franchise-related agreement between Franchisee and Sub Station II or its affiliates; or (2) any change in ownership of Franchisee's voting securities whereby any existing shareholder of Franchisee acquires an additional ten percent (10%) or more of Franchisee's voting securities; or (3) any change in the membership of the Continuity Group (unless such change is a permitted Transfer pursuant to Section 18.7).

18.7 Transfers Permitted Without Sub Station II's Prior Written Approval. Notwithstanding the provisions of Section 18.2, Sub Station II agrees that certain Transfers shall be permitted without Sub Station II's prior written approval, provided all of the following conditions are satisfied:

18.7.1 The Transfer is a transfer of:

18.7.1.1 A minority percentage of ownership interests in Franchisee and after the Transfer, the Continuity Group owns at least a sixty-six (66%) interest in Franchisee; or

18.7.1.2 Ownership interests in Franchisee following the death or permanent disability of a person with an ownership interest in Franchisee, provided that the Transfer is to the parent, adult sibling, spouse or adult children of that person or to a member of the Continuity Group. Such Transfer shall be completed within a reasonable time, not to exceed six (6) months from the date of death or permanent disability. Failure to complete the Transfer within this period of time will constitute a breach of this Agreement. A person shall be deemed to have a "permanent disability" if his personal, active participation in the development and operation of the Restaurant is for any reason curtailed for a continuous period of six (6) months.

18.7.2 Franchisee provides Sub Station II written notice of its intent to undertake the Transfer at least thirty (30) days prior to the effective date of the Transfer, together with documents demonstrating that the Transfer meets the requirements of this Section; and

18.7.3 At the time of Franchisee's notice to Sub Station II, Franchisee and its affiliates are not in default of any provision of this Agreement or any other agreement between Franchisee and/or its affiliates Sub Station II and/or its affiliates.

18.8 Offerings by Franchisee. Securities or partnership interests in Franchisee may be sold, by private or public offering, only with Sub Station II's prior written consent (whether or not Sub Station II's consent is required under any other provision of this Section), which consent shall not be unreasonably withheld. In addition to the requirements of Section 18.2, prior to the time that any public offering or private placement of securities or partnership interests in Franchisee is made available to potential investors, Franchisee, at its expense, shall deliver to Sub Station II a copy of the offering documents. Franchisee, at its expense, also shall deliver to Sub Station II an opinion of Franchisee's legal counsel and an opinion of one other legal counsel selected by Sub Station II (both of which shall be addressed to Sub Station II and in a form acceptable to Sub Station II) that the offering documents properly use the Marks and accurately describe Franchisee's relationship with Sub Station II and/or its affiliates. The indemnification provisions of Section 23.4 shall also include any losses or expenses incurred by Sub Station II and/or its affiliates in connection with any statements made by or on behalf of Franchisee in any public offering or private placement of Franchisee's securities.

18.9 Sub Station II's Right of First Refusal

18.9.1 If any party holding any interest in Franchisee or in this Agreement receives a bona fide offer (as determined by Sub Station II in its reasonable discretion) from a third party or otherwise desires to undertake any Transfer that would require Sub Station II's approval (other than a Transfer for convenience of ownership pursuant to Section 18.4 or a sale of ownership interests in Franchisee to a spouse, parent, adult child or adult sibling), it shall notify Sub Station II in writing of the terms of the proposed Transfer, and shall provide such information and documentation relating to the proposed Transfer as Sub Station II may reasonably require. Sub Station II may assign its right of first refusal to a third party designee. Sub Station II or its designee may elect to purchase the interest that the seller proposes to Transfer any time within thirty (30) days after receipt of written notification, and all documents and other information required by Section 18.2, by sending written notice to the seller that Sub Station II or its designee intends to purchase the seller's interest on the same financial terms and conditions offered by the third party (except that Sub Station II or its designee shall not be obligated to pay any finder's or broker's fees). The closing shall take place no sooner than sixty (60) days after Sub Station II sends the notification of its election to exercise its right of first refusal. In purchasing the interest, Sub Station II or its designee shall be entitled to set off any monies owed to Sub Station II or its affiliates by Franchisee and Sub Station II or its designee shall be entitled to all customary representations and warranties that the assets are free and clear (or, if not, accurate and complete disclosure) as to: (1) ownership, condition and title; (2) liens and encumbrances; (3) environmental and hazardous substances; and (4) validity of contracts inuring to the purchaser or affecting the assets, whether contingent or otherwise.

18.9.2 If the offer to Franchisee involves assets in addition to this Agreement, the Premises, the Restaurant and other Sub Station II Restaurants operated by Franchisee, Franchisee's notice to Sub Station II shall state the cash value of that portion of the offer received by Franchisee relating to this Agreement, the Premises, the Restaurant and those other restaurants. If the proposed Transfer provides for payment of consideration other than cash or it involves intangible benefits, Sub Station II or its designee may elect to purchase the interest proposed to be sold for the reasonable equivalent in cash. If the parties are unable to agree within thirty (30) days on the reasonable equivalent in cash of the non-cash part of the offer received by Franchisee or the cash value of that portion of the offer received by Franchisee relating to this Agreement, the Premises, the Restaurant and those other restaurants, the amount shall be determined by two (2) professionally certified appraisers, Franchisee selecting one (1) and Sub Station II or its designee selecting one (1). If the amounts set by the two (2) appraisers differ by more than ten percent (10%), the two (2) appraisers shall select a third professionally certified appraiser who also shall determine the amount. The average value set by the appraisers (whether two (2) or three (3) appraisers as the case may be) shall be conclusive and Sub Station II or its designee may exercise its right of first refusal within thirty (30) days after being advised in writing of the decision of the appraisers. The cost of the appraisers shall be shared equally by the parties.

18.9.3 Sub Station II's failure to exercise its right of first refusal shall not constitute approval of the proposed Transfer nor a waiver of any other provision of this Section 18 with respect to a proposed Transfer. If Sub Station II does not exercise its right of first refusal, Franchisee may not thereafter Transfer the interest at a lower price or on more favorable terms than those that have been offered to Sub Station II. Sub Station II shall again be given a right of first refusal if a transaction does not close within six (6) months after Sub Station II elected not to exercise its right of first refusal. In no event shall Franchisee offer the interest for sale or transfer at public auction, nor at any time shall an offer be made to the public to sell, transfer or assign, through any advertisement, either in the newspapers or otherwise, without first having obtained the written approval of Sub Station II to the auction or advertisement.

18.10 No Waiver. Sub Station II's consent to any Transfer shall not constitute a waiver of any claims Sub Station II may have against the transferring party, nor shall it be deemed a waiver of Sub Station

II's right to demand exact compliance with any of the terms of this Agreement by the transferee, nor will it be deemed a waiver of Sub Station II's right to give or withhold approval to future Transfers.

19 GENERAL RELEASE

Franchisee (on behalf of itself and its parent, subsidiaries and affiliates and their respective past and present members, officers, directors, shareholders, agents and employees, in their corporate and individual capacities) and all guarantors of Franchisee's obligations under this Agreement (collectively, "Franchisee Releasors") freely and without any influence forever release and covenant not to sue Sub Station II, its parent, subsidiaries and affiliates and their respective past and present officers, directors, shareholders, agents and employees in their corporate and individual capacities (collectively "Sub Station II Releasees") with respect to any and all claims, demands, liabilities and causes of action of whatever kind or nature, whether known or unknown, vested or contingent, suspected or unsuspected (collectively, "claims"), which any Franchisee Releasor now owns or holds or may at any time have owned or held, including, without limitation, claims arising under federal, state and local laws, rules and ordinances and claims arising out of, or relating to this Agreement and all other agreements between any Franchisee Releasor and any Sub Station II Releasee, the sale of any franchise to any Franchisee Releasor, the development and operation of the Restaurant and the development and operation of all other restaurants operated by any Franchisee Releasor that are franchised by any Sub Station II Releasee. Franchisee expressly agrees that fair consideration has been given by Sub Station II for this General Release and Franchisee fully understands that this is a negotiated, complete and final release of all claims. This General Release does not release any claims arising from representations made in Sub Station II's Franchise Disclosure Document or otherwise impair or affect any claims arising after the date of this Agreement. FRANCHISEE, ON BEHALF OF ITSELF AND THE FRANCHISEE RELEASORS, WAIVES ANY RIGHTS AND BENEFITS CONFERRED BY ANY APPLICABLE PROVISION OF LAW EXISTING UNDER ANY FEDERAL, STATE OR POLITICAL SUBDIVISION THEREOF WHICH WOULD INVALIDATE ALL OR ANY PORTION OF THE RELEASE CONTAINED HEREIN BECAUSE SUCH RELEASE MAY EXTEND TO CLAIMS THAT THE FRANCHISEE RELEASORS DO NOT KNOW OR SUSPECT TO EXIST IN THEIR FAVOR AT THE TIME OF EXECUTION OF THIS AGREEMENT. FRANCHISEE (ON BEHALF OF ITSELF AND THE FRANCHISEE RELEASORS) EXPRESSLY AGREES THAT, WITH RESPECT TO THIS RELEASE, ANY AND ALL RIGHTS GRANTED UNDER SECTION 1542 OF THE CALIFORNIA CIVIL CODE ARE EXPRESSLY WAIVED, TO THE EXTENT APPLICABLE. THAT SECTION READS AS FOLLOWS: "A GENERAL RELEASE DOES NOT EXTEND TO CLAIMS WHICH THE CREDITOR DOES NOT KNOW OR SUSPECT TO EXIST IN HIS/HER FAVOR AT THE TIME OF EXECUTING THE RELEASE WHICH IF KNOWN BY HIM/HER MUST HAVE MATERIALLY AFFECTED HIS SETTLEMENT WITH THE DEBTOR."

20 CONFIDENTIALITY AND RESTRICTIVE COVENANTS

20.1 <u>Confidentiality</u>

20.1.1 Franchisee acknowledges and agrees that: (1) Sub Station II owns all right, title and interest in and to the System; (2) the System consists of trade secrets and confidential and proprietary information and know-how that gives Sub Station II and its affiliates a competitive advantage; (3) Sub Station II and its affiliates have taken all measures necessary to protect the trade secrets and the confidentiality of the proprietary information and know-how comprising the System; (4) all material or other information now or hereafter provided or disclosed to Franchisee regarding the System is disclosed in confidence; (5) Franchisee has no right to disclose any part of the System to anyone who is not an employee of Franchisee; (6) Franchisee will disclose to its employees only those parts of the System that an employee needs to know; (7) Franchisee will have a system in place to ensure its employees keep confidential Sub Station II's trade secrets and confidential and proprietary information, and, if requested by Sub Station II, Franchisee shall obtain from those of its employees designated by Sub Station II an executed Non- Disclosure Agreement in the form prescribed by Sub Station II; (8) Franchisee will not acquire any interest in the System; and (9) Franchisee's use or duplication of the System or any part of the System in any other business would constitute an unfair method of competition, for which Sub Station II would be entitled to all legal and equitable remedies, including injunctive relief, without posting a bond.

20.1.2 Franchisee shall not, during the term of this Agreement or at any time thereafter, communicate or disclose any trade secrets or confidential or proprietary information or know-how of the System to any unauthorized person, or do or perform, directly or indirectly, any other acts injurious or prejudicial to any of the Marks or the System. Any and all information, knowledge, know-how and techniques, including all drawings, materials, equipment, specifications, recipes, techniques and other data that Sub Station II or its affiliates designate as confidential, shall be deemed confidential for purposes of this Agreement.

20.2 Restrictive Covenants

20.2.1 Franchisee acknowledges and agrees that: (1) pursuant to this Agreement, Franchisee will have access to valuable trade secrets, specialized training and confidential information from Sub Station II and its affiliates regarding the development, operation, purchasing, sales and marketing methods and techniques of Sub Station II and its affiliates and the System; (2) the System and the opportunities, associations and experience established and acquired by Franchisee under this Agreement are of substantial and material value; (3) in developing the System, Sub Station II and its affiliates have made and continue to make substantial investments of time, technical and commercial research, and money; (4) Sub Station II would be unable to adequately protect the System and its trade secrets and confidential and proprietary information against unauthorized use or disclosure and would be unable to adequately encourage a free exchange of ideas and information among Sub Station II Restaurants if franchisees were permitted to hold interests in Competing Businesses (as defined in Section 20.2.2.3); and (5) restrictions on Franchisee's right to hold interests in, or perform services for, Competing Businesses will not hinder its activities.

20.2.2 Accordingly, Franchisee covenants and agrees that during the term of this Agreement, and for a continuous period of two (2) years following its expiration or earlier termination, Franchisee shall not, either directly or indirectly, for itself, or through, on behalf of, or in conjunction with, any person, firm, partnership, corporation, or other entity:

20.2.2.1 Divert or attempt to divert any business or customer, or potential business or customer, of any Sub Station II Restaurant to any competitor, by direct or indirect inducement or otherwise; or

20.2.2.2 Own, maintain, operate, engage in, advise, help, make loans to, or have any interest in, either directly or indirectly, any Competing Business that is defined as any restaurant business: (1) that features submarine sandwiches; or (2) that offers sandwiches, salads or any individual menu item that comprises at least ten percent (10%) of sales at Sub Station II Restaurants; or (3) whose method of operation or trade dress is similar to that employed in the System.

20.2.3 During the term of this Agreement, there is no geographical limitation on this restriction. Following the expiration or earlier termination of the term of this Agreement, this restriction shall apply within the Protected Area, within a seven (7) mile radius around the Premises, and within a seven (7) mile radius around any then-existing Sub Station II Restaurant operating under the System, except as otherwise approved in writing by Sub Station II. This restriction shall not apply to Franchisee's existing restaurant or foodservice operations, if any, which are identified in Exhibit A, nor shall it apply to other Sub Station II Restaurants operated by Franchisee.

20.2.4 If any part of these restrictions is found to be unreasonable in time or distance, each month of time or mile of distance may be deemed a separate unit so that the time or distance may be reduced by appropriate order of the court to that deemed reasonable. If, at any time during the two (2) year period following expiration or earlier termination of this Agreement, Franchisee fails to comply with its obligations under this Section, that period of noncompliance will not be credited toward Franchisee's satisfaction of the two (2) year obligation.

20.3 Modification. Sub Station II shall have the right, in its sole discretion, to reduce the scope of any covenant in this Section 20 effective immediately upon Franchisee's receipt of written notice, and Franchisee agrees that it shall comply forthwith with any covenant as so modified, which shall be fully enforceable notwithstanding the provisions of Section 27.

20.4 Applicability. In addition to Franchisee, the restrictions contained in this Section 20 shall also apply to Franchisee's Principal Owners, Operating Principal, Continuity Group members and guarantors of its obligations for a two (2) year period after the earlier of (1) the expiration, termination or Transfer of this Agreement; or (2) the date any Principal Owner, Operating Principal, Continuity Group member or guarantor ceases to be a Principal Owner, Operating Principal, member of the Continuity Group or guarantor. The restrictions contained in this Section 20 shall not apply to ownership of less than a ten percent (10%) legal or beneficial ownership in the outstanding equity securities of any publicly held corporation. The existence of any claim that Franchisee or any of these individuals may have against Sub Station II or its affiliates, whether or not arising from this Agreement, shall not constitute a defense to the enforcement by Sub Station II of the covenants in this Section 20. The preceding sentence, however, does not constitute a waiver of any such claim.

20.5 Execution of Covenants by Third Parties. Franchisee shall require and obtain the execution of covenants similar to those set forth in this Section 20 (including covenants applicable upon the termination of an individual's relationship with Franchisee) from Franchisee's owners, guarantors, Operating Principal, members of the Continuity Group, officers, directors and restaurant managers. Every covenant required by this Section 20.5 shall be in a form satisfactory to Sub Station II, including, without limitation, specific identification of Sub Station II as a third party beneficiary of such covenants with the independent right to enforce them. Sub Station II's current form of Non-Disclosure and Non-Competition Agreement is attached as Exhibit E. Sub Station II may modify its form of Non-Disclosure and Non-Competition Agreement from time to time and Franchisee shall immediately commence using the new form. Failure by Franchisee to obtain execution of a covenant required by this Section 20.5 shall constitute a material breach of this Agreement.

20.6 Survival. The terms of this Section 20 shall survive the termination, expiration, or any Transfer of this Agreement. The parties agree this Section 20 shall be construed as independent of any other provision of this Agreement.

21 TERMINATION

21.1 Automatic Termination. Franchisee shall be deemed to be in default under this Agreement, and all rights granted herein shall automatically terminate without notice to Franchisee, if: (1) Franchisee shall become insolvent or makes a general assignment for the benefit of creditors; (2) a petition in bankruptcy is filed by Franchisee or such a petition is filed against and not opposed by Franchisee; (3) Franchisee is adjudicated a bankrupt or insolvent; (4) 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; (5) 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; (6) proceedings for a composition with creditors under any state or federal law should be instituted by or against Franchisee; (7) a final judgment remains unsatisfied or of record for thirty (30) days or longer (unless unappealed or a supersedeas bond is filed); (8) Franchisee is dissolved; (9) execution is levied against Franchisee's business or property; (10) suit to foreclose any lien or mortgage against the Premises or Restaurant equipment is instituted against Franchisee and not dismissed within thirty (30) days; or (11) the real or personal property of the Restaurant is sold after levy thereupon by any sheriff, marshal, or constable.

21.2 <u>Termination Without Cure Period</u>. In addition to the grounds for termination that may be stated elsewhere in this Agreement, Sub Station II may terminate this Agreement, and the rights granted by this Agreement, upon written notice to Franchisee without an opportunity to cure upon the occurrence of any of the following events:

21.2.1 Franchisee fails to open the Restaurant for business on or before the Opening Deadline;

21.2.2 Franchisee's Operating Principal fails to satisfactorily complete the Management Training Program;

21.2.3 Franchisee fails or refuses to have its employees attend the training programs described in Section 9;

21.2.4 Franchisee ceases to continuously operate the Restaurant for a period in excess of three (3) consecutive business days or five (5) individual days, unless the closing is due to Force Majeure or is approved in writing in advance by Sub Station II;

21.2.5 Any Transfer that requires Sub Station II's prior written approval occurs without Franchisee having obtained that prior written approval;

21.2.6 Franchisee violates any of the covenants relating to confidentiality and non-competition or fails to obtain execution of covenants from the persons designated in Section 20.5;

21.2.7 Sub Station II discovers that Franchisee made a material misrepresentation or omitted a material fact in the information that was furnished to Sub Station II in connection with its decision to enter into this Agreement;

21.2.8 Franchisee knowingly falsifies any report required to be furnished Sub Station II or makes any material misrepresentation in its dealings with Sub Station II or fails to disclose any material facts to Sub Station II;

21.2.9 Sub Station II makes a reasonable determination that continued operation of the Restaurant by Franchisee will result in an imminent danger to public health or safety;

21.2.10 Franchisee loses possession of the Premises through its own fault or its failure to extend the Lease for the Premises through the Initial Term of this Agreement;

21.2.11 Franchisee or its Principal Owners (1) materially misuses or makes unauthorized use of the Marks or trade dress, (2) commits any act or takes any action that impairs the goodwill of the Marks, (3) uses the trade dress or other proprietary system knowledge at any other location owned or operated by Franchisee or its Principal Owners; or (4) fails to cure any breach or default under this Agreement that materially impairs or can be expected to impair the goodwill associated with the Marks;

21.2.12 Franchisee understates the Net Sales of the Restaurant for any period by two percent (2%) or more three (3) or more times during any eighteen (18) month period, or by more than five percent (5%) on any one occasion;

21.2.13 Franchisee, the Operating Principal, any stockholder, member, partner, director or officer of Franchisee, any member of the Continuity Group or any Principal Owner is convicted of, or pleads no contest to, a felony charge;

21.2.14 Franchisee or any Principal Owners' assets, property, or interests are blocked under any law, ordinance, or regulation relating to terrorist activities, or Franchisee or any Principal Owners otherwise violate any such law, ordinance, or regulation;

21.2.15 Franchisee or its affiliates or Principal Owners: (1) remain in default beyond the applicable cure period under any other agreement with Sub Station II and/or its affiliates (provided that, if the default is not by Franchisee, Sub Station II will provide to Franchisee written notice of the default and a thirty (30) day period to cure the default).

21.3 Termination Following Expiration of Cure Period

21.3.1 Except for those items listed in preceding Sections 21.1 and 21.2, Franchisee shall have twenty (20) days after written notice of default from Sub Station II within which to remedy the default and provide evidence of that remedy to Sub Station II. Franchisee will be in default under this Section 21.3.1 for any failure to materially comply with any of the requirements imposed by this Agreement, the Manual or otherwise in writing, or to carry out the terms of this Agreement in good faith.

21.3.2 Notwithstanding the provisions of preceding Section 21.3.1, if Franchisee defaults in the payment of any monies owed to Sub Station II when such monies become due and payable and Franchisee fails to pay such monies within ten (10) days after receiving written notice of default then this Agreement will terminate effective immediately upon expiration of that time, unless Sub Station II notifies Franchisee otherwise in writing.

21.3.3 If Franchisee has received two (2) or more notices of default within the previous twelve (12) months, Sub Station II shall be entitled to send Franchisee a notice of termination upon Franchisee's next default within that twelve (12) month period under this Section 21.3 without providing Franchisee an opportunity to remedy the default.

21.4 Statutory Limitations. If any valid, applicable law or regulation of a competent governmental authority with jurisdiction over this Agreement requires a notice or cure period prior to termination longer than set forth in this Section, this Agreement will be deemed amended to conform to the minimum notice or cure period required by the applicable law or regulation.

22 OBLIGATIONS ON TERMINATION OR EXPIRATION

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

22.1 Cease Operations. Franchisee shall immediately cease to operate the Restaurant, and shall not thereafter, directly or indirectly, represent to the public or hold itself out as a present or former franchisee of Sub Station II. Franchisee immediately shall destroy all proprietary food products in Franchisee's possession.

22.2 Cease Use of the System and the Marks. Franchisee shall immediately and permanently cease to use, in any manner whatsoever, any confidential methods, procedures and techniques associated with the System, the mark "Sub Station II" and all other Marks and distinctive forms, slogans, signs, symbols, and devices associated with the System. In particular, Franchisee shall cease to use, without limitation, all signs, advertising materials, displays, stationery, forms, and any other articles that display the Marks.

22.3 Payment of Amounts Owed. Franchisee immediately shall pay to Sub Station II and its affiliates all sums due and owing Sub Station II and/or its affiliates pursuant to this Agreement, including, but not limited to, any Royalty Fees, marketing contributions or other fees and any damages, expenses and/or attorney's fees incurred by Sub Station II as a result of any default by Franchisee. Franchisee also immediately shall pay all sums owed to key suppliers and to any lender that has provided financing to Franchisee under an arrangement with Sub Station II.

22.4 Cancellation of Assumed Names. Franchisee shall take such action as may be necessary to cancel any assumed name or equivalent registration which contains any Mark and/or any other service mark or trademark of Sub Station II and Franchisee shall furnish Sub Station II with evidence satisfactory to Sub Station II of compliance with this obligation within five (5) days after termination or expiration of this Agreement.

22.5 Return Materials. Franchisee must immediately deliver to Sub Station II all printed pages from the Manual and all training materials, CD ROMs, DVDs, advertising and marketing materials, records, files, instructions, trade secrets and confidential material, and correspondence in Franchisee's possession or control that contain Sub Station II's confidential and proprietary information. Franchisee must immediately provide copies of all Restaurant customer data and records to Sub Station II and Franchisee must refrain from contacting any of these customers following the termination or expiration of this Agreement. Franchisee also must uninstall any software that Sub Station II has provided, and return any copies, equipment, and other property owned by Sub Station II or its affiliates.

22.6 Compliance with Covenants. Franchisee and all persons and entities subject to the covenants contained in Section 20 shall continue to abide by those covenants and shall not, directly or indirectly, take any action that violates those covenants.

22.7 Assign Lease; Modification of Premises. Sub Station II, or any affiliate of Sub Station II, shall have the right and option, but not the obligation, in Sub Station II's sole discretion, to acquire the Lease for the Restaurant, or otherwise acquire the right to occupy the Premises. Sub Station II may assign or delegate this right to any affiliate of Sub Station II, without notice to, or request for approval from, the landlord or lessor of the Premises. If Sub Station II or its assignee or delegatee does not elect or is unable to exercise any option it may have to acquire the Lease for the Premises, or otherwise acquire the right to occupy the Premises, Franchisee shall make such modifications or alterations to the Premises operated hereunder (including, without limitation, the changing of the telephone number) immediately upon termination or expiration of this Agreement as may be necessary to distinguish the appearance of said Premises from that of other Sub Station II Restaurants, and shall make such specific additional changes thereto as Sub Station II may reasonably request for that purpose. In addition, Franchisee shall cease use of, and if Sub Station II requests shall transfer to Sub Station II, all telephone numbers, customer "loyalty" lists, and any domain names, Websites, e-mail addresses, and any other Electronic Identifiers, whether or not authorized by Sub Station II, used by Franchisee while operating the Restaurant, and shall promptly execute such documents or take such steps necessary to remove reference to the Restaurant from all trade or business telephone directories, including "yellow" and "white" pages, or at Sub Station II's request transfer same to Sub Station II. If Franchisee fails or refuses to comply with the requirements of this Section, Sub Station II (or its designee) shall have the right to enter upon the Premises of the Restaurant, 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.

22.8 No Confusion. Franchisee agrees, if it continues to operate or subsequently begins to operate any other business, not to use any reproduction, counterfeit copy, or colorable imitation of the Marks, either in connection with such other business or the promotion thereof, which is likely to cause confusion, mistake, or deception, or which is likely to dilute Sub Station II's rights in and to the Marks, and further agrees not to utilize any designation of origin, description, trademark, service mark, or representation which suggests or represents a present or past association or connection with Sub Station II, the System, or the Marks.

22.9 Sign Required Agreements. Franchisee shall sign all agreements required by Sub Station II to effectuate the termination of the Franchise Agreement.

22.10 Evidence of Compliance. Franchisee shall furnish Sub Station II, within thirty (30) days after the effective date of termination or expiration, evidence (certified to be true, complete, accurate and correct by the chief executive officer of Franchisee, if Franchisee is a corporation; by a manager of Franchisee, if Franchisee is a limited liability company; or by a general partner of Franchisee, if Franchisee is a partnership) satisfactory to Sub Station II of Franchisee's compliance with Sections 22.1 through 21.9.

22.11 Damages and Costs. Franchisee shall pay to Sub Station II all damages, costs, and expenses, including reasonable attorneys' fees, incurred by Sub Station II subsequent to the termination or expiration of this Agreement in obtaining injunctive or other relief for the enforcement of any provisions of this Section 22.

22.12 Option to Purchase Furnishings and Equipment. Sub Station II shall have the option, to be exercised within thirty (30) days after termination of this Agreement, to purchase from Franchisee any or all of the furnishings, equipment, signs, fixtures, supplies, or inventory of Franchisee related to the operation of the Restaurant, at the lesser of the fair market value or Franchisee's book value. The book value shall be determined based upon a five (5) year straight-line depreciation of original costs. For equipment that is five (5) or more years old, the parties agree that fair market value shall be deemed to be ten percent (10%) of the equipment's original cost. If Sub Station II elects to exercise any option to purchase herein provided, it shall have the right to set off all amounts due from Franchisee.

22.13 Right to Enter and Operate. In order to preserve the goodwill of the System following termination, Sub Station II (or its designee) shall have the right to enter the Restaurant (without liability to Franchisee, Franchisee's owners, or otherwise) for the purpose of continuing the Restaurant's operation and maintaining the goodwill of the business. Franchisee shall obtain a provision in its Lease which requires its landlord to allow Sub Station II to enter into, and operate, the Restaurant upon termination, as provided for in Sections 3.2 and 3.3.

23 INDEPENDENT CONTRACTOR AND INDEMNIFICATION

23.1 Independent Contractors. It is understood and agreed by the parties hereto that this Agreement does not create a fiduciary relationship between them; that Franchisee shall be an independent contractor; and, that nothing in this Agreement is intended to constitute either party an agent, legal representative, subsidiary, joint venturer, partner, employee, or servant of the other for any purpose whatsoever.

23.2 Identification as Independent Contractor. At all times during the term of this Agreement and any extensions hereof, Franchisee shall hold itself out to the public as an independent contractor operating the business pursuant to a franchise from Sub Station II.

23.3 No Agency. It is understood and agreed that nothing in this Agreement authorizes Franchisee to make any contract, agreement, warranty, or representation on Sub Station II's behalf, or to incur any debt or other obligation in Sub Station II's name; and that Sub Station II shall in no event assume liability for, or be deemed liable hereunder as a result of, any such action; nor shall Sub Station II be liable by reason of any act or omission of Franchisee in its operation of the Restaurant or for any claim or judgment arising therefrom against Franchisee or Sub Station II.

23.4 Indemnification by Franchisee. Franchisee shall, to the fullest extent permissible under applicable law, indemnify and hold Sub Station II and its affiliates, and their respective officers, directors, employees, and agents (the "Indemnified Parties") harmless against any and all claims, obligations, and damages arising directly or indirectly from, as a result of, or in connection with Franchisee's development and operation of the Restaurant, the business conducted under this Agreement, or Franchisee's breach of this Agreement, including, without limitation, those alleged to be caused by the negligence of any Indemnified Party, as well as the costs, including attorney's fees, of defending against them, unless (and then only to the extent that) the claims, obligations, and damages are determined to be caused solely by any Indemnified Party's gross negligence or willful misconduct according to a final, unappealable ruling issued by a court or arbitrator with competent jurisdiction. In the event any Indemnified Party incurs any costs or expenses, including, without limitation, legal fees, travel expenses, and other charges, in connection with any proceeding involving Franchisee in which the Indemnified Party is not a party, Franchisee shall reimburse the Indemnified Party 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 23.4 shall survive the termination or expiration of this Agreement.

23.5 Indemnification By Sub Station II for Use of Marks. Sub Station II shall reimburse Franchisee for all damages and expenses that Franchisee incurs in any trademark infringement proceeding disputing Franchisee's authorized use of any Mark under this Agreement if Franchisee has timely notified Sub Station II of, and complies with Sub Station II's directions in responding to, the proceeding, and Franchisee has used the Mark(s) in full compliance with this Agreement, the Manual, and any other directives from Sub Station II. At Sub Station II's option, Sub Station II may defend and control the defense of any proceeding arising from Franchisee's use of any Mark under this Agreement.

24 FORCE MAJEURE

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: (1) natural disasters; (2) acts of war, terrorism, or insurrection; (3) strikes, lockouts, labor actions, boycotts, floods, fires, hurricanes, tornadoes, and/or other casualties; and/or (4) the inability of Sub Station II and/or its affiliates or suppliers to manufacture, purchase, and/or cause delivery of any products used in the operation of the Restaurant. The inability of either party to obtain and/or remit funds shall be considered within control of such party.

25 APPROVALS AND WAIVERS

25.1 Approvals. Whenever this Agreement requires the prior approval or consent of Sub Station II, Franchisee shall make a timely written request to Sub Station II therefor, and such approval or consent must be obtained in writing.

25.2 No Warranties. Franchisee acknowledges and agrees that Sub Station II 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.

25.3 Waivers. No delay, waiver, omission, or forbearance on the part of Sub Station II to exercise any right, option, duty, or power arising out of any breach or default by Franchisee or any other franchisee under any of the terms, provisions, covenants, or conditions of this Agreement, and no custom or practice by the parties at variance with the terms of this Agreement, shall constitute a waiver by Sub Station II to enforce any such right, option, duty, or power as against Franchisee, or as to subsequent breach or default by Franchisee. Subsequent acceptance by Sub Station II of any payments due to it hereunder shall not be deemed to be a waiver by Sub Station II of any preceding or succeeding breach by Franchisee of any terms, provisions, covenants, or conditions of this Agreement.

26 NOTICES

Any and all notices required or permitted under this Agreement shall be in writing and shall be personally delivered, sent by registered mail, a recognized overnight delivery service (e.g., UPS, FedEx, etc.), or by other means which affords the sender evidence of delivery, or of rejected delivery, to the respective parties at the addresses shown on the signature page of this Agreement, unless and until a different address has been designated by written notice to the other party. Any notice by a means which affords the sender evidence of delivery, or rejected delivery, shall be deemed to have been given at the date and time of receipt or rejected delivery.

27 ENTIRE AGREEMENT AND AMENDMENT

This Agreement and its exhibits, which are incorporated herein by reference, constitute the entire, full, and complete Agreement between Sub Station II and Franchisee concerning the subject matter hereof, and supersede any and all prior or contemporaneous negotiations, discussions, understandings and agreements, no other representations having induced Franchisee to execute this Agreement. There are no other oral or written understandings or agreements between Sub Station II and Franchisee, or oral or written representations by Sub Station II, (other than those set forth in the Sub Station II Franchise Disclosure Document that Sub Station II provided to Franchisee), relating to the subject matter of this Agreement, the franchise relationship, or the Restaurant and any understandings or agreements reached, or any representations made, before this Agreement are superseded by this Agreement. Nothing in this Agreement requires Franchisee to waive reliance on any representations made by Sub Station II in the Sub Station II Franchise Disclosure Document that Sub Station II furnished to Franchisee. Except for those permitted to be made unilaterally by Sub Station II 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.

28 SEVERABILITY AND CONSTRUCTION

28.1 Severability. If any of the provisions of this Agreement may be construed in more than one way, one of which would render the provision illegal or otherwise voidable or unenforceable, such provision shall have the meaning which renders it valid and enforceable. The language of all provisions of this Agreement shall be construed according to its fair meaning and not strictly against any party. In the event any court or other government authority shall determine any provision in this Agreement is not enforceable as written, the parties agree that the provision shall be amended so that it is enforceable to the fullest extent permissible under the laws and public policies of the jurisdiction in which enforcement is sought and affords the parties the same basic rights and obligations and has the same economic effect. If any provision in this Agreement is held invalid or otherwise unenforceable by any court or other government authority or in any other proceeding, such findings shall not invalidate the remainder of the agreement unless in the reasonable opinion of Sub Station II the effect of such determination has the effect of frustrating the purpose of this Agreement, whereupon Sub Station II shall have the right by notice in writing to the other party to immediately terminate this Agreement.

28.2 No Other Rights. 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, Sub Station II, and such of Franchisee's and Sub Station II's respective successors and assigns as may be contemplated (and, as to Franchisee, permitted) by Sections 17 and 18 above, any rights or remedies under or by reason of this Agreement.

28.3 Enforceability of 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 of this Agreement, 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 may hold to be unenforceable in a final decision to which Sub Station II is a party, or from reducing the scope of any promise or covenant to the extent required to comply with such a court order.

28.4 Survival of Provisions. All provisions of this Agreement which, by their terms or intent, are designed to survive the expiration or termination of this Agreement, shall so survive the expiration and/or termination of this Agreement.

28.5 Interpretation. No provision of this Agreement shall be interpreted in favor of, or against, any party because of the party that drafted this Agreement.

29 ENFORCEMENT

29.1 Governing Law. This Agreement and the relationship between the parties is governed by and will be construed in accordance with the laws of the State of South Carolina, which laws shall prevail in the event of any conflict of law (without regard to, and without giving effect to, the application of South Carolina choice-of-law rules).

29.2 Claims Subject to Arbitration. Any dispute relating to or arising out of this Agreement, the relationship between Sub Station II and Franchisee, or Franchisee's operation of the Restaurant must, if the aggregate value of all disputed claims is less than One Hundred Thousand Dollars ($100,000), be submitted to binding arbitration in accordance with the rules set forth in Section 29.3, unless excepted from this provision by Section 29.5 or Section 29.10. The parties may agree to arbitrate matters which are not subject to mandatory arbitration, and if they do so the arbitration will be conducted under the same provisions set forth for mandatory arbitration in Section 29.3.

29.3 Arbitration Rules. Unless otherwise agreed by Sub Station II and Franchisee at the time of the dispute, any arbitration will be conducted pursuant to the then-prevailing Commercial Rules of the American Arbitration Association, or any successor thereof, except as such rules may be modified by the following:

29.3.1 If the amount in controversy is less than Twenty-Five Thousand Dollars ($25,000), the parties will jointly select a neutral arbitrator. If the parties have not agreed on an arbitrator within thirty (30) days from the filing of the arbitration demand, the arbitrator will be appointed in accordance with the rules of the administering agency. If the amount in controversy exceeds Twenty-Five Thousand Dollars ($25,000), Sub Station II and Franchisee will each select one arbitrator, and the party-appointed arbitrators will jointly select a neutral third arbitrator to chair the panel.

29.3.2 The arbitrator(s) will have no authority to entertain or permit any class claims or consolidated proceeding.

29.3.3 If a single arbitrator is appointed, the arbitrator's fees and expenses will be split equally between the parties; if a panel is appointed, each party will pay the fees and expenses of its appointed arbitrator and the parties will split equally the fees and expenses of the neutral third arbitrator. Except as provided in Section 29.3.4., all other costs and expenses in connection with the arbitration will be the responsibility of the party who incurs the expense or requests the service (such as a transcript of the arbitration proceeding).

29.3.4 The decision of the arbitrator (or of a majority of the panel as the case may be) will be final and binding on the parties, and the arbitrators' award will be the exclusive remedy between the parties with respect to all claims, counterclaims, and issues presented or pled to the arbitrators. The arbitrator(s) must follow the law specified in Section 29.1 to govern this Agreement. The arbitrator(s) may make any award or enter any order, including an injunction or specific performance, consistent with the governing law, but the arbitrator(s) will have no authority to award punitive damages, to assess costs or attorney's fees, or to rewrite or change the terms of this Agreement. An award of monetary damages must include interest from the date of the award until the award is paid in full, at a rate of interest fixed by the arbitrator(s). The award must be paid promptly, without deduction or offset.

29.3.5 Judgment upon the award may be entered in any court having jurisdiction thereof. If the award is upheld by a court of competent jurisdiction in a proceeding by either party to enforce the award or to challenge the award, the party challenging the award or resisting its enforcement must pay, to the extent permitted by law, all reasonable costs, legal fees, and expenses incurred by the party defending the award or seeking its enforcement, together with interest on the award from the date of its issuance as determined by the court.

29.3.6 The decision of the arbitrator(s) will have no collateral estoppel effect with respect to a controversy with any person or entity who is not a party to the arbitration proceeding.

29.4 Governing Law for Arbitration. Notwithstanding Section 29.1, any issue regarding arbitrability or the enforcement of Sections 29.2 and 29.3 will be governed by the Federal Arbitration Act and the federal common law of arbitration.

29.5 Claims Not Subject to Mandatory Arbitration. The parties are not compelled to arbitrate: (1) any claim or dispute involving actual or threatened disclosure or misuse of Sub Station II's confidential information or trade secrets; (2) any claim or dispute involving the ownership, validity, or use of the Marks; (3) any action by Sub Station II to enforce the restrictions set forth in Section 20 of this Agreement; or (4) any controversy where the aggregate value of the disputed claims exceeds One Hundred Thousand Dollars ($100,000), exclusive of interest and costs.

29.6 Forum for Arbitration or Litigation. Sub Station II and Franchisee must file any lawsuit against each other in the federal or state court where Sub Station II's principal office is located at the time the suit is filed. The parties waive all objections to personal jurisdiction and venue for the purpose of carrying out this provision. Sub Station II and Franchisee must file any arbitration demand against each other with the American Arbitration Association (or other administering agency) office nearest to Sub Station's II's principal office at the time the demand is filed, and any arbitration hearings will be held in the city or county in which Sub Station II's principal office is located at the time the demand for arbitration is filed.

29.7 Mutual Waiver of Jury Trial and Class Actions. **TO THE EXTENT PERMITTED BY LAW, SUB STATION II AND FRANCHISEE EACH IRREVOCABLY WAIVE THE RIGHT TO TRIAL BY JURY IN ANY LITIGATION MATTER AND THE RIGHT TO BRING, OR BE A CLASS MEMBER IN, ANY CLASS ACTION SUITS.**

29.8 Mutual Waiver of Punitive Damages. To the extent permitted by law, Sub Station II and Franchisee waive any right to or claim of punitive, exemplary, multiple, or consequential damages against the other party in litigation and agree to be limited to the recovery of actual damages sustained.

29.9 Remedies Not Exclusive. Except as provided in Sections 29.2 through 29.8, no right or remedy that the parties have under this Agreement is exclusive of any other right or remedy under this Agreement or under applicable law.

29.10 Right to Injunctive Relief. Nothing in this Agreement bars Sub Station II or Franchisee from seeking preliminary injunctive or declaratory relief against a breach or threatened breach of this Agreement that will cause either party loss or damage, pending arbitration of this dispute under Section 29.2.

29.11 Attorneys' Fees and Costs. Franchisee agrees to reimburse Sub Station II for all expenses Sub Station II reasonably incurs (including attorneys' fees): (1) to enforce the terms of this Agreement or any obligation owed to Sub Station II by Franchisee and/or Franchisee's Principal Owners; and (2) in the defense of any claim Franchisee and/or Franchisee's Principal Owners assert against Sub Station II on which Sub Station II substantially prevails in court, arbitration, or other formal legal proceedings.

30 ACKNOWLEDGMENTS

30.1 Acknowledgments. Franchisee acknowledges that it has conducted an independent investigation of the business franchised hereunder, recognizes that the business venture contemplated by this Agreement involves business risks, and that its success will be largely dependent upon the ability of Franchisee and if a corporation or a partnership or other business organization, its owners as independent businesspersons. Sub Station II expressly disclaims the making of, and Franchisee acknowledges that it has not received from Sub Station II or any employee, representative or other party purporting to act on Sub Station II's behalf, any warranty, promise or guarantee, express or implied, as to the potential sales volume, profits, or success of the business venture contemplated by this Agreement.

30.2 Receipt of Franchise Disclosure Document. Franchisee acknowledges that it received a copy of Sub Station II's Franchise Disclosure Document required by the Federal Trade Commission's Franchise Rule at least fourteen (14) days prior to the date on which this Agreement was executed.

30.3 Representations and Warranties. Franchisee and its Principal Owners represent and warrant to Sub Station II that: (1) neither Franchisee nor any of its Principal Owners have made any untrue statement of any material fact nor omitted to state any material fact in its and their franchise application and other documents and information submitted to Sub Station II, or in obtaining the rights granted herein; (2) neither Franchisee nor any of its Principal Owners have any direct or indirect legal or beneficial interest in any business that may be deemed a Competing Business, except as otherwise completely and accurately disclosed in its franchise application materials; (3) Franchisee has a legal right to develop and operate the Restaurants; and (4) neither Franchisee nor any of its Principal Owners (i) have been designated as suspected terrorists under U.S. Executive Order 13244 or any similar law; (ii) are identified, either by name or an alias, pseudonym or nickname, on the lists of "Specially Designated Nationals" or "Blocked Persons" maintained by the U.S. Treasury Department's Office of Foreign Assets Control; (iii) have violated (and Franchisee and its Principal Owners commit to not violate in the future) any law (in effect now or which may become effective in the future) prohibiting corrupt business practices, money laundering or the aid or support of persons who conspire to commit acts of terror against any person or government, including acts prohibited by U.S. Executive Order 13244, the Foreign Corrupt Practices Act, or any similar law.

30.4 No Other Obligations. Each party represents and warrants to the others that his/her/its execution of this Agreement and all exhibits and addenda hereto do not violate or breach any other agreement, contract or covenant to which such party is bound, and further represents and warrants to the other parties that there are no other agreements, court orders, or any other legal obligations that would preclude or in any manner restrict such party from: (1) negotiating and entering into this Agreement; (2) exercising its rights under this Agreement; and/or (3) fulfilling its responsibilities under this Agreement.

30.5 No Other Representations. Franchisee acknowledges that it shall have sole and complete responsibility for the choice of the Premises; that Sub Station II has not (and shall not be deemed to have (and shall not be deemed to have, even by Sub Station II's acceptance of the site that is the Premises) given any representation, promise, or guarantee of Franchisee's success at the Premises; and that Franchisee shall be solely responsible for its own success at the Premises.

30.6 Business Judgment. Franchisee understands and agrees that Sub Station II may operate and change the System and its business in any manner that is not expressly and specifically prohibited by this Agreement. Whenever Sub Station II has expressly reserved in this Agreement or is deemed to have a right and/or discretion to take or withhold an action, or to grant or decline to grant Franchisee a right to take or withhold an action, except as otherwise expressly and specifically provided in this Agreement, Sub Station II may make such decision or exercise its right and/or discretion on the basis of Sub Station II's judgment of what is in Sub Station II's best interests including, without limitation, Sub Station II's judgment of what is in the best interests of the franchise network, at the time Sub Station II's decision is made or its right or discretion is exercised, without regard to whether: (1) other reasonable alternative decisions or actions, or even arguably preferable alternative decisions or actions, could have been made by Sub Station II; (2) Sub Station II's decision or the action taken promotes Sub Station II's financial or other individual interest; (3) Sub Station II's decision or the action it takes applies differently to Franchisee and one or more other franchisees or Sub Station II's company-owned or affiliate-owned operations; or (4) Sub Station II's decision or the exercise of its right or discretion is adverse to Franchisee's interests. In the absence of an applicable statute, Sub Station II will have no liability to Franchisee for any such decision or action. Sub Station II and Franchisee intend that the exercise of Sub Station II's right or discretion will not be subject to limitation or review. If applicable law implies a covenant of good faith and fair dealing in this Agreement, Sub Station II and Franchisee agree that such covenant shall not imply any rights or obligations that are inconsistent with a fair construction of the terms of this Agreement and that this Agreement grants Sub Station II the right to make decisions, take actions and/or refrain from taking actions not inconsistent with Franchisee's rights and obligations hereunder.

30.7 Consultation. Franchisee acknowledges that it has read and understood this Agreement, the exhibits hereto, and agreements relating thereto, if any, and that Sub Station II has accorded Franchisee ample time and opportunity to consult with advisors (including attorneys) of Franchisee's own choosing about the potential benefits and risks of entering into this Agreement.

31 MISCELLANEOUS

31.1 Gender and Number. All references to gender and number shall be construed to include such other gender and number as the context may require.

31.2 Captions. 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 of this Agreement.

31.3 Counterparts. This Agreement may be executed in counterparts, and each copy so executed and delivered shall be deemed an original.

31.4 Time. Time is of the essence of this Agreement for each provision in which time is a factor.

IN WITNESS WHEREOF, the parties hereto have duly signed and delivered this Agreement as of the __ day of _____________, 20__, which is the Effective Date.

SUB STATION II, INC. a South Carolina corporation	FRANCHISEE: ______________________________ a ____________________________
By:___________________________	By:___________________________
Name:_________________________ Title:__________________________	Name:_________________________ Title:__________________________
Address for Notices:	Address for Notices:
Sub Station II, Inc. 1237 Gadsden Street, Suite 100 Columbia, South Carolina 29201 Attn: President	______________________________ ______________________________ ______________________________ Attn: __________________________

GUARANTEE

As an inducement to Sub Station II, Inc. ("Sub Station II") to execute the Sub Station II Restaurant Franchise Agreement between Sub Station II and _______________ ("Franchisee"), dated _________, 20__ (the "Agreement"), the undersigned, jointly and severally, hereby unconditionally guarantee to Sub Station II and Sub Station II's successors and assigns that all of Franchisee's monetary and other obligations under the Agreement will be punctually paid and performed.

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

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

The undersigned each hereby jointly and severally acknowledge and expressly agree to be individually bound by all of the covenants contained in Sections 18 (Transfers), 20 (Confidentiality and Restrictive Covenants) and 22 (Obligations on Termination or Expiration) of the Agreement, and acknowledge and agree that this Guarantee does not grant the undersigned any right to use the "Sub Station II" Marks or System licensed to Franchisee under the Agreement.

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

If Sub Station II is required to enforce this Guarantee in a judicial or arbitration proceeding, and prevails in such proceeding, Sub Station II shall be entitled to reimbursement of its costs and expenses, including, but not limited to, reasonable accountants', attorneys', attorneys' assistants', arbitrators', and expert witness fees, costs of investigation and proof of facts, court costs, other litigation expenses, and travel and living expenses, whether incurred prior to, in preparation for, or in contemplation of the filing of any such proceeding. If Sub Station II is required to engage legal counsel in connection with any failure by the undersigned to comply with this Guarantee, the undersigned shall reimburse Sub Station II for any of the above-listed costs and expenses Sub Station II incurs.

Subject to the obligations and provisions below, each of the undersigned agrees that all actions arising under this Guarantee or the Agreement, or otherwise as a result of the relationship between Sub Station II and the undersigned, must be commenced in the state or federal court of general jurisdiction in the judicial district in which Sub Station II has its principal place of business at the time the action is commenced, and each of the undersigned irrevocably submits to the jurisdiction of those courts and waives any objection he or she might have to either the jurisdiction of or venue in those courts.

Nonetheless, each of the undersigned agrees that Sub Station II may enforce this Guarantee and any orders and awards in the courts of the state or states in which any Guarantor is domiciled.

Unless specifically stated otherwise, the terms used in this Guarantee shall have the same meaning as in the Agreement. This Guarantee shall be interpreted and construed under the laws of the State of South Carolina. In the event of any conflict of law, the laws of the State of South Carolina shall prevail (without regard to, and without giving effect to, the application of South Carolina conflict of law rules). Any claim brought under this Guarantee shall be filed in the federal or state court having jurisdiction nearest to Sub Station II's then-current principal business address.

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

GUARANTOR(S)

Signed:____
(In his/her individual capacity)

Name:____

Address:_______________________________________
____

Signed:____
(In his/her individual capacity)

Name:____

Address:_______________________________________
____

Signed:____
(In his/her individual capacity)

Name:____

Address:_______________________________________

EXHIBIT A TO THE
SUB STATION II RESTAURANT FRANCHISE AGREEMENT

FRANCHISE INFORMATION

1. Premises (Recitals, Section 3):____

2. Protected Area (Section 1.2.1). Franchisee's Protected Area shall be a __ mile radius around the Restaurant Premises.

   The Protected Area may also be depicted on a map and, if so, that map will be attached to this Exhibit A. Franchisee's rights in the Protected Area are subject to the limitations described in Section 1 of the Franchise Agreement. Any boundaries contained in the description of the Protected Area will be considered fixed as of the Effective Date and shall not change notwithstanding a change in those boundaries. Unless otherwise specified, all street boundaries shall be deemed to include both sides of the street.

3. Franchisee's Interests in Other Restaurants that shall not be considered Competing Businesses (Section 20.2.3): ____
____

SUB STATION II, INC. a South Carolina corporation	FRANCHISEE:______________________ ________________________________
By:______________________________	By:______________________________
Title:_____________________________	Title:_____________________________
Date:_____________________________	Date:_____________________________

EXHIBIT A-1
TO THE SUB STATION II RESTAURANT FRANCHISE AGREEMENT

PROTECTED AREA MAP

EXHIBIT B TO THE
SUB STATION II RESTAURANT FRANCHISE AGREEMENT

LISTING OF FRANCHISEE'S OWNERSHIP INTERESTS

Effective Date: This Exhibit B is current and complete as of ________________.

1. Form of Ownership.

(a) Individual Proprietorship. Franchisee's owner(s) (is) (are) as follows:

____
____
____

(b) Corporation, Limited Liability Company, or Partnership. Franchisee is a _________________ incorporated or formed on _________________, under the laws of the State of _____________. Franchisee has not conducted business under any name other than its legal entity name and _________________. The following is a list, as applicable, of Franchisee's partners, directors, officers and/or members as of the effective date shown above:

Name of Each Director/Officer/Member/Manager	Position(s) Held
________________________________	______________________________
________________________________	______________________________
________________________________	______________________________
________________________________	______________________________
________________________________	______________________________
________________________________	______________________________

2. Owners. The following list includes the full name of each person who is an owner of a legal or beneficial interest in Franchisee, and fully describes the nature of each owner's interest (attach additional pages if necessary).

Name/Address/Tax Identification No.	Percentage/Description of Interest
(a) ______________________________	______________________________
________________________________	______________________________
(b)______________________________	______________________________
________________________________	______________________________
________________________________	______________________________
(c)______________________________	______________________________
________________________________	______________________________
(d)______________________________	______________________________
________________________________	______________________________

3. Operating Principal. Franchisee's Operating Principal as of the Effective Date is _____________ ____. Franchisee may not change the Operating Principal without Sub Station II's prior written approval.

4. Continuity Group. The Continuity Group is comprised of the following persons: _____________
____

FRANCHISEE:__________________________

a _______________________________________

By:_____________________________________

Title:___________________________________

Date:___________________________________

EXHIBIT C TO THE
SUB STATION II RESTAURANT FRANCHISE AGREEMENT

STARTUP PACKAGE CONTENTS

Quantity	Item Description
1	Operations Manual
1	Training Manual
1	Nutritional Manual
12	Manager Shirts (requested sizes)
12	Medium T-Shirts
18	Large T-Shirts
18	XL T-Shirts
6	XXL T-Shirts
12	Ball Caps
12	Visors
36	Aprons
1	Case of Call-in Order Pads
100	Pens
30	Name Tags
2	8" x 12" "Sandwiches Include" Sign
1	12" x 18" "Sandwiches Include" Sign
1	"Place Order Here" Sign
1	"Pick Up Order Here" Sign
1	"Must Be 18 to Operate Slicer" Sign
1	"Smiling Faces Wanted" Sign
1	"Opening Soon" Banner
1	"Now Open" Banner
2500	Menus
2500	Catering Menus
3	Menu Holders
1	Banner Stand for POP Materials
1	Cloud Access with Excel Files and Documents
1	Cloud Access with Artwork
1	Now Hiring Poster
2	Sub Station II Logo Magnets for Vehicle
	Current Miscellaneous Posters As Available
1	Daily Specials Poster
1	Roll Sub Station II 1.5” Labels
1	Roll Sub Station II 2.0” Labels
1	Franchise Available Plaque
2	Sub Station II Logo Floor mats
1	Sub Station II Metal License Plate

EXHIBIT D TO THE
SUB STATION II RESTAURANT FRANCHISE AGREEMENT

ADVERTISING AND PROMOTION OBLIGATION

Franchisee's Advertising and Promotion Obligation under Section 8 of the Franchise Agreement shall be allocated as set forth below, unless and until modified by Sub Station II as provided in Section 8:

1.	Brand Fund (Section 8.3)	2 % of Weekly Net Sales
2.	Local Store Marketing (Section 8.4)	2 % of Monthly Net Sales
3.	Marketing Cooperative (Section 8.5)	0 % of Net Sales

TOTAL APO: **4 % of Net Sales**

This Exhibit D is current as of _____________.

SUB STATION II, INC. a South Carolina corporation	FRANCHISEE:_________________________ a_____________________________________
By:___________________________________	By:___________________________________
Title:_________________________________	Title:_________________________________
Date:_________________________________	Date:_________________________________

EXHIBIT E TO THE
SUB STATION II RESTAURANT FRANCHISE AGREEMENT

NON-DISCLOSURE AND NON-COMPETITION AGREEMENT

THIS NON-DISCLOSURE AND NONCOMPETITION AGREEMENT ("Agreement") is made this _____ day of _________, 20___, by and between ___________________________ ("Franchisee"), and ___________________________, who is an owner, manager, supervisor, member, partner, or a person in a managerial position with, Franchisee ("Member").

BACKGROUND:

As a result of the expenditure of time, skill, effort and money, Sub Station II, Inc. ("Sub Station II") has developed and owns a unique and distinctive system ("System") relating to the establishment and operation of quick service restaurant businesses operating in buildings that bear Sub Station II's interior and exterior trade dress under the "Sub Station II" name and marks, which specialize in the sale of submarine sandwiches, salads and such additional or alternate products as Sub Station II may designate from time to time for on-premises, carry-out and catering consumption ("Sub Station II Restaurants").

Sub Station II and Franchisee have executed a Franchise Agreement ("Franchise Agreement") granting Franchisee the right to operate one (1) Sub Station II Restaurant (the "Restaurant") and to produce and distribute products and services approved by Sub Station II and use the Marks in connection therewith under the terms and conditions of the Franchise Agreement;

Member, by virtue of his or her position with Franchisee, will gain access to certain of Sub Station II's Confidential Information, as defined herein, and must therefore be bound by the same confidentiality and non-competition agreement that Franchisee is bound by.

NOW THEREFORE, in consideration of these premises, the conditions stated herein, and for other good and valuable consideration, the sufficiency and receipt of which are hereby acknowledged, the parties agree as follows:

1. Confidential Information. Member shall not, during the term of the Franchise Agreement or thereafter, communicate, divulge, or use for the benefit of any other person, persons, partnership, entity, association, or corporation any confidential information, knowledge, or know-how concerning the methods of operation of the business franchised thereunder which may be communicated to Member or of which Member may be apprised by virtue of Franchisee's operation under the terms of the Franchise Agreement. Any and all information, knowledge, know-how, and techniques which Sub Station II designates as confidential shall be deemed confidential for purposes of this Agreement, except information which Franchisee can demonstrate came to its attention prior to disclosure thereof by Sub Station II; or which, at or after the time of disclosure by Sub Station II to Franchisee, had become or later becomes a part of the public domain, through publication or communication by others.

2. Covenants Not to Compete

(a) Member specifically acknowledges that, pursuant to the Franchise Agreement, and by virtue of its position with Franchisee, Member will receive valuable specialized training and confidential information, including, without limitation, information regarding the operational, sales, promotional, and marketing methods and techniques of Sub Station II and the System.

(b) Member covenants and agrees that during the term of Member's employment with, or ownership interest in, Franchisee, and except as otherwise approved in writing by Sub Station II, Member shall not, either directly or indirectly, for itself, or through, on behalf of, or in conjunction with any person, persons, partnership, corporation, or entity:

(1) Divert or attempt to divert any business or customer, or potential business or customer, of any Sub Station II Restaurant to any competitor, by direct or indirect inducement or otherwise;

(2) Knowingly employ or seek to employ any person then employed by Sub Station II, its affiliates or any franchisee of Sub Station II as a shift leader or higher, or otherwise directly or indirectly induce such person to leave his or her employment without the relevant employer's prior written consent; or

(3) Own, maintain, operate, engage in, advise, help, make loans to, or have any interest in, either directly or indirectly, any Competing Business that is defined as any restaurant business: (1) that features submarine sandwiches; or (2) that offers sandwiches, salads or any individual menu item that comprises at least ten percent (10%) of sales at Sub Station II Restaurants; or (3) whose method of operation or trade dress is similar to that employed in the System.

(c) Member covenants and agrees that during the Post-Term Period (defined below), except as otherwise approved in writing by Sub Station II, Member shall not, either directly or indirectly, for itself, or through, on behalf of, or in conjunction with any person, persons, partnership, corporation, or entity, own, maintain, operate, engage in, or have any interest in any Competing Business which is, or is intended to be, located within Franchisee's Protected Area as provided in the Franchise Agreement, within a seven (7) mile radius around the Restaurant, and within a seven (7) mile radius around any then-existing Sub Station II Restaurant operating under the System.

(d) As used in this Agreement, the term "Post-Term Period" shall mean a continuous uninterrupted period of two (2) years from the date of: (i) a Transfer permitted under Section 18 of the Franchise Agreement with respect to Member; and/or (ii) termination of Member's employment with, and/or ownership interest in, Franchisee.

3. Injunctive Relief. Member acknowledges that any failure to comply with the requirements of this Agreement will cause Sub Station II irreparable injury, and Member agrees to pay all court costs and reasonable attorney's fees incurred by Sub Station II in obtaining specific performance of, or an injunction against violation of, the requirements of this Agreement.

4. Severability. All agreements and covenants contained herein are severable. If any of them, or any part or parts of them, shall be held invalid by any court of competent jurisdiction for any reason, then the Member agrees that the court shall have the authority to reform and modify that provision in order that the restriction shall be the maximum necessary to protect Sub Station II's and/or Franchisee's legitimate business needs as permitted by applicable law and public policy. In so doing, the Member agrees that the court shall impose the provision with retroactive effect as close as possible to the provision held to be invalid.

5. Delay. No delay or failure by Sub Station II or Franchisee to exercise any right under this Agreement, and no partial or single exercise of that right, shall constitute a waiver of that or any other right provided herein, and no waiver of any violation of any terms and provisions of this Agreement shall be construed as a waiver of any succeeding violation of the same or any other provision of this Agreement.

6. Jurisdiction, Venue and Choice of Law. This agreement shall be interpreted in accordance with the laws of the State of South Carolina. Jurisdiction and venue shall be in the state or federal courts having jurisdiction where Sub Station II's principal offices are located at the time suit is filed, where the Member resides or where the Restaurant is located, at the election of Sub Station II.

7. Third-Party Beneficiary. Member hereby acknowledges and agrees that Sub Station II is an intended third-party beneficiary of this Agreement with the right to enforce it, independently or jointly with Franchisee.

IN WITNESS WHEREOF, Franchisee and Member attest that each has read and understands the terms of this Agreement, and voluntarily signed this Agreement on this ____ day of ________________, 20____.

FRANCHISEE	MEMBER
______________________________	______________________________
By:______________________________	By:______________________________
Name:____________________________	Name:____________________________
Title:_____________________________	Title:_____________________________

EXHIBIT F TO THE
SUB STATION II RESTAURANT FRANCHISE AGREEMENT

FORM OF ADDENDUM TO LEASE

THIS ADDENDUM is executed as of this ___ day of __________, ______, by and between ______________________________(“Franchisee”) and _____________________ (“Landlord”), as an addendum to the lease, as modified, amended, supplemented, renewed and/or extended from time to time as contemplated herein, (“Lease”) for the premises located at ___________________, State of __________ (“Premises”) dated as of ___________, ____.

Franchisee has entered into a Franchise Agreement (“Franchise Agreement”) with Sub Station II, Inc. (“Sub Station II”) for the development and operation of a Sub Station II Restaurant at the Premises, and as a requirement thereof, the lease for the Premises must contain the provisions set forth in this Addendum.

Landlord and Franchisee agree that the terms contained herein shall supersede any terms to the contrary set forth in the Lease.

NOW THEREFORE, in consideration of mutual covenants set forth herein, the execution and delivery of the Lease, and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Landlord and Franchisee hereby agree as follows:

1. Landlord shall deliver to Sub Station II a copy of any notice of default or termination of the Lease at the same time such notice is delivered to Franchisee.

2. Franchisee hereby assigns to Sub Station II, with Landlord’s irrevocable and unconditional consent, all of Franchisee’s rights, title and interests to and under the Lease upon any termination or non-renewal of the Franchise Agreement, but no such assignment shall be effective unless: (a) the Franchise Agreement is terminated or expires without renewal; (b) Sub Station II has exercised its Option to Purchase under the Franchise Agreement; and (c) Sub Station II notifies Franchisee and Landlord in writing that Sub Station II assumes Franchisee’s obligations under the Lease.

3. Sub Station II shall have the right, but not the obligation, upon giving written notice of its election to Franchisee and Landlord, to cure any breach of the Lease and, if so stated in the notice, to also succeed to Franchisee’s rights, title and interests thereunder.

4. The Lease may not be modified, amended, supplemented, renewed, extended or assigned by Franchisee without Sub Station II’s prior written consent.

5. Franchisee and Landlord acknowledge and agree that Sub Station II shall have no liability or obligation whatsoever under the Lease unless and until Sub Station II assumes the Lease in writing pursuant to Section 2 or Section 3, above.

6. If Sub Station II assumes the Lease, as provided above, Sub Station II may, without Landlord’s prior consent, further assign the Lease to a franchisee of Sub Station II to operate the Sub Station II Restaurant at the Premises provided that the following criteria are met: (a) Sub Station II has an established franchising program for Sub Station II Restaurants; and (b) the proposed franchisee has met all of Sub Station II’s applicable program criteria and requirements and has executed Sub Station II’s standard franchise agreement. Landlord agrees to execute such further documentation to confirm its consent to the assignment permitted under this Addendum as Sub Station II may

reasonably request. Upon such assignment to a franchisee of Sub Station II, Sub Station II shall be released from any further liability under the terms and conditions of the Lease.

7. Landlord and Franchisee hereby acknowledge that Franchisee has agreed under the Franchise Agreement that Sub Station II and its employees or agents shall have the right to enter the Premises for certain purposes. Landlord hereby agrees not to interfere with or prevent such entry by Sub Station II, its employees or agents. Landlord and Franchisee hereby further acknowledge that in the event the Franchise Agreement expires (without renewal) or is terminated, Franchisee is obligated to take certain steps under the Franchise Agreement to de-identify the Premises as a Sub Station II Restaurant. Landlord agrees to permit Sub Station II, its employees or agent, to enter the Premises and remove signs (both interior and exterior), décor and materials displaying any marks, designs or logos owned by Sub Station II, provided Sub Station II shall bear the expense of repairing any damage to the Premises as a result thereof.

8. Landlord and Franchisee agree that if Landlord is an affiliate of or owns an interest in Franchisee and Landlord proposes to sell the Premises, prior to the sale of the Premises, the Lease upon the request of Sub Station II shall be amended to reflect a rental rate and other terms that are the reasonable and customary rental rates and terms prevailing in the community where the Sub Station II Restaurant is located.

9. Landlord agrees that during and after the term of the Lease, it will not disclose or use Sub Station II's Confidential Information (as defined below) for any purpose other than for the purpose of fulfilling Landlord's obligations under the Lease. "Confidential Information" as used herein shall mean all non-public information and tangible things, whether written, oral, electronic or in other form, provided or disclosed by or on behalf of Sub Station II or Franchisee to Landlord, or otherwise obtained by Landlord, regarding the design and operations of the business located at the Premises, including, without limitation, all information identifying or describing the floor plan, equipment, furniture, fixtures, wall coverings, flooring materials, shelving, decorations, trade secrets, trade dress, "look and feel," layout, design, menus, recipes, formulas, manner of operation, suppliers, vendors, and all other products, goods, and services used, useful or provided by or for Franchisee on the Premises. Landlord acknowledges that all Confidential Information belongs exclusively to Sub Station II. Landlord agrees that should it breach or threaten to breach this provision of this Addendum, Sub Station II will suffer irreparable damages and Sub Station II's remedy at law will be inadequate. Therefore, if Landlord threatens or actually breaches this provision, Sub Station II shall be entitled to all remedies available to Sub Station II at law or in equity, including, without limitation, injunctive relief.

10. Landlord agrees that: (a) Sub Station II has solely granted to Franchisee the right to use Sub Station II's proprietary trade name, trademarks, service marks logos, insignias, slogans, emblems, symbols, designs and indicia of origin (collectively the "Marks") at the Premises under the terms of the Franchise Agreement; and (b) Sub Station II has not granted any rights or privileges to Landlord to use the Marks at the Premises or anywhere else; and **(c)** Landlord's unauthorized use of the Marks during or after the term of the Lease shall cause irreparable harm to Sub Station II and Sub Station II's remedy at law will be inadequate. Therefore, if Landlord threatens or actually breaches this provision, Sub Station II shall be entitled to all remedies available to Sub Station II at law or in equity, including, without limitation, injunctive relief.

11. Sub Station II, along with its successors and assigns, is an intended third party beneficiary of the provisions of this Addendum.

12. Copies of any and all notices required or permitted hereby or by the Lease shall also be sent to Sub Station II at 710 Bultman Drive, Sumter, South Carolina 29150 (Attn: President), or such other address as Sub Station II shall specify by written notice to Landlord.

13. Under the Franchise Agreement, any lease for the location of a Sub Station II Restaurant is a subject to Sub Station II's approval. Accordingly, the Lease is contingent upon such approval.

WITNESS the execution hereof under seal.

LANDLORD:	FRANCHISEE:
DATE: _____________________	DATE: ___________________
Subscribed and sworn to before me this ___ day of ______________, _____.	Subscribed and sworn to before me this ____ day of ____________, ____.
________________________________ Notary Public	_______________________________ Notary Public
My Commission expires: __________	My Commission expires: __________

RIDER 1 TO THE
SUB STATION II RESTAURANT FRANCHISE AGREEMENT

FRANCHISE AGREEMENT EXPIRATION DATE

TO: ____

The Restaurant located at ____ first opened for business on ________________. The Initial Term of the Franchise Agreement for the Restaurant expires on ________________. If Franchisee desires to renew the Franchise Agreement, Franchisee must give Sub Station II notice no earlier than _______________ (nine (9) months before the expiration date of the Franchise Agreement) and no later than _______________ (six (6) months before the expiration date of the Franchise Agreement).

SUB STATION II, INC.

By: _______________________________________

Print Name: ________________________________

Title: ______________________________________

Date: ______________________________________

EXHIBIT C

SITE SELECTION AGREEMENT

SUB STATION II RESTAURANT SITE SELECTION AGREEMENT

THIS SITE SELECTION AGREEMENT ("**Agreement**") is made as of the date identified on the last page of this Agreement (the "**Effective Date**") by and between Sub Station II, Inc. ("**Sub Station II**"), a corporation formed in the State of South Carolina with its principal business address at 1237 Gadsden Street, Suite 100, Columbia, South Carolina 29201, and the party identified on the last page of this Agreement ("**Prospective Franchisee**").

RECITALS:

A. Sub Station II owns a format and system (the "**System**") relating to the establishment and operation of quick service restaurant businesses operating in buildings that bear Sub Station II's interior and exterior trade dress under the "Sub Station II®" name and marks, which specialize in the sale of submarine sandwiches, deli sandwiches, salads, and such additional or alternate products as Sub Station II may designate from time to time for on-premises, carry-out and catering consumption ("**Sub Station II Restaurants**").

B. Sub Station II has accepted Prospective Franchisee's franchise application to enter into a Sub Station II Franchise Agreement (the "**Franchise Agreement**") under which Prospective Franchisee would have the right and obligation to develop and operate a Sub Station II Restaurant at a specific location (the "**Restaurant**").

C. Prospective Franchisee wishes to identify and secure a site for the Restaurant before entering into the Franchise Agreement. Sub Station II will expend considerable time, effort, and cost to evaluate site proposals submitted by Prospective Franchisee for the Restaurant.

D. The parties are entering into this Agreement to outline the site selection process for the Restaurant.

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

1. The Deposit. When signing this Agreement, Prospective Franchisee shall pay Five Thousand Dollars ($5,000) as a non-interest bearing deposit (the "**Deposit**"). The Deposit is fully earned at the time paid and is non-refundable. If Prospective Franchisee is successful in securing a site for the Restaurant and signs a Franchise Agreement with Sub Station II for the Restaurant, Sub Station II will credit the Deposit toward the Initial Franchise Fee due under the Franchise Agreement.

2. Term and Expiration. The term of this Agreement (the "**Term**") begins on the Effective Date and, unless the parties otherwise agree in writing or this Agreement is earlier terminated, will expire on the earlier of: (a) the last day of the Site Acquisition Period (as defined in Section 3 below); or (b) the date (if applicable) the parties sign a Franchise Agreement as provided in Section 7 below. At the end of the Term, this Agreement will expire without further notice to the parties, and the parties will have no further rights or obligations to each other under this Agreement, except for the obligations under Section 8 below regarding Confidential Information.

3. Site Acquisition Period and Site Selection Area: Prospective Franchisee agrees that during the period of one hundred eighty (180) days from the Effective Date (the "**Site Acquisition Period**"), Prospective Franchisee will diligently seek to locate and acquire or lease/sublease, at Prospective Franchisee's expense, commercial real estate that is properly zoned for use as a "Sub Station II" restaurant to be conducted by Prospective Franchisee under a Franchise Agreement at a site that Sub Station II accepts

as provided in this Agreement. Such location will be within the following area: ____________________

____

________________________________ (the "**Site Selection Area**"). The Site Selection Area is described solely for the purpose of selecting a site for the Restaurant. Prospective Franchisee further agrees that:

3.1. Prospective Franchisee's rights in the Site Selection Area are not exclusive and Sub Station II may establish, or franchise another to establish, a Sub Station II Restaurant operating under the System within the Site Selection Area. The Site Selection Area is not, and will not be, the territory that will be granted to Prospective Franchisee under the then-current Franchise Agreement offered by Sub Station II. Once Sub Station II has approved a site for the Restaurant, Sub Station II will determine the portion of the geographic area that will constitute the territory that will be granted as the "Protected Area" under the Franchise Agreement for the Restaurant.

3.2. If Prospective Franchisee does not locate and acquire (by purchase or lease) a site for the Restaurant under the conditions of this Agreement before the end of the Site Acquisition Period, this Agreement will expire as provided in Section 2 above.

4. Site Evaluation Services: During the Term, Sub Station II agrees to furnish to Prospective Franchisee site selection guidelines, including Sub Station II's minimum standards for a location of a Sub Station II Restaurant, and such site selection counseling and assistance as Sub Station II may deem advisable. During the Term, Sub Station II will perform any on-site evaluation as Sub Station II may deem advisable in response to Prospective Franchisee's requests for site acceptance; provided, however, that Sub Station II will not be required to provide on-site evaluation for any proposed site.

5. Site Selection Package Submission and Acceptance: Prospective Franchisee agrees to submit to Sub Station II, in the form specified by Sub Station II, such site acceptance forms and data that Sub Station II may specify, which may include a copy of the site plan, financial information, and such other information or materials as Sub Station II may reasonably require, together with an option contract, letter of intent or other evidence satisfactory to Sub Station II which confirms Prospective Franchisee's favorable prospects for obtaining the site. *Prospective Franchisee acknowledges that time is of the essence.* Sub Station II will have thirty (30) days after receipt of a complete site selection package and request for acceptance and such information and materials as Sub Station II may request to accept or reject, in its sole discretion, the proposed site as the location for the Restaurant. In the event Sub Station II does not accept a proposed site by written notice to Prospective Franchisee within said thirty (30) days, such site will be deemed rejected by Sub Station II.

6. Financing and Lease Responsibilities: Within thirty (30) days of site acceptance by Sub Station II, Prospective Franchisee shall: (a) secure any necessary financing and provide satisfactory evidence thereof to Sub Station II; and (b) execute either a lease that must be coterminous with the Franchise Agreement to be executed under Section 7, or a binding agreement to purchase the site. Sub Station II's review and approval of any lease is conditioned upon inclusion in the lease of the Addendum to Lease attached as Exhibit A to this Agreement. However, Sub Station II shall not be responsible for review of the lease for any terms other than those contained in the Addendum to Lease.

7. The Franchise Agreement and Premises.

7.1. Provided that Prospective Franchisee identifies a location for the Restaurant that is accepted by Sub Station II pursuant to Section 5 of this Agreement and Prospective Franchisee leases or acquires such location pursuant to Section 6 of this Agreement, then Sub Station II will provide Prospective Franchisee with its then-current form of Franchise Agreement for execution by Prospective Franchisee. The Franchise Agreement will identify the location selected under this Agreement as the "Premises" for the Restaurant. Prospective Franchisee will have thirty (30) days after receiving the Franchise Agreement from Sub Station II to (a) execute and return the Franchise Agreement to Sub Station II and (b) pay the first installment of the Initial Franchise Fee due under the Franchise Agreement.

7.2. Prospective Franchisee hereby acknowledges and agrees that acceptance by Sub Station II 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. Acceptance by Sub Station II of the site indicates only that Sub Station II believes the site complies with acceptable minimum criteria established by Sub Station II solely for its purposes as of the time of the evaluation. Both Prospective Franchisee and Sub Station II acknowledge that application of criteria that have been effective with respect to other sites and premises may not be predictive of potential for all sites and that, subsequent to acceptance by Sub Station II of a site, demographic and/or economic factors, such as competition from other similar businesses, included in or excluded from criteria used by Sub Station II could change, thereby altering the potential of a site. Such factors are unpredictable and are beyond the control of Sub Station II. Sub Station II shall not be responsible for the failure of a site accepted by Sub Station II to meet Prospective Franchisee's expectations as to revenue or operational criteria. Prospective Franchisee further acknowledges and agrees that its acceptance of a franchise by entering into a Franchise Agreement for the operation of a Sub Station II restaurant at the site is based on its own independent investigation of the suitability of the site.

8. Confidentiality. During the Term, certain confidential information about Sub Station II and the System may be disclosed or otherwise made known to Prospective Franchisee ("**Confidential Information**"). Prospective Franchisee agrees: (a) to respect and maintain the confidential nature of such Confidential Information; (b) not to disclose the Confidential Information to any other party; (c) not to use the Confidential Information in the operation of any business (other than a Sub Station II restaurant operated pursuant to a Franchise Agreement with Sub Station II). Prospective Franchisee agrees that its obligations under this Section 8 do not expire upon termination or expiration of this Agreement.

9. No Franchise Rights. This Agreement is not a franchise and does not grant Prospective Franchisee any right whatsoever to use the "Sub Station II" trademarks and/or system (those rights would only be granted under a Franchise Agreement that Prospective Franchisee and Sub Station II may enter into separately). Prospective Franchisee agrees not to use the "Sub Station II" trademarks or system, or make any representation or commitment on Sub Station II's behalf.

10. Acknowledgment. Prospective Franchisee acknowledges that it received a copy of Sub Station II's Franchise Disclosure Document required by the Federal Trade Commission's Franchise Rule at least fourteen (14) days prior to the date on which this Agreement was executed. Prospective Franchisee acknowledges that it received a copy of this Agreement with all of the blank lines in this Agreement completed at least seven (7) days before the date when Prospective Franchisee signed this Agreement, and that Prospective Franchisee had sufficient time to review the Agreement with advisors of its choosing if Prospective Franchisee wishes.

11. Entire Agreement. This Agreement constitutes the entire agreement between the parties concerning the subject of this Agreement and supersedes all prior negotiations, representations, correspondence, and agreements concerning the same subject matter. The parties have relied on nothing other than the words of this contract in deciding whether or not to sign this Agreement (however, nothing in this Section 11 is meant to disclaim any representation that Sub Station II made in the Franchise Disclosure Document that Sub Station provided to Prospective Franchisee).

12. Governing Law. This Agreement and the relationship between the parties is governed by and will be construed in accordance with the laws of the State of South Carolina, which laws shall prevail

in the event of any conflict of law (without regard to, and without giving effect to, the application of South Carolina choice-of-law rules).

13. Choice of Venue. Sub Station II and Prospective Franchisee must file any lawsuit against each other in the federal or state court where Sub Station II's principal office is located at the time the suit is filed. The parties waive all objections to personal jurisdiction and venue for the purpose of carrying out this provision. Any such action must be conducted on an individual basis, and not as part of a consolidated, common, or class action.

14. Captions. 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 of this Agreement.

15. Counterparts. This Agreement may be executed in counterparts, and each copy so executed and delivered shall be deemed an original.

IN WITNESS WHEREOF, the parties hereto have duly signed and delivered this Agreement as of the __ day of _____________, 20__, which is the Deposit Effective Date.

SUB STATION II, INC. a South Carolina corporation	PROSPECTIVE FRANCHISEE: ______________________________ a ____________________________
By:______________________________	By:______________________________
Name:____________________________ Title:_____________________________	Name:____________________________ Title:_____________________________
Address for Notices:	Address for Notices:
Sub Station II, Inc. 1237 Gadsden Street, Suite 100 Columbia, South Carolina 29201 Attn: President	______________________________ ______________________________ ______________________________ Attn: ___________________________

EXHIBIT A

TO THE SUB STATION II RESTAURANT SITE SELECTION AGREEMENT

FORM OF ADDENDUM TO LEASE

THIS ADDENDUM is executed as of this ___ day of __________, ______, by and between ______________________________(“Franchisee”) and _____________________ (“Landlord”), as an addendum to the lease, as modified, amended, supplemented, renewed and/or extended from time to time as contemplated herein, (“Lease”) for the premises located at ___________________, State of __________ (“Premises”) dated as of ___________, ____.

Franchisee has entered into a Franchise Agreement (“Franchise Agreement”) with Sub Station II, Inc. (“Sub Station II”) for the development and operation of a Sub Station II Restaurant at the Premises, and as a requirement thereof, the lease for the Premises must contain the provisions set forth in this Addendum.

Landlord and Franchisee agree that the terms contained herein shall supersede any terms to the contrary set forth in the Lease.

NOW THEREFORE, in consideration of mutual covenants set forth herein, the execution and delivery of the Lease, and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Landlord and Franchisee hereby agree as follows:

1. Landlord shall deliver to Sub Station II a copy of any notice of default or termination of the Lease at the same time such notice is delivered to Franchisee.

2. Franchisee hereby assigns to Sub Station II, with Landlord’s irrevocable and unconditional consent, all of Franchisee’s rights, title and interests to and under the Lease upon any termination or non-renewal of the Franchise Agreement, but no such assignment shall be effective unless: (a) the Franchise Agreement is terminated or expires without renewal; (b) Sub Station II has exercised its Option to Purchase under the Franchise Agreement; and (c) Sub Station II notifies Franchisee and Landlord in writing that Sub Station II assumes Franchisee’s obligations under the Lease.

3. Sub Station II shall have the right, but not the obligation, upon giving written notice of its election to Franchisee and Landlord, to cure any breach of the Lease and, if so stated in the notice, to also succeed to Franchisee’s rights, title and interests thereunder.

4. The Lease may not be modified, amended, supplemented, renewed, extended or assigned by Franchisee without Sub Station II’s prior written consent.

5. Franchisee and Landlord acknowledge and agree that Sub Station II shall have no liability or obligation whatsoever under the Lease unless and until Sub Station II assumes the Lease in writing pursuant to Section 2 or Section 3, above.

6. If Sub Station II assumes the Lease, as provided above, Sub Station II may, without Landlord’s prior consent, further assign the Lease to a franchisee of Sub Station II to operate the Sub Station II Restaurant at the Premises provided that the following criteria are met: (a) Sub Station II has an established franchising program for Sub Station II Restaurants; and (b) the proposed franchisee has met all of Sub Station II’s applicable program criteria and requirements and has executed Sub Station II’s standard franchise agreement. Landlord agrees to execute such further

documentation to confirm its consent to the assignment permitted under this Addendum as Sub Station II may reasonably request. Upon such assignment to a franchisee of Sub Station II, Sub Station II shall be released from any further liability under the terms and conditions of the Lease.

7. Landlord and Franchisee hereby acknowledge that Franchisee has agreed under the Franchise Agreement that Sub Station II and its employees or agents shall have the right to enter the Premises for certain purposes. Landlord hereby agrees not to interfere with or prevent such entry by Sub Station II, its employees or agents. Landlord and Franchisee hereby further acknowledge that in the event the Franchise Agreement expires (without renewal) or is terminated, Franchisee is obligated to take certain steps under the Franchise Agreement to de-identify the Premises as a Sub Station II Restaurant. Landlord agrees to permit Sub Station II, its employees or agent, to enter the Premises and remove signs (both interior and exterior), décor and materials displaying any marks, designs or logos owned by Sub Station II, provided Sub Station II shall bear the expense of repairing any damage to the Premises as a result thereof.

8. Landlord and Franchisee agree that if Landlord is an affiliate of or owns an interest in Franchisee and Landlord proposes to sell the Premises, prior to the sale of the Premises, the Lease upon the request of Sub Station II shall be amended to reflect a rental rate and other terms that are the reasonable and customary rental rates and terms prevailing in the community where the Sub Station II Restaurant is located.

9. Landlord agrees that during and after the term of the Lease, it will not disclose or use Sub Station II's Confidential Information (as defined below) for any purpose other than for the purpose of fulfilling Landlord's obligations under the Lease. "Confidential Information" as used herein shall mean all non-public information and tangible things, whether written, oral, electronic or in other form, provided or disclosed by or on behalf of Sub Station II or Franchisee to Landlord, or otherwise obtained by Landlord, regarding the design and operations of the business located at the Premises, including, without limitation, all information identifying or describing the floor plan, equipment, furniture, fixtures, wall coverings, flooring materials, shelving, decorations, trade secrets, trade dress, "look and feel," layout, design, menus, recipes, formulas, manner of operation, suppliers, vendors, and all other products, goods, and services used, useful or provided by or for Franchisee on the Premises. Landlord acknowledges that all Confidential Information belongs exclusively to Sub Station II. Landlord agrees that should it breach or threaten to breach this provision of this Addendum, Sub Station II will suffer irreparable damages and Sub Station II's remedy at law will be inadequate. Therefore, if Landlord threatens or actually breaches this provision, Sub Station II shall be entitled to all remedies available to Sub Station II at law or in equity, including, without limitation, injunctive relief.

10. Landlord agrees that: (a) Sub Station II has solely granted to Franchisee the right to use Sub Station II's proprietary trade name, trademarks, service marks logos, insignias, slogans, emblems, symbols, designs and indicia of origin (collectively the "Marks") at the Premises under the terms of the Franchise Agreement; and (b) Sub Station II has not granted any rights or privileges to Landlord to use the Marks at the Premises or anywhere else; and **(c)** Landlord's unauthorized use of the Marks during or after the term of the Lease shall cause irreparable harm to Sub Station II and Sub Station II's remedy at law will be inadequate. Therefore, if Landlord threatens or actually breaches this provision, Sub Station II shall be entitled to all remedies available to Sub Station II at law or in equity, including, without limitation, injunctive relief.

11. Sub Station II, along with its successors and assigns, is an intended third party beneficiary of the provisions of this Addendum.

12. Copies of any and all notices required or permitted hereby or by the Lease shall also be sent to Sub Station II at 1237 Gadsden Street, Suite 100, Columbia, South Carolina 29201 (Attn: President), or such other address as Sub Station II shall specify by written notice to Landlord.

13. Under the Franchise Agreement, any lease for the location of a Sub Station II Restaurant is a subject to Sub Station II's approval. Accordingly, the Lease is contingent upon such approval.

WITNESS the execution hereof under seal.

LANDLORD:	FRANCHISEE:
DATE: ___________________________	DATE: __________________________________
Subscribed and sworn to before me this ___ day of _______________, _____.	Subscribed and sworn to before me this ____ day of _____________, ____.
__________________________________ Notary Public	____ Notary Public
My Commission expires: ____________	My Commission expires: ___________________

EXHIBIT D

TABLE OF CONTENTS OF OPERATIONS MANUAL

Foundations Module

Team Member Module

Catering Module

Manager Module

Owner Module

EXHIBIT E

FINANCIAL STATEMENTS

SUB STATION II, INC.

FINANCIAL STATEMENTS

AUGUST 31, 2022

SUB STATION II, INC.

FINANCIAL STATEMENTS
YEARS ENDED AUGUST 31, 2022 AND 2021

TABLE OF CONTENTS

MAULDIN & JENKINS
CPAs & ADVISORS

INDEPENDENT AUDITOR'S REPORT

To the Shareholders
Sub Station II Inc.
Columbia, South Carolina

Opinion

We have audited the accompanying financial statements of **Sub Station II, Inc.** (a South Carolina corporation), which comprise the balance sheet as of August 31, 2022, and the related statements of income, changes in stockholders' equity, and cash flows for the year 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 Sub Station II, Inc. as of August 31, 2022, and the results of their operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit 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 Sub Station II, Inc. and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Other Matters – Predecessor Auditors

The financial statements of Substation II, Inc as of and for the year ended August 31, 2021, were audited by Shelly A. Lundberg, CPA (predecessor auditor), whose audit report dated January 26, 2022, expressed an unmodified opinion on those financial statements.

Responsibilities of Management for the Financial Statements

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

508 HAMPTON STREET, 1ST FLOOR • COLUMBIA, SOUTH CAROLINA 29201 • 803-799-5810 • FAX 803-799-5554 • www.mjcpa.com
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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 Sub Station II, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

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 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 Sub Station II, Inc.'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 Sub Station II, Inc.'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.

Mauldin & Jenkins, LLC

Columbia, South Carolina
March 16, 2023

SUB STATION II, INC.

BALANCE SHEETS
FOR YEARS ENDED AUGUST 31, 2022 AND 2021

	2022	2021
ASSETS		
Current Assets		
Cash and cash equivalents	$ **977,503**	$ 767,754
Investments	**291,949**	224,483
Depreciation and amortization	**127,682**	98,816
$10,000 for 2022 and 2021)		
Inventory	**94,943**	76,846
Prepaid income tax expense	**47,076**	21,035
Other receivable	**-**	75,810
Prepaid expenses	**-**	7,677
Total current assets	**1,539,153**	1,272,421
Property and Equipment		
Equipment and leasehold improvements	**666,764**	667,854
Less, accumulated depreciation	**398,263**	347,630
Net property and equipment	**268,501**	320,224
Other Assets		
Goodwill (net)	**-**	4,304
Total assets	**1,807,654**	1,596,949
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities		
Accounts payable	**56,033**	34,976
Current maturities of long-term debt	**10,561**	10,235
Accrued and withheld taxes	**680**	36,695
Accrued expenses	**52,810**	52,820
Income tax payable	**64,760**	1,608
Total current liabilities	**184,844**	136,334
Long-term Liabilities		
Notes payable, less current maturities and unamortized debt issuance costs	**18,488**	29,362
Deferred income tax	**22,400**	39,000
Total liabilities	**225,732**	204,696
Stockholders' Equity		
Common stock (10,000,000 shares no par value; authorized; 121,500 shares issued and outstanding)	**1,215**	1,215
Additional paid-in-capital	**2,396**	2,396
Retained earnings	**1,623,811**	1,434,142
Treasury stock	**(45,500)**	(45,500)
Total stockholders' equity	**1,581,922**	1,392,253
Total liabilities and stockholders' equity	$ **1,807,654**	$ 1,596,949

The accompanying notes are an integral part of these financial statements.

SUB STATION II, INC.

STATEMENTS OF INCOME
FOR YEARS ENDED AUGUST 31, 2022 AND 2021

	2022	2021
Sales		
Franchise sales	$ 25,000	$ 5,000
Royalties	867,003	776,769
Promotion allowances	322,274	221,404
Depreciation and amortization	1,954,107	1,847,999
Supply sales	55,425	56,500
Total net sales	3,223,809	2,907,672
Cost of Sales		
Beginning inventory	76,846	74,205
Purchases	829,129	743,299
Goods available for sale	905,975	817,504
Less: ending inventory	94,943	76,846
Total cost of sales	811,032	740,658
Gross Profit	2,412,777	2,167,014
General and administrative expenses	2,188,394	1,963,224
Operating income	224,383	203,790
Other income (expense)		
Loss on sale of fixed assets	(3,925)	(713)
Gain on sale of securities	2,491	827
Investment income	16,613	7,772
Other income	661	208,538
Penalties	(76)	(28)
Life insurance proceeds	(1,406)	-
Interest expense	(912)	-
Total other income	13,446	216,396
Net income before income taxes and cumulative effect adjustment	237,829	420,186
Current income tax expense	(64,760)	(37,573)
Deferred income tax expense	16,600	5,100
Net income	$ 189,669	$ 377,513

The accompanying notes are an integral part of these financial statements.

SUB STATION II, INC.

STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
FOR YEARS ENDED AUGUST 31, 2022 AND 2021

	Common Stock					
	Number of Shares Outstanding	Amount	Treasury Stock	Additional Paid-in Capital	Retained Earnings	Total Stockholders' Equity
Depreciation and ar	121,500	$ 1,215	$ (45,500)	$ 2,396	$ 1,056,629	$ 1,014,740
Net Income	-	-	-	-	377,513	377,513
August 31, 2021	121,500	1,215	(45,500)	2,396	1,434,142	1,392,253
Net Income	-	-	-	-	189,669	189,669
August 31, 2022	**121,500**	**$ 1,215**	**$ (45,500)**	**$ 2,396**	**$ 1,623,811**	**$ 1,581,922**

The accompanying notes are an integral part of these financial statements.

SUB STATION II, INC.

STATEMENTS OF CASH FLOWS
FOR YEARS ENDED AUGUST 31, 2022 AND 2021

	2022	2021
Cash Flows from Operating Activities		
Net income	**$ 189,669**	$ 377,513
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation and amortization	**68,695**	71,718
Deferred income taxes	**(16,600)**	5,100
Gain on sale of investments	**(2,491)**	(827)
Loss on sale of assets	**3,925**	713
(Increase) decrease in		
Accounts receivable	**(28,866)**	(80,490)
Inventory	**(18,097)**	(2,641)
Other receivable	**75,810**	-
Prepaid expenses	**7,677**	(21,035)
Income tax receivable	**(26,041)**	-
Other assets	**4,304**	50,716
Increase (decrease) in		
Accounts payable	**(25,180)**	13,041
Accrued withheld taxes and expenses	**10,210**	5,850
Income taxes payable	**63,152**	(34,014)
Net cash provided by operating activities	**306,167**	385,644
Cash Flows from Investing Activities		
Purchase of investments	**(169,507)**	(115,476)
Purchase of property and equipment	**(42,303)**	(73,550)
Proceeds from the sale of investments	**104,532**	12,466
Proceeds from the sale of property and equipment	**21,408**	9,500
Net cash used in investing activities	**(85,870)**	(167,060)
Cash Flows from Financing Activities		
Proceeds from issuance of long-term borrowings	**-**	22,678
Principal payments on long-term borrowings	**(10,548)**	(217,454)
Net cash used in financing activities	**(10,548)**	(194,776)
Net increase in cash and cash equivalents	**209,749**	23,808
Cash and Cash Equivalents		
Beginning	**767,754**	743,946
Ending	**$ 977,503**	$ 767,754
Supplemental Disclosures of Cash Flow Information		
Cash paid for interest	**$ 869**	$ -
Cash paid for income taxes	**$ -**	$ 91,789

The accompanying notes are an integral part of these financial statements.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations

Sub Station II, Inc. (the "Company") is a national franchiser of more than 40 sandwich shops located predominately in the southeastern United States. The Company was originally incorporated in South Carolina in 1975 and currently owns and operates three franchise stores. One store was closed during the year ended August 31, 2022.

Basis of Presentation

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

Trade Accounts Receivable

Trade accounts receivable is recorded net of an allowance for expected losses. The allowance is estimated from historical performance and projections of trends.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the dates of the financial statements and the reported amounts of expenses during the reporting periods. Actual results could differ from those estimates.

Inventories

The Company values its inventory at the lower of cost or market. The first in, first out (FIFO) method is used to determine cost.

Investments

Investments in marketable securities with readily determinable fair values and all investments in debt securities are valued at their fair values in the statement of financial position. Unrealized gains and losses are included in the change in net assets.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fair Value Measurements

The Company follows professional standards (Codification ASC 820) for measuring fair value under generally accepted principles. As defined in the professional standards, fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (exit price). The standards establish a fair-value hierarchy that prioritizes inputs to valuation techniques used to measure fair values. The hierarchy consists of three broad levels:

1. Level 1 - is comprised of inputs from unadjusted quoted price in active markets for identical assets and liabilities and has the highest priority.
2. Level 2 - is based upon observable inputs other than quoted market prices.
3. Level 3 - is based upon speculation from unobservable inputs.

Under professional standards (Codification ASC 825-10 Financial Instruments), an entity may make an irrevocable option to carry most financial assets and liabilities at fair value under Codification ASC 820. The Company did elect this option to carry other financial assets and liabilities at fair value.

Property and Equipment

The Company's property and equipment are stated at cost. Depreciation is provided using the straight-line method over the estimated useful lives of the assets.

Cash Equivalents

The Company considers all highly liquid debt instruments with an original maturity of one year or less to be cash equivalents. In addition, all amounts held by banks are insured by the Federal Deposit Insurance Corporation (FDIC).

Revenue Recognition

The Company's revenues consist of food sales by Company owned and operated restaurants and fees from franchised restaurants operated by conventional franchisees. Sales by Company owned and operated restaurants are recognized on cash basis. The Company presents sales net of sales tax and other sales related taxes. Revenues from conventional franchised restaurants include royalties and supplies based on a percentage of sales and initial fees. Continuing royalties and supplies are recognized in the period earned. Beginning with fiscal year ending August 31, 2021, the Company adopted ASU 2022-02 (Topic 606 2014-09) which allows a company to allocate some portion of the initial franchisee fee that is deemed to be part of pre-defined, pre-opening services distinct from the franchise license, enabling that portion of revenue to be recognized earlier than amortizing over the term of the franchise agreement.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Allowance for Bad Debt

The allowance for bad debts is calculated using the percentage of net sales method averaging several previous years.

Advertising Costs

The Company expenses advertising costs using the first time the advertising takes place method. This method allows advertising costs to be expensed the first time the advertising begins versus on a percentage of completion.

Income Tax Status

Income taxes are provided for the tax effects of transactions reported in the financial statements and consist of taxes currently due plus deferred taxes related primarily to differences between the basis of accumulated depreciation, accounts receivable, and contingent liabilities for financial and income tax reporting. The deferred tax assets and liabilities represent the future tax return consequences of those differences, which will either be taxable or deductible when assets and liabilities are recovered or settled. Deferred taxes are also recognized for operating losses that are available to offset future income tax returns.

NOTE 2. FAIR VALUE OF INVESTMENTS

Fair market measurements of investments as of August 31, 2022 and 2021 were as follows:

	2022			
	Level 1	**Level 2**	**Level 3**	**Total**
Publicly traded securities held in brokerage account	**$ 291,949**	**$ -**	**$ -**	**$ 291,949**
Cost		**$ 291,949**		
Unrealized gain (loss)		**(12,798)**		
Market value		**$ 279,151**		

	2021			
	Level 1	Level 2	Level 3	Total
Publicly traded securities held in brokerage account	$ 224,483	$ -	$ -	$ 224,483
Cost		$ 224,483		
Unrealized gain (loss)		28,150		
Market value		$ 252,633		

NOTE 3. EQUIPMENT, LEASEHOLD, AND GOODWILL

It is the Company's policy to capitalize equipment over $1,500. Lesser amounts are expensed. Depreciation expense is provided on a straight-line basis over the estimated useful lives of the respective assets. Goodwill is amortized over fifteen years. Depreciation in the amount of $68,695 and $71,719 and amortization in the amount of $0 and $333 has been recorded for the twelve months ended August 31, 2022 and 2021, respectively, using the straight-line method. The following is a summary of equipment, furniture, vehicles, and leasehold improvements as of August 31, 2022 and 2021:

	2022	2021
Equipment and signs	**$ 198,705**	$ 227,540
Office furniture	**13,058**	13,057
Vehicles	**160,355**	122,611
Leasehold improvements	**294,646**	304,646
	666,764	667,854
Less: accumulated depreciation	**(398,263)**	(347,630)
Net property and equipment	**$ 268,501**	$ 320,224

NOTE 4. NOTES PAYABLE

The Company had the following notes payable at August 31, 2022 and 2021:

	2022	2021
$22,678 note payable to financial institution secured by a vehicle, payable in monthly installments of $315, no interest, beginning February 2021 through January 2024.	**$ 12,670**	$ 19,124
$26,445 note payable to financial institution secured by a vehicle, payable in monthly installments of $610, including interest at 4.99%, beginning September 2020 through August 2024.	**16,379**	20,473
Total notes payable	**29,049**	39,597
Less: current portion	**(10,561)**	(10,235)
Total long-term portion	**$ 18,488**	$ 29,362

The following is a schedule of future debt payments at August 31, 2022:

2023	$ 10,561
2024	9,669
2025	3,780
2026	3,780
2027 & beyond	1,259
	$ 29,049

NOTE 5. PROFIT SHARING PLAN

The Company offers its employees a profit-sharing plan. An employee becomes eligible upon attaining the age of 21 and working at least 1,000 hours. The Company matches employee contributions up to 5% of salary, of which the employee must contribute to receive this match. Additionally, at year end, the Company optionally can further contribute up to 3% of the eligible employee's salary even if the employee did not make contributions. For the fiscal years ending August 31, 2022 and 2021, the Company matches totaled $22,423 and $20,601, respectively.

NOTE 6. INCOME TAX PROVISION

The provision (benefit) for income taxes at August 31, 2022 and 2021 consists of the following:

	2022	2021
Current	**$ 64,760**	$ 37,573
Deferred	**(16,600)**	(5,100)
Total income tax expense (benefit)	**$ 48,160**	$ 32,473

NOTE 7. DESCRIPTION OF LEASING ARRANGEMENTS

The Company leases office space as well buildings for its stores. The lease agreements provide for minimum lease payments and certain renewal options. The Company also leases office equipment. The following is a schedule of future operating lease payments as of August 31, 2022, under the current agreements in force:

2023	$ 104,052
2024	3,845
2025	-
2026	-
2027 and beyond	-
	$ 107,897

Rent expense totaled $221,941 and $201,180 for the fiscal years ended August 31, 2022 and 2021, respectively.

NOTE 8. ADVERTISING EXPENSES

The Company advertises through various media such as yellow pages, website, newspaper, promotional supplies, and radio. The total amount paid for advertising during the fiscal years ended August 31, 2022 and 2021 was $197,335 and $141,539, respectively.

NOTE 9. CONCENTRATION OF CREDIT RISK

The Company has a potential concentration of credit risk in that it maintains deposits at Synovus Bank, which, currently, are in excess of amounts insured by the FDIC. The FDIC insures up to $250,000 per FEIN per bank. At August 31, 2022 and 2021, the uninsured balances before deposits in transit and outstanding checks were $464,408 and $349,892, respectively.

NOTE 10. INCOME TAXES

While the Company has not been informed by the IRS of any year being under review, forms 1120 are open for fiscal years ended 2022, 2021, and 2020. The normal statute of limitations expires three years after returns are filed. Management believes the Company's tax reporting policies are in accordance with Internal Revenue Service regulations.

NOTE 11. FRANCHISE REVENUE AND UNIT INFORMATION

In referencing Note 1, the Company is a national franchisor of sandwich shops. Franchisees pay the Company a fee for the right to open a Sub Station II store, which is payable in advance. Franchisees must also pay the Company monthly royalties based upon a percentage of the store's monthly sales (currently 5%). This fee is due in full monthly by the 20th of the following month. As of August 31, 2022, there were thirty-six (36) franchise stores and three (3) corporate-owned stores. During the fiscal year ending August 31, 2022, one (1) franchise was purchased but had not yet begun operations.

NOTE 12. UPCOMING ACCOUNTING PRONOUNCEMENTS

In February 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2016-02, *Leases (Topic 842).* The guidance in this ASU supersedes the leasing guidance in Topic 840, *Leases*. Under the new guidance, lessees are required to recognize lease assets and lease liabilities on the statement of financial position for all leases with terms longer than twelve (12) months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the statements of activities. The new standard is effective for the Company for the year ending August 31, 2022. The Company has evaluated the anticipated effect the provisions of ASU 2016-02 will have on the financial statements and expects there to be no material impact.

NOTE 13. SUBSEQUENT EVENTS

Management has evaluated subsequent events through March 16, 2023, the date on which the financial statements were available to be issued.

SUB STATION II, INC.

FINANCIAL STATEMENTS

August 31, 2021 and 2020

CONTENTS

Shelly A. Lundberg

Certified Public Accountant

2630-B Hardee Cove
Sumter, South Carolina 29150

Office : (803) 469-7300
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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
and Shareholders of:
Sub Station II, Inc.

We have audited the accompanying balance sheets of Sub Station II, Inc. (a corporation) as of August 31, 2021 and 2020 and the related statements of income, changes in stockholder's equity, cash flows, and the related notes to the financial statements for the years then ended.

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 my audit. We conducted our audit in accordance with the 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 of 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 Sub Station II, Inc. as of August 31, 2021 and 2020, and the results of its operations and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matter
Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedules of income and expenses on pages 16 through 18 are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Sally A. Lindberg

Sumter, South Carolina
January 26, 2022

SUB STATION II, INC.
BALANCE SHEET
AUGUST 31, 2021 and 2020

Assets

Current Assets	2021	2020
Cash and Cash Equivalents	$ 767,754	$ 743,946
Investments (Note 2)	224,483	120,646
Accounts Receivable net of allowance for doubtful accts of $10,000 for 2021 & $1,000 for 2020	98,816	94,136
Inventory (Note 1)	76,846	74,205
Income Tax Receivable	21,035	-0-
Other Receivable	75,810	-0-
Prepaid Expenses	7,677	7,677
	$ 1,272,421	$ 1,040,610
Property and Equipment		
Equipment and Leasehold (Net Note 3)	$ 320,224	$ 328,606
Other Assets		
Cash Surrender Value-Life Insurance (Note 6)	$ -0-	$ 37,356
Goodwill (Net Note 3)	4,304	4,637
Loans to Principals (Note 5)	-0-	13,027
	$ 4,304	$ 55,020
Total Assets	$ 1,596,949	$ 1,424,236

The accompanying notes are an integral part of this statement.

SUB STATION II, INC.
BALANCE SHEET
AUGUST 31, 2021 and 2020

Liabilities and Equity

	2021	2020
Current Liabilities		
Accounts Payable	$ 34,976	$ 43,315
Accrued and Withheld Taxes	36,695	30,845
Accrued Expenses-Current	52,820	31,442
Current Portion of Long Term Debt (Note 4)	10,235	214,068
Income Taxes Payable	1,608	35,622
Total Current Liabilities	$ 136,334	$ 355,292
Long-Term Liabilities		
Non-Current Portion of Long-Term Debt (Note 4)	$ 29,362	$ 20,304
Deferred Income Tax (Note 9)	39,000	33,900
Total Long Term Liabilities	$ 68,362	$ 54,204
Stockholder's Equity		
Common Stock – no par value-10,000,000 shares authorized: .01 par value, 121,500 shares issued and outstanding	$ 1,215	$ 1,215
Additional Paid In Capital	2,396	2,396
Treasury Stock	(45,500)	(45,500)
Retained Earnings	1,434,142	1,056,629
Total Stockholder's Equity	$1,392,253	$1,014,740
Total Liabilities and Equity	$1,596,949	$1,424,236

The accompanying notes are an integral part of this statement.

SUB STATION II, INC.
STATEMENT OF INCOME
For Years Ended August 31, 2021 and 2020

	2021	2020
Net Revenue	$ 2,907,672	$ 2,622,206
Cost of Sales	740,658	656,151
Gross Profit	2,167,014	1,966,055
General and Administrative Expenses	1,963,224	1,813,111
Operating Income (Loss)	203,790	152,944
Other Income (Expense)	216,396	6,417
Income (Loss) before income taxes and cumulative effect adjustment	420,186	159,361
Income Taxes		
Current Expense	(37,573)	(41,879)
Deferred Expense (Note 9)	(5,100)	(1,900)
Total Income Tax Provision	(42,673)	(43,779)
Net Income (Loss)	$ 377,513	$ 115,582

The accompanying notes are an integral part of this statement.

SUB STATION II, INC.
STATEMENT OF CHANGES IN STOCKHOLDER'S EQUITY
For Years Ended, August 31, 2021 and 2020

	Capital Stock Outstanding, Common					
	No. of Shares	Amount	Paid In Capital	Treasury Stock	Retained Earnings	Total
Balance, August 31, 2019	114,500	$ 1,215	$ 2,396	$(45,500)	$ 941,047	$ 899,158
Net Income (Loss)					115,582	115,582
Dividends Paid						
Treasury Stock (re-purchase)						
Issuance of Common Stock						
Balance, August 31, 2020	114,500	$ 1,215	$ 2,396	$(45,500)	$ 1,056,629	$ 1,014,740
Net Income (Loss)					377,513	377,513
Dividends Paid						
Treasury Stock (re-purchase)						
Issuance of Common Stock						
Balance, August 31, 2021	114,500	$ 1,215	$ 2,396	$(45,500)	$ 1,434,142	$ 1,392,253

The accompanying notes are an integral part of this statement.

SUB STATION II, INC.
STATEMENT OF CASH FLOWS
For Years Ended, August 31, 2021 and 2020

	2021	2020
Cash Flow from Operating Activities:		
Net Income	$ 377,513	$ 115,582
Adjustments to reconcile net income to net cash provided (used) by operating activities:		
Depreciation and amortization	$ 71,718	$ 67,816
(Gain) Loss on sale of investments	(827)	(190)
(Gain) Loss on sale of assets	713	-0-
(Increase)Decrease in Accounts Receivable	(80,490)	3,841
(Increase) Decrease in Inventory	(2,641)	(14,561)
(Increase) Decrease in prepaid taxes	(21,035)	6,242
(Increase) Decrease in other assets	50,716	(770)
(Decrease)Increase in accounts payable	13,041	(1,390)
(Decrease)Increase in accrued taxes and expenses	5,850	(12,416)
(Decrease)Increase in taxes payable	(34,014)	35,513
(Increase)Decrease in deferred taxes	5,100	1,900
Total Adjustments	8,131	85,985
Net cash (used in) provided by operating activities	$ 385,644	$ 201,567
Cash Flows from Investing Activities:		
Purchase of Investments	$(115,476)	$(20,019)
Purchase of fixed assets	(73,550)	(28,445)
Proceeds from sale of investments	12,466	14,772
Proceeds from sale of fixed assets	9,500	2,000
Net cash (used in) provided by investing activities	$(167,060)	$(31,692)
Cash Flows from Financing Activities:		
Principal payments under long-term debt agreements	$(217,454)	$ -0-
Proceeds from issuance of long term debt	22,678	234,372
Net cash (used in) provided by financing activities	$(194,776)	$ 234,372
Net Change in Cash	$ 23,808	$ 404,247
Cash at Beginning of Year	743,946	339,699
Cash at End of Year	$ 767,754	$ 743,946
Supplemental disclosures of cash flow information:		
Cash paid during year for:		
Interest	$ -0-	$ -0-
Income Taxes	91,789	-0-
Advertising	141,539	131,924

The accompanying notes are an integral part of this statement.

SUB STATION II, INC.
NOTES TO FINANCIAL STATEMENTS
For Years Ended, August 31, 2021 and 2020

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations
The Company is a national franchiser of more than 40 sandwich shops located predominately in the southeastern United States. The Company was originally incorporated in South Carolina in 1975 and currently owns and operates four franchise stores.

Basis of Presentation
The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

Trade Accounts Receivable
Trade accounts receivable is recorded net of an allowance for expected losses. The allowance is estimated from historical performance and projections of trends.

Use of Estimates
The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the dates of the financial statements and the reported amounts of expenses during the reporting periods. Actual results could differ from those estimates.

Inventories
The Company values its inventory at the lower of cost or market. The FIFO (first in, first out) method is used to determine cost.

INVESTMENTS
Investments in marketable securities with readily determinable fair values and all investments in debt securities are valued at their fair values in the statement of financial position. Unrealized gains and losses are included in the change in net assets.

FAIR VALUE MEASUREMENTS
The Organization follows professional standards (Codification ASC 820) for measuring fair value under generally accepted principles. As defined in the professional standards, fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (exit price). The standards establish a fair-value hierarchy that prioritizes inputs to valuation techniques used to measure fair values. The hierarchy consists of three broad levels:

1. Level 1 - is comprised of inputs from unadjusted quoted price in active markets for identical assets and liabilities and has the highest priority.
2. Level 2 - is based upon observable inputs other than quoted market prices.
3. Level 3 - is based upon speculation from unobservable inputs.

Under professional standards (Codification ASC 825-10 Financial Instruments), an entity may make an irrevocable option to carry most financial assets and liabilities at fair value under Codification ASC 820. The Organization did elect this option to carry other financial assets and liabilities at fair value.

Property and Equipment
The Company's property and equipment are stated at cost. Depreciation is provided using the straight-line method over the estimated useful lives of the assets.

Cash Equivalents
The Company considers all highly liquid debt instruments with an original maturity of one year or less to be cash equivalents. In addition, all amounts held by banks are insured by the Federal Deposit Insurance Corporation (FDIC).

Revenue Recognition

The Company's revenues consist of food sales by Company owned and operated restaurants and fees from franchised restaurants operated by conventional franchisees. Sales by Company owned and operated restaurants are recognized on cash basis. The Company presents sales net of sales tax and other sales related taxes. Revenues from conventional franchised restaurants include royalties and supplies based on a percentage of sales and initial fees. Continuing royalties and supplies are recognized in the period earned. Beginning with fiscal year ending 8/31/21, the Company adopted ASU 2021-02 (Topic 606 2014-09) which allows a company to allocate some portion of the initial franchisee fee that is deemed to be part of pre-defined, pre-opening services distinct from the franchise license, enabling that portion of revenue to be recognized earlier than amortizing over the term of the franchise agreement.

Allowance for Bad Debt

The allowance for bad debts is calculated using the percentage of net sales method averaging several previous years.

Advertising Costs

Sub Station II, Inc. expenses advertising costs using the first-time-the-advertising-takes-place method. This method allows advertising costs to be expensed the first time the advertising begins versus on a percentage of completion.

Income Tax Status

Income taxes are provided for the tax effects of transactions reported in the financial statements and consist of taxes currently due plus deferred taxes related primarily to differences between the basis of accumulated depreciation, accounts receivable, and contingent liabilities for financial and income tax reporting. The deferred tax assets and liabilities represent the future tax return consequences of those differences, which will either be taxable or deductible when assets and liabilities are recovered or settled. Deferred taxes are also recognized for operating losses that are available to offset future income tax returns.

Subsequent Events

Subsequent events are events or transactions that occur after the balance sheet date but before the financial statements are issued or are available to be issued. There are two types of subsequent events:

1. Recognized subsequent events are events or transactions that provide additional evidence about conditions that existed at the date of the balance sheet, including the estimates inherent in the process of preparing financial statements. Recognized subsequent events generally result in the retroactive adjustment of the related amounts recorded in the financial statements.
2. Non-recognized subsequent events consist of events or transactions that provide evidence about conditions that did not exist at the date of the balance sheet but arose subsequent to that date. Non-recognized subsequent events do not generally result in changes in amounts recorded, but are reported in footnote disclosures, if significant.

The financial statements are considered available to be issued when they are complete in a form and format that complies with GAAP and all approvals necessary for issuance have been obtained from management and others charged with governance. Management evaluates all significant subsequent events from the balance sheet date through the date that the financial statements are available to be issued.

NOTE 2 – FAIR VALUE OF INVESTMENTS

Fair market measurements of investments as of August 31, 2021 and 2020 were as follows:

		Level 1	Level 2	Level 3	Total
2021	Publicly traded securities Held in brokerage account	$ 224,483	$ -0-	$ -0-	$ 224,483
		Level 1	Level 2	Level 3	Total
2020	Publicly traded securities Held in brokerage account	$ 120,646	$ -0-	$ -0-	$ 120,646

	2021	2020
Cost	$ 224,483	$ 120,646
Unrealized Gain (Loss)	28,150	7,685
Market Value	$ 252,633	$ 128,331

NOTE 3 – EQUIPMENT, LEASEHOLD, AND GOODWILL

It is the Company's policy to capitalize equipment over $1,500. Lesser amounts are expensed. Depreciation expense is provided on a straight- line basis over the estimated useful lives of the respective assets while Goodwill is amortized over fifteen years. Depreciation in the amount of $ 71,719 and $ 67,483 and amortization in the amount of $ 333 and $ 333 has been recorded for the twelve months ended August 31, 2021 and 2020 respectively, using the straight line method. The following is a summary of furniture, equipment, and vehicles as of August, 2021 and 2020:

	2021	2020
Equipment and Signs	$ 227,540	$ 227,540
Office Furniture	13,057	13,057
Vehicles	122,611	134,017
Leasehold Improvements	304,646	304,646
	$ 667,854	$ 679,260
Less: accumulated depreciation	(347,630)	(350,654)
Net Property and Equipment	$ 320,224	$ 328,606
Goodwill	$ 5,000	$ 5,000
Less: accumulated amortization	(696)	(363)
Net Goodwill	$ 4,304	$ 4,637

NOTE 4 – NOTES PAYABLE

The Company had the following notes payable at 08/31:

	2021	2020
$ 22,678 note payable to financial institution secured by a vehicle, payable in monthly installments of $ 315, no interest beginning February 2021 through January 2024.	$ 19,124	$ 26,445
$ 207,927 note payable to the Small Business Administration, unsecured, payable in monthly installments of $ 11,643, including interest at 1.00% beginning August 2021 through January 2023.****	$ -0-	$ 207,927
$ 26,445 note payable to financial institution secured by a vehicle, payable in monthly installments of $ 610, including interest at 4.99% beginning September 2020 through August 2024.	$ 20,473	$ 26,445
Total Notes Payable	$ 39,597	$ 234,372
Less: Current Portion	(10,235)	(214,068)
Total Long-Term Portion	$ 29,362	$ 20,304

The following is a schedule of future debt payments at 08/31:

2022	10,234
2023	10,564
2024	9,664
2025	3,780
2026 & beyond	5,355
	$ 39,597

NOTE 4-CONTINUED

**** - this loan derived from the Paycheck Protection Program (PPP) from the federal government in response to the COVID pandemic in early 2020. These loans may be forgiven if the proceeds were used in accordance to the terms (payroll, rent, and certain utilities) within a specified time frame. The forgiveness process has had numerous changes and complications resulting in delays in receiving such decisions. The Company received notification that it was forgiven on 8/18/21 therefore, it was recognized as revenue in the fiscal year ending 8/31/21.

NOTE 5 – RELATED PARTY TRANSACTIONS

The Company loaned $15,000 to a related party during the fiscal year ending 8/31/18. The terms of the note were that the loan will be paid within a one year period with interest stated at 6%. Payments are to be made monthly until paid in full. The loan was paid in full as of 8/31/21.

NOTE 6 – LIFE INSURANCE

The company is the beneficiary of several life insurance policies on its officers and shareholders yet only one had accrued a cash surrender value. That policy was cashed in and cancelled during the fiscal year ending 8/31/2/1 therefore, there is no longer a cash surrender value balance.

NOTE 7 – PROFIT SHARING PLAN

The company offers its employees a profit-sharing plan. An employee becomes eligible upon attaining the age of 21 and working at least 1,000 hours. The company matches employee contributions up to 5% of salary, of which the employee must contribute to receive this match. Additionally, at year end, the company optionally can further contribute up to 3% of the eligible employee's salary even if the employee did not make contributions. For the fiscal years ending August 31, 2021 and 2020, company matches totaled $ 20,601 and $ 11,469 respectively.

NOTE 8 – REVOLVING LINES OF CREDIT

The company has an open line of credit of $75,000 with a financial institution collateralized by equipment and is available for use through December 2022. As of the date of this report, there was no balance due.

NOTE 9 – INCOME TAX PROVISION

The provision (benefit) for income taxes at August 31, 2021 and 2020 consists of the following:

	2021	2020
Current	$ 37,573	$ 41,879
Deferred	5,100	1,900
Total income tax expense (benefit)	$ 42,673	$ 43,779

NOTE 10 – DESCRIPTION OF LEASING ARRANGEMENTS

The Company leases office space as well buildings for its stores. The lease agreements provide for minimum lease payments and certain renewal options. The company also leases office equipment. The following is a schedule of future operating lease payments as of 8/31/21 under the current agreements in force:

2022	$ 154,141
2023	104,052
2024	3,845
2025	-0-
2026 and beyond	-0-
	$ 262,038

Rent expense totaled $ 201,180 and $ 179,617 for fiscal years ended August 31, 2021 and 2020, respectively.

NOTE 11 – ADVERTISING EXPENSES
Sub Station II, Inc. advertises through various media such as yellow pages, website, newspaper, promotional supplies, and radio. The total amount paid for advertising during the fiscal years ended August 31, 2021 and 2020 were $ 141,539 and $ 131,924, respectively.

NOTE 12 – CONCENTRATION OF CREDIT RISK
The Company has a potential concentration of credit risk in that it maintains deposits at the Bank of America, which, currently, are in excess of amounts insured by the FDIC. The FDIC insures up to $250,000 per FEIN per bank. At August 31, 2021 and 2020, the uninsured balances before deposits in transit and outstanding checks were $349,892 and $224,887 respectively.

NOTE 13 – INCOME TAXES
While the company has not been informed by the IRS of any year being under review, forms 1120 are open for fiscal years ended 2021 2020, and 2019. The normal statute of limitations expires three years after returns are filed. Management believes the company's tax reporting policies are in accordance with Internal Revenue Service regulations.

NOTE 14 – FRANCHISE REVENUE AND UNIT INFORMATION
In referencing NOTE 1, the Company is a national franchisor of sandwich shops. Franchisees pay the company a fee for the right to open a Sub Station II store, which is payable in advance. Franchisees must also pay the company monthly royalties based upon a percentage of the store's monthly sales (currently 5%). This fee is due in full monthly by the 20th of the following month. As of 8/31/21, there were thirty-six franchise stores and four corporate-owned stores. During the fiscal year ending 8/31/21, one franchise was purchased but had not yet begun operations.

NOTE 15 – UPCOMING ACCOUNTING PRONOUNCEMENTS

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers* (Topic 606), which is a comprehensive new revenue recognition standard that supersedes existing revenue recognition guidance. The core principle of the guidance is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. FASB issued ASU 2014-14 that deferred the effective date for the Company until annual periods beginning after December 15, 2019.

For the fiscal year ending 8/31/21, the Company adopted ASU 2021-02 (with 952-606) that allows a company to allocate certain pre-defined, preopening services as distinct from the franchise license, enabling some portion of the initial franchise fee to be recognized earlier instead of amortizing over the term of the franchise agreement. For fiscal year ending 8/31/21, the amounts included for franchise fees were non-refundable, fell under ASU 2021-02, and had no material impact on these financial statements.

In February 2016, the FASB issued ASU No. 2016-02, *Leases* (Topic 842). The guidance in this ASU supersedes the leasing guidance in Topic 840, *Leases*. Under the new guidance, lessees are required to recognize lease assets and lease liabilities on the statement of financial position for all leases with terms longer than 12 months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the statements of activities. The new standard is effective for the Company for the year ending August 31, 2022. The Company has evaluated the anticipated effect the provisions of ASU 2016-02 will have on the financial statements and expects there to be no material impact.

NOTE 16 – SUBSEQUENT EVENTS
Management has evaluated subsequent events through January 26, 2022, the date on which the financial statements were available to be issued.

NOTE 16 – SUBSEQUENT EVENTS (Cont'd)

Overall Risk to Operations

Since March 2020, the spread of COVID-19 has severely impacted many local economies around the globe. In many countries, businesses are being forced to cease or limit operations for long or indefinite periods of time. Measures taken to contain the spread of the virus, including travel bans, quarantines, social distancing, closures of non-essential services, and shortages of labor and product have triggered significant disruptions to businesses worldwide, resulting in an economic slowdown. Global stock markets have also experienced great volatility and a significant weakening. Governments and central banks have responded with monetary and fiscal interventions to stabilize economic conditions.

The Company has determined that these events are non-adjusting subsequent events. Accordingly, the financial position and results of operations as of and for the years ended 8/31/21 and 8/31/20 have not been adjusted to reflect their impact. The duration and impact of the COVID-19 pandemic, as well as the effectiveness of government and central bank responses, remains unclear at this time. It is not possible to reliably estimate the duration and severity of these consequences, as well as their impact on the financial position and results of the Company for future periods.

SUPPLEMENTAL INFORMATION

SUB STATION II, INC.
SCHEDULE OF INCOME
For Years Ended August 31, 2021 and 2020

	2021	2020
Sales		
Franchise Sales	$ 5,000	$ -0-
Royalties	776,769	695,431
Promotion Allowances	221,404	281,331
Food Sales	1,847,999	1,603,883
Supply Sales	56,500	41,561
Total Net Sales	$ 2,907,672	$ 2,622,206
Cost of Sales		
Beginning Inventory	$ 74,205	$ 59,644
Purchases	743,299	670,712
Goods Available for Sale	817,504	730,356
Less: Ending Inventory	(76,846)	(74,205)
Total Cost of Sales	$ 740,658	$ 656,151
Gross Profit	$ 2,167,014	$ 1,966,055

See Independent Auditor's Report.

SUB STATION II, INC.
SCHEDULE OF EXPENSES
For the fiscal years ended August 31, 2021 and 2020

	2021	2020
General and Administrative Expenses		
Salaries and wages	$ 954,694	$ 852,706
Employee expenses	42,243	-0-
Rents	201,180	179,617
Repairs	38,123	32,758
Contributions	2,983	7,025
Depreciation and amortization	72,052	67,816
Advertising and promotion	141,539	131,924
Bad debt expense	275	-0-
Bank fees	2,075	6,055
Profit-sharing plan	19,642	24,580
Telephone and utilities	67,341	71,825
Travel and entertainment	19,173	27,316
Professional fees	37,317	43,409
Supplies	40,985	44,985
Freight and postage	21,228	20,817
Insurance	24,578	77,039
Dues and subscriptions	4,850	9,918
Taxes and licenses	101,411	96,529
Miscellaneous	525	1,057
Contract labor and services	14,634	13,281
Convention expense	51,537	14,009
Royalties	104,839	90,445
Total General and Administrative Expense	$ 1,963,224	$ 1,813,111
Other Income (Expense)		
Gain on Sale of Fixed Assets	$(713)	$ 1,802
Gain (Loss) on Sale of Securities	827	(1,612)
Investment Income	7,772	6,603
Other Income	208,538	-0-
Penalties	(28)	(376)
Total Other Income (Expense)	$ 216,396	$ 6,417

See Independent Auditor's Report.

UNAUDITED FINANCIAL STATEMENTS

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

Sub Station II, Inc.
Balance Sheet
As of December 31, 2022

		Dec 31, 22
ASSETS		
Current Assets		
Checking/Savings		
1001 · Cash on Hand - Lex		493.00
1003 · Cash on Hand - Shaw		940.00
1005 · Cash on Hand - Lex Augusta		350.00
1010 · Synovus - Corporate		635,932.31
1020 · Synovus - BF		54,408.99
1030 · Synovus - Shaw		81,793.95
1040 · Synovus - Saluda		112,226.71
1050 · Synovus - Augusta		75,294.04
1060 · Synovus - 5 Pts		7,268.26
Total Checking/Savings		968,707.26
Accounts Receivable		
1200 · Total Accounts Receivable		
1220 · Supplies Receivable	10,338.76	
1230 · Royalties Receivable	152,918.55	
Total 1200 · Total Accounts Receivable		163,257.31
Total Accounts Receivable		163,257.31
Other Current Assets		
1300-01 · Inventory 01		54,916.07
1300-03 · Inventory 03		13,911.55
1300-07 · Inventory 07		13,028.02
1300-09 · Inventory 09		12,407.78
1350 · Reserve for Bad Debts		-10,000.00
1410 · Prepaid Corp Tax - Federal		40,076.00
1420 · Prepaid Corp Tax - SC		7,000.00
Total Other Current Assets		131,339.42
Total Current Assets		1,263,303.99
Fixed Assets		
1510-01 · Signs & Equipment 01		7,904.76
1510-03 · Signs & Equipment 03		56,782.40
1510-07 · Signs & Equipment 07		73,396.82
1510-09 · Signs & Equipment 09		43,558.48
1520-01 · Furniture & Equipment 01		8,218.80
1520-03 · Furniture & Equipment 03		2,542.36
1520-09 · Furniture & Equipment 09		2,296.83
1530-01 · Data Processing Equipment 01		2,604.48
1530-03 · Data Processing Equipment 03		14,458.81
1540-03 · Leasehold Improvements 03		65,557.62
1540-07 · Leasehold Improvements 07		195,132.00
1540-09 · Leasehold Improvements 09		33,956.00
1570-01 · Autos 01		160,355.00
1591 · Accumulated Depreciation 01		-74,432.19
1593 · Accumulated Depreciation 03		-126,022.02
1597 · Accumulated Depreciation 07		-156,745.16
1598 · Accumulated Depreciation 09		-41,063.68
Total Fixed Assets		268,501.31
Other Assets		
1900 · LPL 0272		141,991.29
1910 · LPL 2042		149,483.35
Total Other Assets		291,474.64
TOTAL ASSETS		**1,823,279.94**
LIABILITIES & EQUITY		
Liabilities		
Current Liabilities		

Sub Station II, Inc.
Balance Sheet
As of December 31, 2022

		Dec 31, 22
Accounts Payable		
2000 · Accounts Payable		9,295.73
Total Accounts Payable		9,295.73
Credit Cards		
2010 · Chase Visa Credit Card		
0780 · 0780 Justin	90.66	
0934 · 0934 Alison	2,432.81	
1433 · 1433 Ryan	264.36	
1639 · 1639 John	696.42	
5364 · 5364 Sandi	4,887.63	
5971 · 5971 Brandon	254.05	
9802 · 9802 Jerry	646.27	
Total 2010 · Chase Visa Credit Card		9,272.20
2020 · Sams Club Credit Card		717.58
2030 · Amex Business Credit Card		424.10
2040 · Marriott Visa SO Card		223.33
Total Credit Cards		10,637.21
Other Current Liabilities		
2110 · Direct Deposit Liabilities		-181.88
2140 · FUTA		252.83
2150 · SUTA		733.09
2170 · Profit Sharing Contribution		-2,881.77
2180 · Accrued Wages Payable		10,997.52
2190 · Accrue 2010 Y/E Audit Exp		15,500.00
2200-01 · Sales Tax Payable 01		318.77
2200-03 · Sales Tax Payable 03		
2210-03 · Local Sales Tax Payable 03	883.26	
2200-03 · Sales Tax Payable 03 - Other	2,649.72	
Total 2200-03 · Sales Tax Payable 03		3,532.98
2200-07 · Sales Tax Payable 07		
2210-07 · Local Sale Tax Payable 07	597.00	
2200-07 · Sales Tax Payable 07 - Other	3,581.97	
Total 2200-07 · Sales Tax Payable 07		4,178.97
2200-09 · Sales Tax Payable 09		
2210-09 · Local Sales Tax Payable 09	360.16	
2200-09 · Sales Tax Payable 09 - Other	2,160.99	
Total 2200-09 · Sales Tax Payable 09		2,521.15
2220-03 · Hospitality Tax Payable 03		883.24
2220-07 · Hospitality Tax Payable 07		1,233.55
2270 · Federal Income Tax Payable		40,000.00
2280 · SC Income Tax Payable		6,960.00
24000 · Payroll Liabilities		3,622.77
Total Other Current Liabilities		87,671.22
Total Current Liabilities		107,604.16
Long Term Liabilities		
2310 · N/P 2019 Acadia		9,361.08
2320 · N/P 2020 Envision		15,433.69
2370 · Gift Card - Brand Fund		-819.71
2380 · Deferred Fed I/T - Non Current		21,500.00
2390 · Deferred State I/T- Non Current		900.00
Total Long Term Liabilities		46,375.06
Total Liabilities		153,979.22

Sub Station II, Inc.
Balance Sheet
As of December 31, 2022

	Dec 31, 22
Equity	
3100 · Capital Stock	1,215.00
3110 · Paid In Capital	2,396.00
3120 · Treasury Stock	-45,500.00
3200 · Retained Earnings	1,626,363.28
Net Income	84,826.44
Total Equity	1,669,300.72
TOTAL LIABILITIES & EQUITY	**1,823,279.94**

Sub Station II, Inc.
Income Statement
September through December 2022

		Sep - Dec 22
Ordinary Income/Expense		
Income		
MISC INCOME		5.00
1083 · SSII Brand Fund		14,071.90
4000 · Sub Stat II Food Sales		603,303.82
4010 · Royalty Income		296,292.83
4020 · Supplies Sales		21,437.56
4030 · Promotion Allowances		77,713.01
4050 · Nontaxable Food Sales		34,312.42
4060 · Sales Tax Discount		966.32
4080 · Tips In		30,691.52
4090 · Tips Out		-29,088.85
Total Income		1,049,705.53
Cost of Goods Sold		
50000 · Cost of Goods Sold		
5010 · Food Purchases	243,373.48	
5020 · Non Food Purchases	35,721.25	
50000 · Cost of Goods Sold - Other	19,364.61	
Total 50000 · Cost of Goods Sold		298,459.34
Total COGS		298,459.34
Gross Profit		751,246.19
Expense		
Over Short Cash		812.70
6005 · Accounting & Audit		17,093.96
6040 · Bank & Processing Fees		20,873.75
6060 · Computer Supplies		1,986.89
6070 · Contract Labor		300.52
6080 · Charitable Contributions		4,515.01
6100 · Copier		695.88
6130 · Freight & Postage		6,933.10
6140 · Gas		5,306.30
6160 · Insurance		
6030 · Auto Insurance	16,616.13	
6150 · Group Insurance	17,556.50	
6160 · Insurance - Other	12,355.59	
Total 6160 · Insurance		46,528.22
6170 · Legal Fees		1,813.00
6175 · Meals		3,811.61
6180 · Memberships/Dues/Sponsors		324.00
6190 · Miscellaneous		350.00
6210 · Operating Supplies		12,821.97
6215 · Training / Education Expense		422.00
6220 · Other Taxes & Licenses		1,132.71
6230 · Payroll Taxes		28,259.12
6240 · Penalties		72.84
6255 · Profit Sharing Plan		317.50
6260 · Profit Sharing Expense		
2175 · Safe Harbor Profit Sharing	0.00	
6260 · Profit Sharing Expense - Other	8,655.26	
Total 6260 · Profit Sharing Expense		8,655.26
6270 · Property Taxes		1,942.83
6280 · Promotions		
6020 · Advertising	9,443.93	
6280 · Promotions - Other	34,798.34	
Total 6280 · Promotions		44,242.27
6290 · Rent Expense		50,227.86
6295 · Repair & Maint		

Sub Station II, Inc.
Income Statement
September through December 2022

		Sep - Dec 22
6300 · Repair & Maint - Auto	1,758.89	
6310 · Repair & Maint - Bldgs	8,474.43	
6320 · Repair & Maint - Equip	1,336.37	
Total 6295 · Repair & Maint		11,569.69
6330 · Royalties		33,441.60
6350 · Other Salaries		-181.88
6360 · Employee Bonus		1,101.97
6370 · Service Contracts		4,481.26
6380 · State Registrations		200.00
6390 · Subscriptions		820.62
6400 · Tech Fees		14,248.13
6420 · Travel Expense		
6421 · Travel - Parking	30.25	
6420 · Travel Expense - Other	593.21	
Total 6420 · Travel Expense		623.46
6430 · Utilities		
6410 · Telephone/Internet Expense	3,676.65	
6440 · Water/Sewage	5,015.34	
6430 · Utilities - Other	12,563.07	
Total 6430 · Utilities		21,255.06
66000 · Payroll Expenses		319,562.48
6999 · Uncategorized Expenses		111.08
Total Expense		666,672.77
Net Ordinary Income		84,573.42
Other Income/Expense		
Other Income		
7010 · Interest Income		152.15
7020 · Stock Dividends		866.86
7025 · Stock Sales - Gain/Loss		-615.99
Total Other Income		403.02
Net Other Income		403.02
Net Income		**84,976.44**

EXHIBIT F

LIST OF FRANCHISEES

SUB STATION II – LIST OF FRANCHISEES AS OF AUGUST 31, 2022

ADDRESS	CITY	STATE	ZIP CODE	PHONE	CORPORATE FRANCHISEE	CONTACT NAME/ FRANCHISEE
7905 Dream Street	Florence	KY	41042	(859) 371-9490	Cartuyvelles Ent. Inc.	Mike Cartuyvelles
1826 Dixie Highway	Fort Wright	KY	41011	(859) 341-9494	Monsubs Inc.	Mike Monson
3101 Fern Valley Road	Louisville	KY	40213	(502) 964-1075	Phosta Inc.	Donna Hirst
6425 Wilkinson Blvd. Suite K	Belmont	NC	28012	(704) 829-8230	Canopy Investments, LLC	Roland & Christine Leal
502 East Franklin Boulevard	Gastonia	NC	28054	(704) 864-8201	GFE Holdings, Inc.	Aaron & Telisha Goossens
2414 Randleman Road	Greensboro	NC	27406	(336) 370-9136		Antonio DiDio
422 Highway 64/70	Hickory	NC	28601	(828) 328-9956		Connie & Marion Robertson
957 16th Street Northeast	Hickory	NC	28601	(828) 324-5306		Connie & Marion Robertson
114 Fayetteville Road	Raeford	NC	28376	(910) 875-2908	Fakhoury Inc.	Mohammed Fahkoury
1702 East Broad Street	Rockingham	NC	28379	(910) 895-7789	Fakhoury Inc.	Mohammed Fahkoury
611 South Lafayette Street	Shelby	NC	28150	(704) 482-1220		Robin & Gary Shuford
3662 Trask Parkway	Beaufort	SC	29906	(843) 525-9224	Sonasubs, Inc.	Neal McCreesh
1001-A Market Street	Camden	SC	29020	(803) 432-1811	Number 8, LLC	Jeffrey Graham
344 Camden Highway	Camden	SC	29020	(803) 432-1142	Tucker Oil Co.	Steve Juszkiewicz
503 Knox Abbott Drive	Cayce	SC	29033	(803) 791-8693	West Side Subs Inc.	Chris Kueny
6591 Dorchestor Road	Charleston	SC	29418	(843) 552-2806		Sheila Simpson

ADDRESS	CITY	STATE	ZIP CODE	PHONE	CORPORATE FRANCHISEE	CONTACT NAME/ FRANCHISEE
6420 Garners Ferry Road	Columbia	SC	29209	(803) 783-0337	Kollett Ent. Inc.	Mitch Corbett
7101 Parklane Road	Columbia	SC	29204	(803) 788-2464		Rick Gerstenberg
640-6 Town Center Place*	Columbia	SC	29229	(803) 814-2206	Kyng Acquisition, LLC	Monica King
711 West Floyd Baker Boulevard	Gaffney	SC	29340	(864) 489-7827	Sub Station II of Gaffney, Inc.	Francis & Ashley Wilkins
801 West Wade Hampton Boulevard	Greer	SC	29651	(864) 879-7518		Mike Driscoll
9001 Garners Ferry Road	Hopkins	SC	29601	(803) 647-0883	Tucker Oil Co.	Steve Juszkiewicz
10401 Broad River Road	Irmo	SC	29063	(803) 749-9370		Bhupi Patel
870 Highway 1 South	Lugoff	SC	29078	(803) 438-9005	Yorkie Ent. Inc.	John Thomas
37 North Brooks Street	Manning	SC	29102	(803) 435-9069	Subs Plus Inc.	Rick Richardson
783 East Butler Road, Crescent Village	Mauldin	SC	29730	(864) 297-1048		Mike Driscoll
725 Pine Street	Pelion	SC	29123	(803) 894-7426	Tucker Oil Co.	Steve Juszkiewicz
403 North Cherry Road	Rock Hill	SC	29730	(803) 329-0073	Sub Station II of Rock Hill Inc.	Charles Ruffalo
Santee River Plaza, Unit 190	Santee	SC	29142	(803) 854-4644	Sky Pharoah, LLC	Donald McKay
1193 Asheville Highway	Spartanburg	SC	29303	(864) 583-4631	Spartan Subs Inc.	William Cook & Kyle Shuler
1516 John B White Boulevard	Spartanburg	SC	29301	(864) 576-8744	Spartan Subs Inc.	William Cook & Kyle Shuler
875 East Main Street	Spartanburg	SC	29302	(864) 583-9270	Spartan Subs Inc.	William Cook & Kyle Shuler
929 Bridge Street	St. Matthews	SC	29135	(803) 874-3200		Troy Hood

ADDRESS	CITY	STATE	ZIP CODE	PHONE	CORPORATE FRANCHISEE	CONTACT NAME/ FRANCHISEE
15 North Harvin Street	Sumter	SC	29150	(803) 775-5328		Chris Wand
3245 Unit G Wade Hampton Blvd.	Taylors	SC	29687	(864) 292-0127		Mike Driscoll
384 Lowery Street	Smyrna	TN	37167	(615) 355-6686		David & Beverly Crockett
112 Turner Street	Blacksburg	VA	24060	(540) 951-0001	Blacksburg Ent. Inc.	Dawn & Hamid LaPuasa

**This Franchise Agreement was signed by not yet open as of August 31, 2022.*

LIST OF FRANCHISEES THAT HAVE LEFT THE SYSTEM

LIST OF FRANCHISEES THAT CLOSED A RESTAURANT, TRANSFERRED THEIR FRANCHISE AGREEMENT OR OTHERWISE LEFT THE SYSTEM DURING THE PERIOD OF SEPTEMBER 1, 2021 TO AUGUST 31, 2022

FRANCHISEE	ADDRESS	CITY	ST	ZIP	PHONE
London Layne, LLC (Jonathan & Holly Camp)	1524 Reflection Pointe Blvd.	Belmont	NC	28012	(704) 473-3200
JAAK Ent. Inc. (Richard Reid)	218 Buckskin Dr.	Gastonia	NC	28052	(704) 678-6493
Janak Desai	17 Bostick Circle	Beaufort	SC	29902	(843) 252-8391
Tabitha Craven and Tavon Nelson	821 Orleans Road, Suite 101	Charleston	SC	29407	(843) 225-8378
Michelle Herod	36 Kin Loch	Lugoff	SC	29708	(803) 983-7581

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

EXHIBIT G

COMPLIANCE QUESTIONNAIRE

QUESTIONNAIRE TO BE COMPLETED BEFORE SIGNING A SUB STATION II FRANCHISE AGREEMENT

You are preparing to enter into a Sub Station II Franchise Agreement with Sub Station II, Inc. ("Sub Station II", "we," or "us"). The purpose of this Questionnaire is to confirm that you understand the terms of the Franchise Agreement and its exhibits and that no unauthorized statements or promises have been made to you. Please review each of the following questions and statements carefully and provide honest and complete responses to each.

1. Have we provided you with a Franchise Disclosure Document at least 14 calendar days before you signed any agreements or paid any money or other consideration to us or our affiliates?

   Yes __ No __

2. Did you sign a Receipt indicating the date on which you received the Franchise Disclosure Document?

   Yes __ No __

3. Please list any questions you have regarding the franchise opportunity that you would like to discuss prior to signing the Franchise Agreement. (Attach additional pages, if necessary.)

   ____

   ____

   ____

   ____

4. Please list any information provided to you by any employee or other person speaking on our behalf concerning the sales, revenue, profits, or operating costs of one or more Sub Station II restaurants operated by us, our affiliates, or our franchisees or that you may earn or experience that is in addition to the information contained in the Franchise Disclosure Document:

   ____

   ____

   ____

   ____

   ____

[Remainder of page intentionally left blank.]

FRANCHISE APPLICANT

____

Date: ____________________________________

EXHIBIT H

ADDITIONAL STATE DISCLOSURES

ADDITIONAL DISCLOSURE DOCUMENT DISCLOSURE
REQUIRED BY THE COMMONWEALTH OF VIRGINIA

In recognition of the Virginia Retail Franchising Act, the Franchise Disclosure Document for Sub Station II, Inc. for use in the Commonwealth of Virginia shall be amended to include the following:

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

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

2. **Compliance Questionnaire, Item 22.** The following language is added to Item 22:

No statement, questionnaire, or acknowledgment signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

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

EXHIBIT I

STATE ADMINISTRATORS AND AGENTS FOR SERVICE OF PROCESS

LIST OF STATE ADMINISTRATORS

VIRGINIA
State Corporation Commission
Division of Securities and Retail Franchising
1300 East Main Street, 9th Floor
Richmond, Virginia 23219
(804) 371-9051

AGENTS FOR SERVICE OF PROCESS

Florida:	Corporation Information Services, Inc. 1201 Hays Street Tallahassee, FL 32301
Georgia:	Business Filings Inc. 289 S Culver St Lawrenceville, GA 30046-4805 Gwinnett County
Kentucky:	CSC-Lawyers Incorporating Service Company 421 West Main Street Frankfort, KY 40601
North Carolina:	Business Filings International, Inc. 160 Mine Lake Court, Suite 200 Raleigh, NC 27615-6417
South Carolina:	Corporation Service Company 101 Lafayette Street Spartanburg, SC 29302
Tennessee:	Corporation Service Company 500 Tallan Building Two Union Square Chattanooga, TN 37402-2571
Virginia:	Clerk of the State Corporation Commission 1300 East Main Street, 1st Floor Richmond, VA 23219 (804) 371-9733

EXHIBIT J

STATE EFFECTIVE DATES

STATE EFFECTIVE DATES

The following states require that the Franchise Disclosure Document be registered or filed with the state or be exempt from registration: California, Hawaii, Illinois, Indiana, Maryland, Michigan, Minnesota, New York, North Dakota, Rhode Island, South Dakota, Virginia, Washington and Wisconsin.

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

STATE	EFFECTIVE DATE
Virginia	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.

RECEIPT

This disclosure document summarizes certain provisions of the franchise agreement and other information in plain language. Read this disclosure document and all agreements carefully.

If Sub Station II, Inc. offers you a franchise, it must provide this disclosure document to you 14 calendar-days before you sign a binding agreement with, or make payment to, Sub Station II, Inc. or its affiliates in connection with the proposed sale or sooner if required by applicable state law.

If Sub Station II, Inc. does not deliver this disclosure document on time or if it contains a false or misleading statement, or a material omission, a violation of federal law and state law may have occurred and should be reported to the Federal Trade Commission, Washington, D.C. 20580 and the appropriate state agency listed in Exhibit I.

The franchisor is Sub Station II, Inc., located at 1237 Gadsden Street, Suite 100, Columbia, South Carolina 29201, (803) 834-3007.

Issuance date: March 29, 2023

The franchise sellers for this offering are Sandra Corbett, President and Chief Executive Officer, Alison Corbett, Director of Finance and Development, and Jerry Queen, Senior Operations Manager, (803) 834-3007, Sub Station II, Inc., 1237 Gadsden Street, Suite 100, Columbia, South Carolina 29201.

Sub Station II, Inc. authorizes the respective state agencies identified on Exhibit I to receive service of process for it in the particular state.

I received a disclosure document dated March 29, 2023 that included the following exhibits:

A. Confidentiality Agreement
B. Franchise Agreement
C. Site Selection Agreement
D. Table of Contents of Manual
E. Financial Statements
F. List of Franchisees
G. Compliance Questionnaire
H. Additional State Disclosures
I. State Administrators and Agents for Service of Process

Date of Receipt: ______________________________

Signature	Print Name
Company Name	Street Address
Telephone Number	City, State Zip Code

TO BE RETAINED BY YOU

RECEIPT

This disclosure document summarizes certain provisions of the franchise agreement and other information in plain language. Read this disclosure document and all agreements carefully.

If Sub Station II, Inc. offers you a franchise, it must provide this disclosure document to you 14 calendar-days before you sign a binding agreement with, or make payment to, Sub Station II, Inc. or its affiliates in connection with the proposed sale or sooner if required by applicable state law.

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G. Compliance Questionnaire
H. Additional State Disclosures
I. State Administrators and Agents for Service of Process

Date of Receipt: ______________________________

Signature	Print Name
Company Name	Street Address
Telephone Number	City, State Zip Code

TO BE RETURNED TO SUB STATION II