FRANCHISE DISCLOSURE DOCUMENT

ONE CHEESE STEAK FRANCHISING, LLC
A California Limited Liability Company
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This Disclosure Document describes a type of THE CHEESE STEAK SHOP restaurant. The franchisee may operate a THE CHEESE STEAK SHOP restaurant in a wholesome family setting. Qualified franchisees may also apply to become an Area Developer and develop a number of THE CHEESE STEAK SHOP restaurants in an agreed upon development area and enter into an Area Development Agreement. Occasionally, a franchisee will operate a THE CHEESE STEAK SHOP restaurant in a non-traditional location such as an airport, hotel, convention center, sports arena or stadium, college campus, amusement park, within the premises of another business or in a similar venue.

The total investment necessary to begin operation of a single THE CHEESE STEAK SHOP franchise is $262,500 - $475,000**.** This includes $17,500.00 that must be paid to the franchisor. The total investment necessary for an Area Developer to operate multiple THE CHEESE STEAK SHOP restaurants under an Area Development Agreement is $272,500 – $502,000 for the first restaurant. This includes between $27,500 and $62,500 that must be paid to the franchisor, depending on the number of restaurants you agree to develop.

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

The terms of your contract will govern your franchise relationship. Do not rely on the disclosure document alone to understand your contract. Read all of your contract carefully. Show your contract and this disclosure to an advisor, like a lawyer or an accountant.

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

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

Issued: June 8, 2020

How to Use This Franchise Disclosure Document

Here are some questions that 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 Exhibits F-1, F-2, F-3.
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 One Cheese Steak Shop 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 One Cheese Steak Shop franchisee?	Item 20 or Exhibits F-1, F-2, F-3 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 C.

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

Special Risks to Consider About *This* Franchise

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

1. **Out-of-State Dispute Resolution**. The Franchise Agreement requires you to resolve disputes with the franchisor by mediation, arbitration and/or litigation only in California. Out-of-state mediation, arbitration, or litigation may force you to accept a less favorable settlement for disputes. It may also cost more to mediate, arbitrate, or litigate with the franchisor in California than in your own state.
2. **Spousal Guarantee**. Franchisees must also sign a personal guarantee, making your spouse individually liable for your financial obligations under the agreement if you are married. The guarantee will place your and your spouse's marital and personal assets at risk if your franchise fails.
3. **Territory Exclusivity**. The territory is not exclusive. You may face competition from other franchisees, from franchisor owned outlets or from other channels of distribution or competitive brands the franchisor controls.

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

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ITEM 1
THE FRANCHISOR, PARENTS, PREDECESSORS, AND AFFILIATES

To simplify the language, this disclosure document uses "we," "us" or "the Company" to mean ONE CHEESE STEAK FRANCHISING, LLC a California limited liability company. "You" means any individual, group, association, limited or general partnership corporation, or any other entity that buys the franchise. If the franchise is a corporation, partnership or other entity, "you" may also refer to its owners.

Franchisor, Parent and Affiliates

We conduct business under the name ONE CHEESE STEAK FRANCHISING, LLC. Our principal business address is 3333 Vincent Road, Suite 205, Pleasant Hill, California 94523. We are a California limited liability company that was incorporated on December 11th, 2017 and began operating as owners of THE CHEESE STEAK SHOP restaurant system in April of 2018.

We have one affiliate. This affiliate operates company-owned restaurants within the system. ONE THE CHEESE STEAK SHOP, LLC ("OTCSSLLC") is a California corporation that was incorporated on November 6th, 2017, with a principal business address of 3333 Vincent Road, Suite 216, Pleasant Hill, California 94523.

Our Predecessor

THE CHEESE STEAK SHOP restaurant system was originally founded by Keith and Kathy Layton in 1982 and was owned and operated by THE CHEESE STEAK SHOP, Inc. ("TCSS") between 1982 and 2018. TCSS was a California corporation which had a principal business address of 734 Alfred Nobel Dr., Hercules, CA 94547-1805. In April of 2018, we, OTCSSLLC, completed an asset purchase from TCSS.

Agent for Service of Process

Our agent for service of process is Dana Huie. His principal business address is 182 Creek Drive, Aptos, California 95003.

The Business We Offer

The Company franchises the right to operate THE CHEESE STEAK SHOP® restaurants for the retail sale of cheese steaks and other products under the name THE CHEESE STEAK SHOP. THE CHEESE STEAK SHOP restaurants feature various types of cheese steaks and other products such as French fries, Italian style sandwiches and salads in a wholesome family restaurant setting. THE CHEESE STEAK SHOP includes customer seating as an integral part of their design in addition to their pick-up style service.

The Company also franchises the right to operate THE CHEESE STEAK SHOP restaurants that provide only carryout service to customers.

The general market for the operation of a THE CHEESE STEAK SHOP is a very well developed market that is not affected by seasonal sales and whose goods are intended for consumption by the general public.

THE CHEESE STEAK SHOP restaurants may operate in locations such as airports, hotels, convention centers, sports arenas or stadiums, college campuses, amusement parks or similar locations, which the Company determines do not meet its criteria for a traditional THE CHEESE STEAK SHOP restaurant unit. Non-traditional locations may also be located within the premises of other businesses. A franchisee that operates a THE CHEESE STEAK SHOP restaurant in a non-traditional location signs an Addendum to the Franchise Agreement for Non-Traditional Locations, which provides for different terms.

If qualified, the Company may allow you to enter into an Area Development Agreement ("ADA") and develop a number of THE CHEESE STEAK SHOP restaurants in a geographic area. As an Area Developer, you will sign our then-current form of franchise agreement for each restaurant you open. Our current franchise agreement is attached as Exhibit A, but future restaurants may require you to sign a different agreement.

The competition is any "Quick Serve or Fast Casual" restaurant operation that provides dine-in and take-out service.

Applicable Regulations

In addition to laws and regulations that apply to businesses generally, THE CHEESE STEAK SHOP restaurants are subject to various federal, state and local government regulations including those governing construction, site location and the sale of food as well as public health and safety codes and ordinances. You will be required to obtain an alcoholic beverage license under applicable state and local laws in order to sell beer and wine. Other applicable regulations include laws concerning smoking, sanitation, discrimination, employment, workplace safety and sexual harassment laws as well as the Americans with Disabilities Act, which requires readily accessible accommodations for disabled individuals and may affect your operations. You should investigate the application of these laws further.

ITEM 2
BUSINESS EXPERIENCE

<u>TONY BENDANA - Partner / President & COO</u>

Tony has been the President and COO of ONE The Cheese Steak, LLC since April 2018. Prior to that, from September 2015 to December 2017, he served as Chief Operating Officer for Mr. Pickle's Sandwich Shops, the franchisor of the Mr. Pickle restaurant brand, in Auburn, California. From September 2008 to March 2015, Tony was Chief Operating Officer of Erik's DeliCafe Franchises, Inc., the franchisor of the Erik's DeliCafe restaurant system in Santa Cruz, California. Currently, he is the President and COO of The Original Mels Diners.

<u>DANA K. HUIE – Partner / CFO and Supply Chain</u>

Dana has been the CEO and Supply Chain executive for ONE The Cheese Steak, LLC since April 2018. From August 2015 to the present, he has been the founder and President of ONE Foodservice Mgt and Investment Co. In December 2014, he became a partner and owner of The Original Mel's, Inc., the franchisor of The Original Mels diner chain. From January 2008 to the present, he has been president of BJ Meats, Inc. in Merced, California, which has been part of a joint venture with Richwood Meat. Co. since March 2015. From 2009 to 2015, he was Vice President of Sales and a shareholder in a foodservice brokerage, Elite Associates, Inc. of Brea, California.

<u>HENDRIK KIRLEIS – Director of Operations</u>

Hendrik has been the Director of Operations of ONE The Cheese Steak, LLC since September 2018. As Director of Operations, he is responsible for overseeing aspects of the our Operations Team and our Home Office Support Team. Hendrik is also the owner and founder of quick service coffee shop business called Perks, which he has run since approximately 2012.

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

You are required to pay an initial Franchise Fee of $17,500 when you sign the Franchise Agreement for your first THE CHEESE STEAK SHOP restaurant.

If you are an existing owner of a THE CHEESE STEAK SHOP restaurant, the initial Franchise Fee to open a new restaurant is $12,500.

The Franchise Fee is non-refundable except as outlined below. The Company will refund to you 50% of the Franchise Fee for any of the following conditions:

1. You are unable to locate an acceptable site within one (1) year after executing the Franchise Agreement and the Company is satisfied that your search was comprehensive and ongoing and you and the Company agree to terminate the Franchise Agreement; or

2. The Company determines that you are unable to satisfactorily complete the training outlined in Item 11.

If you and the Company agree that you qualify to be an Area Developer, meaning you commit to develop more than two units, you will pay an initial fee consisting of 100% of the initial Franchise Fee for the first unit ($17,500), plus $5,000 for each additional unit which you are agreeing to establish. When you sign the franchise agreement for each additional unit after the first unit under the Area Development Agreement, the Company will credit the $5,000 you have paid toward the $12,500 initial Franchise Fee.

ITEM 6
OTHER FEES

Type of Fee	Amount	Due Date	Remarks
Royalty[1]	5% of Gross Sales	Weekly via ACH	Royalty is due on gross revenue
Brand Marketing Fund[2]	Up to 2% of Gross Sales (Currently 1%)	Weekly via ACH	Marketing Fund contributions are due on gross revenue
Local Marketing[3]	0.5% of Gross Sales	Monthly	You must spend this amount in your local

Type of Fee	Amount	Due Date	Remarks
			market
Convention[4]	Company's Cost	Upon demand	You must pay this if we have a systemwide or regional conference or convention
Training Certification/Re-Examination Fee, or Additional Training[5]	Company's Expenses	Upon demand	This fee is only assessed if we require you to obtain re-training or additional training
Audit Fee[6]	Cost of Audit plus late charges on amount due	Upon completion of audit	This fee is only assessed if the audit reveals your underpayment by 2% of more
Transfer Fee[7]	$7,500	Upon the Company's consent to transfer	This fee is only assessed if you transfer your interest in the franchised business
Area Development Transfer Fee[8]	$7,500	Upon demand	This fee is only assessed if you have executed an Area Development Agreement and request to transfer it
Renewal Fee[9]	$1,000	Upon approval of Renewal	This fee is assessed upon renewal
Relocation Fee[10]	Not to exceed $7,500	Upon approval of Relocation	This fee is only assessed if you request to relocate your restaurant
Default Fee[11]	$250	Upon demand	
Late Fee[12]	10% interest per year	Upon demand	This fee is only assessed if you fail to pay amounts due to us on time
Re-inspection Fee[13]	Company's Cost	Upon invoicing	This fee is assessed if we must re-inspect your

Type of Fee	Amount	Due Date	Remarks
			business
Indemnification[14]	Company's Cost	Upon demand	This fee is only assessed if you owe us indemnification
Cost of Enforcement[15]	Company's Cost	Upon invoicing	This fee is only assessed if we must enforce the franchise agreement against you

These are the fees established as of 2019, and they are uniformly imposed on all franchisees entering the system or renewing, except as otherwise noted. Current franchisees under existing agreements may be permitted to pay lower fees, including a lower Brand Marketing Fund fee. All fees are non-refundable, unless otherwise noted.

[1]Adjusted gross sales means all receipts from your THE CHEESE STEAK SHOP restaurant. If you offer any services, including off-site delivery services, catering or special events, all receipts from these services (including additional delivery charges) are included in adjusted gross sales. Adjusted gross sales does not include the amount of coupons or similar discounts you redeem with a sale (except as may be reimbursed by the Company), sales taxes levied upon retail sales and later actually paid to governmental authorities, good faith customer refunds or the reasonable cost of providing meals for your employees. The company may occasionally adopt incentive programs to encourage existing franchisees that meet certain financial and operational criteria to open or acquire additional restaurants. These programs may include waiving initial fees and royalty holidays.

[2]Current franchisees under existing agreements pay 0.5% to the Marketing Fund. New and renewing franchisees must pay 1%, and we have the right, upon prior notice to you, to raise this to a maximum of 2% of adjusted gross sales.

[3]We require you to spend at least 0.5% of your adjusted gross sales on local marketing for your restaurant. You may spend this in any manner in your local area which complies with our advertising standards. You must provide your records of advertising expenditure to us upon demand.

[4]We do not currently hold an annual convention or conference, either systemwide or regionally. However, if we elect to hold this type of meeting in the future, we have the right to charge you a reasonable amount, not exceeding our cost to put on this event per franchisee. You will also be required to pay costs of attendance, including travel and lodging expenses.

[5]If your manager does not successfully complete an initial certification examination; you must pay a fee to reimburse the Company's expenses in supervising a certification re-examination of the manager. Similarly, the Company will periodically have mandated training programs which will require specific employee's attendance. You will be required to pay your employees' costs of attendance, such as wages, travel, and lodging. The training programs will be limited to no more than two per year and last no more than three days. All supplies, personnel, and location costs for the training will be supplied by the Company at its own expense.

[6]You must pay the cost of the audit only if the audit shows an under reporting of 3% or more of adjusted gross sales for the period audited.

[7]You must pay the transfer fee if you transfer your interest in your restaurant to another party. This fee is payable upon approval of the transfer.

[8]This fee is only applicable to you if you sign an Area Development Agreement with us. If you enter into an Area Development Agreement and then seek to transfer it, you will pay the transfer fee to us upon our approval of the transfer.

[9]You must pay $5,000 if we approve your renewal of your franchise for an additional term.

[10]You must reimburse the Company for its reasonable expenses if the Company permits you to relocate your THE CHEESE STEAK SHOP restaurant. The Company will provide you with copies of its invoices for its expenses from any third party providers if you request them.

[11]We have the right to impose the Default Fee for any material deviation from our standards and requirements as set forth in our Operations Manuals or any other training materials we have provided to you. We will not impose this fee for an accidental first violation, but we will impose it if you have failed to cure a problem we have identified to you within a reasonable time period; for any violation which appears to be willful or knowing; and for any repeated violation of the same type. The Default Fee is in addition, and not an alternative, to our right to issue a notice of default and eventually terminate your franchise rights if you fail to cure a default.

[12]If either the royalty or the marketing fees are not paid within 5 days after the due date, you must also pay the Company interest calculated from the date payment was due. This interest is also applicable to any purchases you make from the Company or any affiliate.

[13]You must pay the Company's cost if it has to send a representative to re-inspect your THE CHEESE STEAK SHOP restaurant to determine that the restaurant is ready to open for business if the restaurant was not ready at the first pre-opening inspection. In addition, the Company will send a representative to your restaurant to assist you in post-opening matters at least once every 2 weeks for the first 60 days after opening. After that, if the Company sends a representative to the restaurant at your request, you must pay the Company's costs to do so. You must reimburse the Company for its expenses if it has to place a representative in your THE CHEESE STEAK SHOP restaurant because you are not operating correctly. If you do not obtain insurance coverage (or if you do not provide evidence to the Company that you have done so) and the Company obtains insurance for you, you must reimburse the company.

[14]You must pay for any expenses or losses to the Company and its representatives related in any way to your business or the operation of your THE CHEESE STEAK SHOP restaurant. This includes any securities offering you may make. It also applies if a Company representative has to temporarily operate your THE CHEESE STEAK SHOP restaurant because of illness, death or otherwise. Your obligation to indemnify the Company for your or your company's own negligence is not limited to the amount of benefits paid to you under your insurance coverage.

[15]If the Company is required to resort to collections efforts in order to recover money you owe, you must pay the reasonable costs of collection to us.

ITEM 7
ESTIMATED INITIAL INVESTMENT

UNIT FRANCHISE PURCHASE

Type of Expenditure	Amount		Method of Payment	When Due	To Whom Payment is to be Made
Initial Franchise Fee[1]	$17,500	$17,500	Lump sum	On signing Franchise Agreement	Company
Travel Expenses during Training[2]	$3,500	$3,500	As incurred	As incurred	Company
Real Estate & Improvements[3]	$125,000	$200,000	As incurred	As incurred	Landlord / 3rd Party
Equipment[4]	$75,000	$175,000	As incurred	As incurred	3rd Party
Point of Sale System[5]	$10,000	$10,000	As incurred	As incurred	3rd Party
Opening Inventory & Smallwares	$12,500	$12,500	As incurred	As incurred	3rd Party
Insurance[6]	$3,000	$7,500	As incurred	As incurred	3rd Party
Uniforms[17]	$1,000	$1,000	As incurred	As incurred	3rd Party
Additional Operating Capital – minimum 3 months[19]	$15,000	$30,000	As incurred	As incurred	
TOTAL	$262,500	$457,000			

Actual costs will vary for each franchisee and each location depending on a number of factors. These costs may vary significantly if THE CHEESE STEAK SHOP restaurant is a ground-up build (see note #5). Unless otherwise noted, payments to the Company are not refundable. The Company is not able to represent whether or not amounts that you may pay to third parties are refundable.

[1]The initial franchise fee is $17,500 for your first THE CHEESE STEAK SHOP restaurant. If you are opening an additional unit, your initial franchise fee will be discounted to $12,500.

[2]The Company provides initial training at no cost, but you will have to pay for your travel and living expenses during the course of training, as well as wages for any employees who you have attending training.

[3]You will have to acquire, either by lease or purchase, a suitable site to operate your THE CHEESE STEAK SHOP restaurant. Generally leases are for a term of 10 years, with 1 or more 5 year options to extend. Estimates of the first month's rent can range from $5,000 to $10,000, depending on the square footage, whether the site is in an urban or less populated area and other factors that may cause wide variations of cost depending on the area. You will typically also be required to pay a security deposit. We strongly recommend that you convert an existing restaurant site as the costs will be significantly lower than a "new" or "ground up" construction site. Our estimate is based on you converting an existing restaurant site, and on your renting a space between 1,200 and 1,750 square feet. This estimate item includes our estimate for leasehold improvements, permits, architects' fees, fixtures and equipment. It is based on the Company's Affiliate and its franchisees' experience with existing locations. These costs may vary depending on the size, condition and location of the leased premises, the landlord's contribution to leasehold improvements, if any, supply and demand for materials and labor in your local area, local building and fire code requirements and requirements of the lease regarding matters such as construction, signage and inflation. Permit fees, particularly sewer and water hookup fees, vary significantly and may increase the total cost of required improvements.

[4]You will be required to buy or lease certain kitchen equipment, such as refrigerators, freezers, ovens, and fryers, to operate your THE CHEESE STEAK SHOP restaurant. The Company will provide you with a detailed list of recommended equipment. The cost will vary based on the size of your restaurant, the configuration of your kitchen area, the use of new, used, or existing equipment and your anticipated volume of sales.

[5]You will be required to use a Point-of-Sale computer system at your restaurant.

[6]You are required to carry adequate business insurance that must include property, liability, and employer practices coverage. The Company may require minimum dollar coverage amounts. The cost of insurance may be significantly higher than the estimate depending on factors such as your particular state's coverage requirements, your business experience, your financial condition, your restaurant's location and your prior loss history. The estimate is for only the first 120 days of operation and does not include Worker's Compensation insurance.

[7]This is an estimate of additional funds necessary to cover operating expenses during and prior to the first 3 months of operation, including cost of telephones, utility deposits, initial advertising and payroll expenses. The Company cannot guarantee that this amount will be sufficient. This estimate is derived from the historical experience of our current franchisees and our Affiliate that operate THE CHEESE STEAK SHOP restaurants. Additional funds may be required if costs of operation are high or sales are low.

AREA DEVELOPMENT PURCHASE

Type of Expenditure	**Amount**	**Method of Payment**	**When Due**	**To Whom Payment is to be Made**
Initial Fee[1]	$27,500 - $62,500	Lump sum	At signing of Area Development Agreement	Company
All items in the prior chart, except the Franchise Fee[2]	$245,000 - $439,500	As indicated in prior chart	As indicated in prior chart	Company, landlord, utility company, 3rd parties
Total	$272,500 – $502,000			

[1] The initial fee listed here is calculated as described in the chart in Item 5. The range in this chart is calculated based on a purchase on the low end of 3 units, and a purchase on the high end of 10 units.

[2] With the exception of the Franchise Fee of $17,500 shown in the first chart, which you will not pay because it is included in the Initial Fee for Area Developers, you will have the same expenses in starting your first unit as is shown in the first chart in this Item. There are no additional costs of becoming an Area Developer, apart from the prepayment of $5,000 of each of the Initial Fees for the subsequent units you agree to develop.

ITEM 8
RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES

Required and Approved Suppliers

You must purchase the Company's proprietary products from the Company's designated suppliers. The Company and its affiliates are not direct suppliers of proprietary or required products.

The Company's proprietary products are certain products using or incorporating secret recipes or other trade secrets or information and may include additional items in the future. The Company requires you to do this because one of the principal purposes of the franchise it grants to you is to offer these products to the general public. Maintaining control over the quality and uniformity of these products is central to the value of THE CHEESE STEAK SHOP system. You may use the Company's proprietary products only in the operation of your THE CHEESE STEAK SHOP restaurant. You may not substitute other products for the Company's proprietary products. The Company purchases its proprietary products at the same prices as franchisees.

Approval of Alternative Suppliers

All non-proprietary ingredients, beverage products, cooking materials, containers, cartons, bags, menus, napkins, other paper and plastic products, utensils, uniforms and other supplies and materials used in your THE CHEESE STEAK SHOP must strictly conform to the Company's reasonable specifications and quality standards. The Company negotiates and approves Proprietary products which include plates, platters, bowls, take out containers, other paper or plastic products imprinted with the trademarks of the Company, and products manufactured specific to THE CHEESE STEAK SHOP recipes which you will be required to purchase. The Company will provide you with a list of these items before your THE CHEESE STEAK SHOP restaurant opens for business. You may purchase any of these items from any source provided they meet the Company's specifications. The Company requires that you submit in writing your proposed use of a non-authorized supplier. The Company reserves the right to charge up to $1,500 to secure approval to purchase from alternative suppliers. It may condition approval of a distributor on its requirements for frequency of delivery, standards of service and the ability to service restaurants within the areas that the Company designates.

All fixtures, furniture, equipment and exterior and interior signs you use in your THE CHEESE STEAK SHOP restaurant must also strictly comply with the Company's standards and specifications. The Company will provide you with specifications for these items before your THE CHEESE STEAK SHOP restaurant opens for business. Specifications may include minimum standards for performance, warranties, design and appearance and local zoning, sign and other restrictions. You may purchase these items meeting the Company's specifications from any source. If you propose to purchase or lease items not previously approved by the Company, you must notify the Company and it may require submission of sufficient specifications, photographs, drawings and other information and samples to determine whether these items meet its specifications. The Company will advise you within a reasonable time, which is typically three weeks, whether any item meets specifications. The Company reserves the right to charge you for its reasonable expenses for testing and evaluating any proposed item. The Company may notify you that the approval of a supplier is revoked at any time.

The Company maintains multiple company purchase agreements that allow its franchisee's to purchase at discounted pricing. The Company will use reasonable efforts to continue to obtain system-wide or group pricing from certain distributors and manufacturers of equipment and supplies.

Revenue from Franchisee Purchases

The Company does not sell inventory to franchisees. However, designated suppliers make payments to the Company based on sales made to franchisees. The amount paid by these suppliers varies from .01% to 2% of franchisee purchases and, for certain products sold by the case, from $0.05 to $2.00 per case. In some instances, the Company may receive a one-time flat amount. In the 2019 fiscal year, the rebates received totaled approximately $125,375.37.

The purchase of required products and services meeting our specifications will represent 90% - 95% of your total purchases of goods and supplies in establishing the business, and 80% - 90% of your total purchases during operation of the business.

Cooperatives

We may choose to join a purchasing cooperative who negotiates stronger food and services discounts and agreements on behalf of the Company. You are not required to pay the purchasing cooperative for its services, although you may benefit from the negotiated discounts with required suppliers.

Material Benefits

We do not provide any material benefits to you if you buy from sources we approve, although our negotiated rates with approved suppliers typically reduce your costs of purchasing those supplies.

ITEM 9
FRANCHISEE'S OBLIGATIONS

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

Obligation	Section In Agreement	Disclosure Document Item
a. Site selection and acquisition/lease	Sections 6(a), 7(a) and 7(b) of Franchise Agreement: Section 6(a) of Area Development Agreement	Items 8 and 12
b. Pre-opening purchases/leases	Section 7 of Franchise Agreement	Items 8 and 9
c. Site development and other pre-opening requirements	Sections 7(a), (b), (c), (d) and (e) of Franchise Agreement	Items 7, 8 and 12
d. Initial and ongoing training	Sections 6(b) of Franchise Agreement	Item 12
e. Opening	Sections 6(a), 6(b), and 7 of the Franchise Agreement	Item 12
f. Fees	Sections 5, 9(g), and 23 of Franchise Agreement; Sections 5 and 7(c) of the Area Development Agreement	Items 5 and 6
g. Compliance with standards and policies/operating manual	Sections 6(c) and 7 of Franchise Agreement	Items 8 and 11

Obligation	Section In Agreement	Disclosure Document Item
h. Trademarks and proprietary information	Sections 7(f), (g), (r) and Section 11 of Franchise Agreement	Items 13 and 14
i. Restrictions on products/services offered	Section 7(f) and (g) of Franchise Agreement	Items 8 and 16
j. Warranty and customer service requirements	Sections 7(i), (k), (m), and (n) of Franchise Agreement	Item 11
k. Territorial development and sales quotas	Sections 2 and 3 of Area Development Agreement	Item 12
l. Ongoing product/service purchases	Section 7 of Franchise Agreement	Items 8 and 16
m. Maintenance, appearance and remodeling requirements	Section 7 of Franchise Agreement	Item 11
n. Insurance	Section 7(x) of Franchise Agreement	Items 7 and 8
o. Advertising	Sections 5(c), 6(c), (h) and 7(f), (h) and (r) of Franchise Agreement	Items 6 and 7
p. Indemnification	Sections 7(x), 9(i) and 10 of Franchise Agreement; Sections 12(a), (b) Area Development Agreement	Item 6
q. Owner's participation/management/staffing	Sections 7(j) and (n) of Franchise Agreement	Items 11 and 15
r. Records/reports	Sections 5(e), 7(j), (p) and (w) of Franchise Agreement	Item 6
s. Inspections/audits	Sections 7(u) – (w) of Franchise Agreement	Items 6 and 11
t. Transfer	Section 9 of Franchise Agreement; Section 7 of Area Development Agreement	Item 17
u. Renewal	Section 4 of Franchise Agreement	Item 17
v. Post-termination obligations	Section 11 of Franchise Agreement	Item 17
w. Non-competition covenants	Section 8 of Franchise Agreement; Section 8 of Area Development Agreement	Item 17
x. Dispute resolution	Sections 19 and 26 and Exhibit B of Franchise Agreement	Items 6, 15 and 17

ITEM 10
FINANCING

The Company does not offer direct or indirect financing. The Company does not guarantee your note, lease or obligation.

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

Except as listed below, the Company is not required to provide you with any assistance.

Pre-Opening Assistance

Before you open your THE CHEESE STEAK SHOP restaurant, the Company will:

1. Provide you with general advice in identifying a suitable location, if you request assistance (Franchise Agreement, Paragraph 6(a)). However, the franchisee is responsible for locating a site and negotiating the lease. You must wait for our approval of a site before negotiating the lease. In evaluating a proposed site, we consider such factors as general location and neighborhood, area population, traffic patterns, parking, size, layout and other physical characteristics.

2. Advise on and provide a basic design for your THE CHEESE STEAK SHOP. This will include a set of requirements for the interior design, décor, equipment, fixtures, furnishings and signage, which you will need to customize to your leased space and ensure compliance with all applicable building requirements (Franchise Agreement, Paragraphs 6(d) and (e)).

3. Make available to you a list of approved suppliers covering the build-out of your restaurant, which will include supplies such as kitchen equipment, décor, furniture, fixtures, food and supplies inventory, office supplies, office equipment and signage.

4. Provide a training program for you, your manager or key employee(s). (Franchise Agreement, Paragraph 6(b)).

5. Loan you a copy of THE CHEESE STEAK SHOP Operations Manual. The Table of Contents for the Operations Manual is included as Exhibit K for further information. The Operation Manual will remain the property of the Company. (Franchise Agreement, Paragraph 6(c)).

6. Provide you with the following services, if the restaurant is your first THE CHEESE STEAK SHOP. (Franchise Agreement, Paragraph 6(b)(ii)).

    a. Review your proposed design, layout and equipment plans and either consent to them or provide you with a summary of changes, which you must implement. It is the franchisee's responsibility to conform the premises to local ordinances and building codes in addition to obtaining any required permits.

    b. Advise you on initial staffing levels and training guidelines for employees.

    c. Send a representative to meet with you at your restaurant site to determine whether or not construction of the restaurant conforms with your business plan and design, layout and equipment plans.

    d. Send a representative to conduct an on-site pre-opening final review before the scheduled opening of your restaurant to determine if all material pre-opening conditions have been met. If you have not met those conditions, the representative will provide you with a written report of the deficiencies and the steps to remedy them. The Company's representative may assist you in taking the steps necessary to remedy any deficiencies, but if you are not able to make the changes necessary during the time the representative is at your restaurant, you may have to reimburse the Company for its cost in sending the representative a second time.

e. We will send a representative to your restaurant at least once every two weeks for 60 days after opening to assist you in implementing all requirements.

It typically takes 6 to 9 months from the date you sign the franchise agreement and pay the Initial Fee to the date you will open your THE CHEESE STEAK SHOP restaurant. The length of time to open your restaurant will depend on how long it takes you to identify a location and sign a lease, obtain approval for building permits and complete your build-out, obtain business permits, hire staff and train them.

Post-Opening Assistance

During the operation of the franchise business, the Company will:

1. Send personnel to your restaurant at or around the opening to assist and guide you for up to 7 days to help facilitate the operations of your restaurant. The assistance will target initial set up of the restaurant, final placement of the furniture, POS training, and the general training of your staff. The Company personnel will also help you formulate additional objectives for the 60 day period after opening (Franchise Agreement, Subparagraph 6(b)(ii)(5));

2. Send a representative to your restaurant at least once every 2 weeks for 60 days after opening to assist you in implementing the additional objectives. If you are not able to implement these objectives during that time and you want additional assistance, you must reimburse the Company for its cost in sending a representative to assist you (Franchise Agreement, Subparagraph 6(b)(ii)(6));

3. Offer periodic training when new products are introduced as part of material changes in operational procedures or other topics. The Company may offer this information via electronic means or a secured web portal. If the Company requires attendance at a particular program, you, your manager, or key employee must successfully complete the course (Franchise Agreement, Paragraph 6(b)(iii));

4. Periodically conduct certification examinations that measure proficiency in the same skills that are the subjects of the Company's initial training program. These certification examinations are held at designated THE CHEESE STEAK SHOP restaurants reasonably accessible to you. You must pay for transportation and lodging, if required, for you and your manager. If the manager of your THE CHEESE STEAK SHOP restaurant does not successfully complete the initial certification examination, you must pay a fee to reimburse the Company's expenses in supervising a certification re-examination of the manager (Franchise Agreement. Subparagraph 6(b)(iii)(1));

5. Maintain training materials for supervisory restaurant employees. These materials will include information regarding the hiring and training of employees**.** The Company will instruct you and your certified managers regarding the use of the materials (Franchise Agreement, Subparagraph 6(b)(iii)(2));

6. Periodically distribute a current schedule and curriculum of management courses that the Company will offer at designated locations. All franchisees and certified managers may attend these courses on a first-come, first-serve basis if they have completed qualifying courses and pre-work (Franchise Agreement, Subparagraph 6(b)(iii)(3);

7. Periodically distribute current information or provide training concerning the repair and maintenance of equipment used in THE CHEESE STEAK SHOP restaurants. Your personnel may attend these courses on a first-come, first-serve basis if they have completed the necessary prerequisite coursework (Franchise Agreement, Subparagraph 6(b)(iii)(4));

8. Periodically publish information concerning legal and regulatory requirements that may affect the general business of THE CHEESE STEAK SHOP system (Franchise Agreement, Subparagraph 6(b)(iii(5));

9. Designate the continuing inventory and supplies that you must use in your restaurant. The Company maintains comprehensive source materials for products and equipment necessary for the operation of a THE CHEESE STEAK SHOP restaurant. The Company will also consider new products and equipment for possible introduction in THE CHEESE STEAK SHOP restaurants. If the Company decides to include new products or equipment in some or all THE CHEESE STEAK SHOP restaurants, it will supply information or training to affected franchisees (Franchise Agreement, Paragraph 6(e));

10. Provide periodic advice and consultation on the operation of your THE CHEESE STEAK SHOP restaurant, which will include topics such as new developments, techniques, and improvements in restaurant management, food preparation and services that affect the operation of your THE CHEESE STEAK SHOP restaurant.

11. Provide you with any updates the Company may make to the Operations Manuals (See Franchise Agreement- Paragraph 6(c)). The Company may modify the Operations Manuals in order to improve the standards of operational efficiency, service standards and product quality. Modifications may also be required to protect or maintain the goodwill associated with our trademarks or to remain competitive in the restaurant industry. However, no modification will alter your fundamental status, rights and obligations under the Franchise Agreement;

12. Publish specifications for the furnishings, fixtures, signage, facility and equipment of THE CHEESE STEAK SHOP restaurants (Franchise Agreement, Paragraph 6(e));

13. Provide mandatory guidelines to you on your menu prices for products and services in your THE CHEESE STEAK SHOP restaurant. In order to maintain consistency throughout THE CHEESE STEAK SHOP system, the Company has regional tiered pricing that is based on a number of factors such as average income for a demographic area, costs of operations in a specific region and analysis of the competitors' pricing in a certain region. You do not have the right to adjust prices without prior written approval.

14. Communicate topical information on best business practices, which may be establishing administrative, bookkeeping, accounting, and inventory control procedures. The Company may also provide you referrals to third party providers of these resources (Franchise Agreement, Paragraph 6(f));

15. Advise you of operating problems that the Company may discover from reports submitted to the Company or from its inspections.

16. Provide you the opportunity to attend franchisee conventions and regional meetings.

Marketing/Advertising/Community Involvement

1. The Company currently has in place a corporate marketing program. The corporate advertising program that may include dissemination of advertising through websites and digital media, print

media or broadcast media. This media coverage may be local, regional or multi-regional in scope. The Company may also provide materials to you through an in-house marketing department. The Company has no obligation to spend money in the area you are located.

2. The primary purpose of the corporate advertising program will be to promote THE CHEESE STEAK SHOP system through advertising and promotional programs and materials. The Company uses the marketing fund to cover the overhead and expenses it incurs in administrating the marketing program, including the collection of and accounting for fees paid into the marketing program. The Company's charges to the marketing program will be limited to reimbursement for the reasonable cost of purchases, activities and services that further the purpose of the marketing program.

3. The Company has the right to appoint an advertising advisory committee to advise the Company on advertising policies. The committee serves in an advisory capacity only and has no operational decision-making power. The members of the committee are appointed by the Company. The Company has the power to form, change, or dissolve the advertising advisory committee.

4. You may develop and use your own advertising materials after they have been approved by the Company. After you submit them to the Company for consideration, the Company has 10 days to approve them. If the Company approves the materials or if you do not receive a response from the Company within the 10 day period, you may begin using the material.

5. The Company requires you to spend a minimum of 1% and up to 2% of your sales on local promotion/community involvement of your THE CHEESE STEAK SHOP restaurant. The Company will review advertising avenues in your local area and it will make the decision on how best to invest these local advertising /community involvement funds.

6. All Franchisees contribute to the Company's marketing program on the same basis as required by their franchise agreement. The Company's outlets are required to contribute to the marketing program at the same rate as franchisees.

7. The Company will account for the corporate marketing program separately from the Company's other funds and will prepare reports on an annual basis. These reports will include advertising fees received, expenditures from the advertising program and collections activity. A copy of this report will be available to you upon your request. We do not audit the marketing fund's activity.

8. If all the contributions to the marketing fund are not spent in any fiscal year, the surplus will be held for future use by the Corporate Marketing Program. No portion of the marketing fund will be used to solicit new franchise sales.

Computer Requirements

1. The Company requires you to use computer hardware and software that meets the Company's specifications. Our specifications allow the Company to access important restaurant performance information on a timely basis. The software will provide you with detailed management information to effectively manage your restaurant. The Company has the unlimited right to independently access information via the computer software system.

2. At this time, the Company requires the franchisee to utilize the Digital Dining Enterprise and POS Software. The Digital Dining system tracks sales and generates various management reports. It is an "application service provider" that resides on a third-party server, rather than on your local computer hard drive. To use the Digital Dining system, you will need a paid license,

an internet connection, and a computer with a web browser. The Digital Dining system is not proprietary to us, and you may purchase it from any authorized dealer. You are not required to enter into an ongoing maintenance agreement, but you may find it beneficial to do so. The Company may require you to have a subscription to a maintenance agreement at some time in the future.

We have the right to independently access all information collected or compiled by you as a result of using your computer system at any time. We do not need to notify you before accessing this information.

You may have to upgrade or expand your Enterprise and Point of Sale system or replace it if the Company requires you to do so. You will have to pay the fees for the installation, maintenance and upgrade of the system.

3. We recommend that you obtain a computer with a processor speed of at least 2.0 GHz and 500 MB of RAM. This can be a laptop or desktop unit. You must have an account with an internet service provider to allow you to access the internet.

4. We estimate the cost of the computer system to be approximately $10,000. You will also be required to pay a monthly service fee for the POS system, which is either $99 (for one POS terminal) or $169 (for two POS terminals). This service fee is paid to Digital Dining. You are also required to pay $24.95/month to a vendor for PCI compliance for credit card processing.

5. We estimate the cost of maintenance, updating and upgrading of the computer system to be $ 500 per year, or $1,200 for a significant upgrade. We can require an update or upgrade at any time, but do not anticipate requiring you to do a significant upgrade or switch to a new system more than once every 10 years.

6. We are currently testing out a new POS system that may be implemented in the future. The initial cost will be $1,700 and the POS system would require a $300 to $350 lease that includes maintenance of the POS system.Area Developers do not require any separate or different computer system components.

Operating Manuals

Copies of the tables of contents of the Company's Operations Manuals are attached as Exhibit H to this disclosure document (See Franchise Agreement, Paragraph 6(c)). The franchisee is allowed to view the manual before signing the franchise agreement.

TRAINING PROGRAM			
Subject	Hours of Classroom Training	Hours of Training On-The-Job	Location
<u>Basic Training</u>: General tour of store, cooking, wrapping, and putting out product. Setting up business, (opening) and cleaning up after the day's business (closing)	0 hours	56 hours	Bay Area, California

Operations: Introduction to all paperwork, scheduling, organization, ordering, writing orders, suppliers, cleaning, sales reporting, inventory, cost controls and P & L's	8 hours	12 hours	Bay Area, California
Opening the Store Opening timetable, posting prep, placing orders, use and care of equipment, clean shift change, running the line, POS)	0 hours	32 hours	Bay Area, California
Human Resources: Injury procedures, documentation and discipline, staff retention, zero tolerance issues and legal postings	8 hours	0 hours	Bay Area, California
Closing the Store: Clean shift change, cash controls, filtering fryer, paperwork & security procedure, POS	0 hours	32 hours	Bay Area, California
Management Training: Includes leadership development, finance and accounting, marketing and staff development	8 hours	8 hours	Bay Area, California
TOTAL	24	140	

The Company provides you (and/or your key employee) and your General Manager, training in the operation of your THE CHEESE STEAK SHOP restaurant if the restaurant is your first THE CHEESE STEAK SHOP restaurant (Franchise Agreement, Paragraph 6(b)). The training course lasts four weeks and will take place at one or more of the Company's Affiliates' THE CHEESE STEAK SHOP restaurants that has been certified by us as a training restaurant in the Bay Area in Northern California. You will receive training from people who are familiar with and trained on the operational and food service aspects of the System. Classroom training is conduct by a Field Representative of the company who is knowledgeable about all operations of THE CHEESE STEAK SHOP restaurants and who has expertise in specific aspects of restaurant operations. On the job training is conducted by a General Manager of a THE CHEESE STEAK SHOP restaurant and is supervised by a Regional Field Representative. Training classes are held on an as-needed basis.

If we modify aspects of the operational system for THE CHEESE STEAK SHOP restaurant, we have the right to require you to participate in additional training.

You (and/or your key employee) and your General Manager, must complete the training to the Company's satisfaction before you open your restaurant. You will receive no compensation or reimbursement for services or expenses for your participation in the training. You will be responsible for all expenses to attend any training program such as lodging, transportation and food.

If you are an Area Developer and you are opening additional THE CHEESE STEAK SHOP locations, the Company may waive the Training Program requirements if you are opening your additional location(s) with personnel who were previously trained by the Company. You must request and receive the Company's approval before a waiver will be granted.

Instructional materials include the Company's Operations Manual, training modules and videos. All of our instructors work for us and have worked or trained in or with a THE CHEESE STEAK SHOP restaurant in the capacity for which they are providing training. We have different trainers for different parts of our training so that your training on staffing and training servers is provided by a trainer with that specific expertise, and our training on record-keeping is similarly taught by a trainer with that knowledge. On the job training is conducted by a manager of a THE CHEESE STEAK SHOP restaurant and is supervised by one of our officers. During training you will also prepare a business plan for the 12-month period following training. You or a certified manager must operate your THE CHEESE STEAK SHOP restaurant. The Company conducts periodic certification examinations.

ITEM 12
TERRITORY

You will not receive an exclusive territory. You may face competition from other franchisees, from outlets that we own, or from other channels of distribution or competitive brands that we control. We reserve the right to sell THE CHEESE STEAK SHOP merchandise and packaged food products through other channels of distribution, including the internet, catalogs, direct marketing, and in retail stores. We will not compensate you if we place THE CHEESE STEAK SHOP within your territory in a Non-Traditional Location or sell THE CHEESE STEAK SHOP products through alternate channels of distribution.

You are only granted the right to develop and operate a THE CHEESE STEAK SHOP restaurant at a single location that must be approved by the Company. You will receive the right to operate a THE CHEESE STEAK SHOP restaurant and the Company will not operate or franchise another THE CHEESE STEAK SHOP restaurant within 1-mile territory around your THE CHEESE STEAK SHOP restaurant under the Franchise Agreement except in Non-Traditional locations. The size of the territory will be based on population density. The average territory size will be a 3 mile radius around your restaurant, but the Company reserves the right to grant a smaller territory in very dense areas and a larger territory in more sparsely populated areas.

With the Company's prior written approval, you may relocate your THE CHEESE STEAK SHOP restaurant within your territory if:

1. The new location meets the Company's criteria and is not within another Territory for THE CHEESE STEAK SHOP;

2. The Company determines that the relocation will not have an adverse competitive impact on THE CHEESE STEAK SHOP system;

3. You have satisfied all of your accrued obligations to the Company under the Franchise Agreement;

4. You and the Company each sign a general release which releases the other from all claims that are known or reasonably could have been known (the release will not include claims by third parties that are subject to indemnification under the Franchise Agreement); and

5. You meet the Company's then-current standards for new franchisees.

You cannot relocate your THE CHEESE STEAK SHOP restaurant without the Company's consent.

There is no minimum sales quota. You will retain the right to your area unless you and the Company agree in writing to change it.

If you operate a THE CHEESE STEAK SHOP restaurant and you offer off-site delivery services, you must do so from your THE CHEESE STEAK SHOP restaurant and only within your assigned area. You are also permitted to use third party delivery services, such as DoorDash, UberEats, or similar services.

Area Developers

The Area Development Agreement grants you the right to open a number of THE CHEESE STEAK SHOP restaurants in a development area. The Company will not operate THE CHEESE STEAK SHOP restaurants or grant franchisees to do so in your development area for the term of the Area Development Agreement, except if there already is a THE CHEESE STEAK SHOP restaurant operating in the development area before you sign the Area Development Agreement or if there are Non-Traditional Locations within your development territory. In that case, the restaurant and its protected radius will be excluded from your development agreement. The boundaries of the development area will be outlined on a map attached to the Area Development Agreement.

In some areas the Company may have granted a right of first refusal or other rights to a franchisee.

The exact number of THE CHEESE STEAK SHOP restaurants which a developer must open each year is determined when you sign the Area Development Agreement and is based upon the market potential of the development area and other operational considerations.

You must open a certain number of THE CHEESE STEAK SHOP restaurants in your development area according to a time schedule that will be attached to the Area Development Agreement. If you do not do so or if you default on your obligations under the Area Development Agreement, the Company may terminate the Area Development Agreement and retain the development fee in full and you may lose your territorial rights. Alternately, the Company may reduce the number of THE CHEESE STEAK SHOP restaurants that you may develop in your development area, or it may terminate or reduce your rights in that area.

ITEM 13
TRADEMARKS

The Company grants you the right to operate under the following mark, and may in the future grant you rights under other related marks:

Trademark	Application Number	Date
	88153123	Filed October 12, 2018

Trademark	Application Number	Date
	88153190	Filed October 12, 2018

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

We are in the process of modernizing our branding. We will license you to use the updated branding we have developed. This is slightly different from the branding that our existing units are using. Although the name is the same, the stylized logo we will license to you looks a little different from our older logo. The mark we will license you to use is consistent with the branding on our current website.

You must use the trademarks which the Company requires to identify your restaurant and its services and products. By trademark, the Company means trade names, trademarks, service marks and logos used to identify your restaurant, its services and its products. You must follow the Company's rules when you use these trademarks. You cannot use a name or mark as part of a corporate name or with modifying words, designs or symbols referred to in the Franchise Agreement or which belong to the Company. By signing the Franchise Agreement, the Company consents to your company name and to your use of any other names that are listed in an exhibit to the Franchise Agreement. You may not use the Company's trademarks to sell an unauthorized product or service or in a manner the Company has not authorized in writing.

There is no currently effective material determination of any trademark administrator or court, any pending infringement, opposition or cancellation proceeding, or any pending material federal or state court litigation against or regarding the Company's trademarks.

You must notify the Company immediately when you learn about an infringement of or challenge to your use of the Company's trademarks. The Company is not obligated to defend you against a claim concerning your use of its trademarks. If a claim of prior use is asserted by a third party, you may have to use another name provided by the Company. The franchise agreement does not require the Company to take affirmative action if notified of an infringing claim by a third party.

You must modify or discontinue the use of a trademark if the Company decides to do so. The Company will not reimburse you for your costs of compliance (i.e., changing signs). You must not directly or indirectly contest the Company's right to its trademarks, trade secrets or to business techniques that are part of our business.

The Company does not know of any infringing uses that could materially affect your use of the Company's principal trademarks.

ITEM 14
PATENTS, COPYRIGHTS AND PROPRIETARY INFORMATION

You do not receive the right to use an item covered by a patent or copyright, but you can use the proprietary information in the Company's Manuals.

In addition, the Company owns common law copyright interests in various creative works and may grant you a revocable, non-exclusive, royalty-free license to reproduce and distribute certain of these works. The Company will grant to you the right to make adaptations or derivative works based on the licensed works.

There are no presently effective determinations of the Register of Copyrights, Library of Congress or any court, or any pending interference, opposition or cancellation proceedings or any pending material litigation involving the copyrights relevant to their use.

The Company's right to use or license these copyrighted items are not limited by any agreement or know infringing use.

Other types of trade secrets and proprietary information which may be disclosed to you include the methods of preparation and service of food products at THE CHEESE STEAK SHOP restaurants, knowledge from test programs, information on new menu items, advertising, promotional programs, sources of food products and suppliers, selection and training of managers, and other items. The recipes for the proprietary products are also trade secrets belonging to the Company. You will be required to maintain the confidential of these trade secrets, to limit access to this information, and to require your employees who need to learn these trade secrets to sign confidentiality agreements.

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

The Company requires that the franchise shall at all times be under the direct, on-premises supervision of the Franchisee (and/or key employee) or its designated manager, who is required to devote full time energy to the management and operation of the franchise. The franchisor recommends on-premises supervision and participation in the franchise by the franchisee.

If the franchisee is an entity, all persons with an ownership interest must sign a Confidentiality and Noncompetition Agreement. You must use your best efforts to obtain all required signatures, including obtaining additional signatures as the ownership structure may change. You must also make efforts to require all management personnel of your THE CHEESE STEAK SHOP restaurant sign a Confidentiality and Noncompetition Agreement.

The Company will determine which of the shareholders, partners, or other principals of a franchisee that is a corporation, partnership or other entity, must sign a Guaranty.

If you sign an Area Development Agreement, you must designate an individual to serve as your "Operator." The Operator must:

(1) Devote full time and best efforts to the development and supervision of your THE CHEESE STEAK SHOP restaurants and agree to be individually bound by all obligations of the developer; and

(2) Be a person acceptable to you and to the Company. The Company requires that your Operator have sufficient experience in operating a restaurant of this size and type that he or she will be able

to effectively manage the day to day operations and demands in order to reflect well on THE CHEESE STEAK SHOP brand and reputation, including maintaining customer satisfaction, ensuring health and safety compliance, managing staff and accurately reporting revenue. A more detailed list of the factors that the Company evaluates in approving an Operator is available to you upon your request.

If at any time for any reason the Operator no longer qualifies, you must promptly designate another Operator who does meet these qualifications.

If the developer is a corporation, all shareholders of the developer must personally guarantee, jointly and severally, the developer's performance unless the developer is a publicly-held corporation. Shareholders of the developer, or of any corporation controlling the developer, must sign non-competition covenants.

ITEM 16
RESTRICTIONS ON WHAT THE FRANCHISEE MAY SELL

The Company requires you to offer and sell only those products that it has approved, which includes the menus and recipes we design.

You must offer all products and beverages that the Company designates as mandatory for all franchisees including the Company's proprietary products. The Company may add new products and you may be required to make expenditures for new equipment in order to serve these products. You may not add or delete items to be sold at your THE CHEESE STEAK SHOP restaurant without the Company's permission.

Unless you operate a THE CHEESE STEAK SHOP restaurant in a non-traditional location, you may object to the introduction of a new mandatory menu item because it will cause an unreasonable burden on the operation of your THE CHEESE STEAK SHOP restaurant or because it will adversely affect the business of your THE CHEESE STEAK SHOP restaurant. The procedures for notifying the Company of your objection are by first initiating negotiations with the Company to resolve the dispute. If the negotiations are unsuccessful, then the parties may elect to pursue arbitration proceedings. If you want to object to the introduction of a new mandatory menu item, you may do so before the item is introduced or within 90 days after it is introduced. If you and the Company arbitrate this, you have the burden of proving the unreasonable burden or adverse effect and of showing that your THE CHEESE STEAK SHOP restaurant meets the operational specifications described in your Franchise Agreement. While these dispute resolution procedures are ongoing, you are not in default of the Franchise Agreement for failing to offer the new product. During this time, the Company can continue its advertising; promotional programs and consumer research regarding the new mandatory menu item, and its administration of the advertising fund will not be restricted.

Video and audio entertainment vending equipment is permitted at your THE CHEESE STEAK SHOP restaurant only if it does not alter the restaurant's wholesome family setting and the Company has authorized their use. The Company may regulate the installation and use of this type of equipment, or prohibit its use, if the Company determines that these machines are detrimental to the Company's image.

ITEM 17
RENEWAL, TERMINATION, TRANSFER, AND DISPUTE RESOLUTION

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

Provision	Section In Franchise Or Other Agreement	Summary
a. Length of the franchise term	Sections 3 and 12(c)	For a new restaurant, 10 years after the restaurant opens for business.
b. Renewal or extension of the term	Section 4	If you meet certain conditions, you can renew for the lesser of 10 years or the remaining term of the lease or sublease (including option periods); after that, if you meet certain conditions, you can renew on the terms the Company is then offering except (i) the assignment and transfer provisions of the franchise Agreement will not change, and (ii) the protected territory will not change.
c. Requirements for franchisee to renew or extend	Section 4; Section 5 of Agreement	You must: (i) give written notice of election to renew at least 12 months before the term expires; (ii) not be in default of any material provision of Franchise Agreement or any amendment; (iii) when you deliver notice to the Company, and on the effective date of the renewal, the restaurant and its contents must be in first-class condition and repair, the premises must be clean, neat and sanitary, adequately lighted and appear as a clean, wholesome and sanitary environment, you must have made all reasonable repairs and re-placements, and all your employees must be clean and neat in appearance; (iv) have paid all of your monetary obligations; (v) pay the Company $1,000 to offset its expenses in processing your renewal; (vi) sign a new franchise agreement in the form of the then-current agreement being offered to franchisees, which may contain materially different terms and conditions from the expiring Franchise Agreement; (vii) you and the Company each sign a general release which releases the other from all claims that are known or reasonably could have been known (the release will include claims by third parties that are subject to indemnification); (viii) furnish the Company with a copy of the lease for the premises demonstrating that your right and ability to possess the premises is assured for the renewal term; and (ix) make required improvements and alterations to your restaurant which the Company reasonably requires to meet its specifications.

Provision	Section In Franchise Or Other Agreement	Summary
d. Termination by franchisee	Section 11(j) and (k)	You can terminate if the Company materially defaults and does not cure after notice. Unless your restaurant is in a non-traditional location, you can terminate if the Company requires changes to your proposed design, layout and equipment plans and if the cost to do so will increase the aggregate cost of your restaurant.
e. Termination by franchisor without cause	Not applicable	N/A
f. Termination by franchisor with cause	Section 11	The Company can terminate if you default or if events described in (g) or (h) occur.
g. "Cause" defined—curable defaults	Section 11(a)	You have ten (10) days to cure: 9I) misuse of the Company's system or trademarks; (ii) use of THE CHEESE STEAK SHOP system for any other purpose; (iii) failure to make payments when due; (iv) failure to submit required financial or other information (such as the annual Business Plan); (v) failure to construct and maintain your restaurant in accordance with the Franchise Agreement; (vi) failure to successfully complete Company's training courses; (vii) failure to operate your restaurant in accordance with the Franchise Agreement (including failure to offer new menu items when the Company or an arbitrator requires) or to maintain the Company's standards; (viii) unauthorized transfer; (ix) lease/sublease default (including an election not to exercise an option under your lease/sublease) other than partial condemnation or casualty loss; (x) misrepresentation in application; (xi) failure to obtain the Company's written consent where required; or (xii) failure to maintain required insurance coverage.
h. "Cause" defined—non-curable defaults	Section 11 (a)	Non-curable defaults: (I) failure to obtain a suit-able location and execute a lease for your restaurant in 180 days; (ii) insolvency or bankruptcy (but if a person controlling the franchise or acting as guarantor or surety of any obligation of franchisee becomes insolvent or bankrupt, the Company may require you to obtain a personal guaranty of the obligations imposed upon you under the Franchise Agreement from persons having financial resources reasonably acceptable to the Company). If the Company requires additional guaranties, you will have a reasonable amount of time to obtain the guaranties, but not more

Provision	Section In Franchise Or Other Agreement	Summary
		than 45 days after the Company’s request; (iii) abandonment, except in the case of casualty loss; (iv) failure to expeditiously repair premises if they are damaged, or if the damage requires the closing of your restaurant, failure to reopen your restaurant within one (1) year; and (v) criminal conviction related to the business. If your restaurant is damaged by fire or other casualty, and the damage or repair requires closing your restaurant, the Company may terminate the Franchise Agreement if you do not open your Restaurant within one (1) year after closing.
i. Franchisee's obligations on termination/non-renewal	Sections 11(c) and 11(f)	You must (i) remove the Company’s name, trademarks and symbols from your restaurant, (ii) return all THE CHEESE STEAK SHOP design items; (iii) make reasonable modifications to the exterior and interior appearance, décor and trade dress of your restaurant to eliminate its identification as an THE CHEESE STEAK SHOP restaurant in the local market; and, (iv) stop using the Company’s name, trademarks and symbols in Advertising or any activities including electronic media, home pages, web sites and the like. You must return to the Company all manuals, materials marked “confidential”, “trade secret” or “proprietary information” and other materials identified as subject to return to the Company. You must also remove from the premises and Cease using all paper products and other articles bearing the Company’s trademarks. The Company can enter your restaurant and make these changes if you do not do so. If your restaurant is a dine-in THE CHEESE STEAK SHOP restaurant and the Company terminates your Franchise Agreement for cause, then you must also: (i) stop using all telephone numbers associated or identified with your restaurant and, upon the Company’s request, assign or transfer those numbers to the Company or its designee(s); and (ii) deliver to the Company all customer lists for your restaurant. If a published, pre-printed directory or advertising materials over which you have no control will remain in circulation after the termination or expiration of the Franchise Agreement (e.g., a telephone directory), you must promptly notify the publisher that (A) you no longer operate the restaurant or that your

Provision	Section In Franchise Or Other Agreement	Summary
		restaurant is no longer operated as an THE CHEESE STEAK SHOP (B) you are no longer authorized restaurant to use the Company's trademarks; (c) upon expiration or termination of that edition of the pre-printed directory or advertising materials, that you will not renew the listing or advertising materials; and (D) undertake other reasonable action to assure that the continuing publication ceases. See o. below.
j. Assignment of contract by franchisor	Section 9(j)	The Company may transfer the Franchise Agreement to any other party.
k. "Transfer" by franchisee—defined	Section 9	Any assignment or transfer direct or indirect, of your rights under the franchise (including changes in ownership of the franchisee). Any pledge, lien, levy, attachment or security interest affecting your rights under the Franchise Agreement. Any change in the control person (i.e., the individual who has authority to actively direct and control the business and who actually does so, which may be based on legal control of the franchisee, contract or otherwise).
l. Franchisor approval of transfer by franchisee	Section 9	You may not transfer except (i) to an entity in which you are the control person; (ii) to an individual who meets the Company's requirements for a transferee; (iii) to an entity the control person of which meets the Company's requirements; (iv) if it involves less than 50% of the franchisee's equity and the control person is the same (however, the transferee must be good character, must not be involved in a competing business and must sign a confidentiality agreement or certification); or (v) to an immediate family member. The exceptions do not apply if your restaurant is in a non-traditional location, The Company's prior written consent is required for any transfer.
m. Conditions for franchisor approval of transfer	Sections 9(f), (g) and (h)	If you satisfy the following conditions, the Company's consent will not be unreasonably withheld: (i) all your obligations under the Franchise Agreement are satisfied; (ii) a Proposed control person (including anyone acquiring a controlling interest in the Franchisee) reasonably meets the Company's standards for new franchisees; (iii) the proposed transferee assumes all your obligations under the Franchise Agreement, by personal guaranty or otherwise, and satisfies the Company's financial standards for new

Provision	Section In Franchise Or Other Agreement	Summary
		franchisees; (iv) you or the transferee pays the transfer fee (in general, $7,500 and $2,500 if transferee is an existing franchisee or restaurant is in a non-traditional location); and (v) you and the Company execute a general release of each other of all claims that are known or reasonably could have been know (except claims by third parties subject to indemnification).
n. Franchisor's right of first refusal to acquire franchisee's business	Sections 9(d) and (e)	The Company may match any offer, except if the transfer is to a member of your immediate family, a qualified retirement plan, an estate trust, or to an existing equity holder of the franchisee if certain conditions are met. The Company cannot acquire an equity interest in an entity that is a franchisee. It can, however, acquire the equivalent interest in the assets of your restaurant, including the right to control the entity. You would then have the option to require the Company to purchase all of the assets of your restaurant for a price based on an extension of the purchase price originally proposed.
o. Franchisor's option to purchase franchisee's business	Section 11 (d)	The Company has the right to purchase the franchise (including an assignment of the lease and leasehold improvements and all your property used in the franchised business including the telephone numbers associated with thebusiness) at fair market value if the Franchise Agreement (i) expires, (ii) is terminated by the Company for cause, or (iii) is terminated by you in breach of the Franchise Agreement. If the purchase is exercised following the Company's termination of the Franchise Agreement for cause or termination by you in breach of the Franchise Agreement, you must pay the Company's costs (including attorney's fees and the cost of appraisal) plus any damages, because of the default, breach, or violation of the Franchise Agreement. If you and the Company cannot agree on the fair market Value, it will be decided by an appraisal process. If the restaurant is a carry-out unit, the appraiser will value the business as a going concern without discount because either the franchise agreement or lease have expired or will soon expire if the Company can assure itself that it can obtain long term occupancy rights. If the restaurant is a dine-in THE CHEESE STEAK SHOP, the appraiser will

Provision	Section In Franchise Or Other Agreement	Summary
		value the business as a going concern without discount because either the franchise agreement or lease have expired or will expire. However, the Company may rescind its offer to purchase upon notice to you within sixty (60) days of the appraiser's valuation if it cannot obtain long-term leasehold rights at a fair market rent and upon commercially reasonable terms. In order to rescind, the Company must also allow you to continue operating the restaurant as an THE CHEESE STEAK SHOP restaurant until the date of its rescission notice, unless the Company has terminated the Franchise Agreement for cause or you have terminated in breach of the franchise Agreement.
p. Death or disability of franchisee	Section 10	The Company has the right to operate your disabled restaurant as long as it deems necessary; your heirs can transfer the agreement if they comply with the requirements in (m).
q. Non-competition covenants during the term of the franchise	Section 8	You may not engage in any similar business that has as its primary objective the sale of cheesesteaks in the county in which your restaurant is located.
r. Non-competition covenants after the franchise is terminated or expires	Not applicable	
s. Modification of the agreement	Section 22	No modification except in writing. Later changes to the operating manual or other publications of the Company will not alter your rights and obligations under the Franchise Agreement.
t. Integration/merger clause	Section 21	Only the terms of the Franchise Agreement are binding (subject to state law including California law). Any other promises may not be enforceable. The Company does not disclaim the representations made in this FDD.
u. Dispute resolution by arbitration or mediation	Section 19	Either party may initiate negotiations to resolve a dispute. If the dispute is not resolved through negotiation, either party may begin arbitration with Judicial Arbitration & Mediation Services, Inc. ("JAMS/ENDISPUTE").
v. Choice of forum	Section 19	Determined by JAMS/ENDISPUTE.
w. Choice of law	Section 18	California law applies (subject to state law).

Area Development Agreements

Area Development Agreements: Provision	Area Development Agreements: Section in Franchise or Other Agreement	Area Development Agreements: Summary
a. Length of the franchise term	Section 4	Term expires on date for development of final restaurant on schedule.
b. Renewal or extension of the term	Not applicable	N/A
c. Requirements for franchisee to renew or extend	Not applicable	N/A
d. Termination by franchisee	Not applicable	N/A
e. Termination by franchisor without cause	Not applicable	N/A
f. Termination by franchisor with cause	Section 9	The Company may terminate if you default or if certain events occur.
g. "Cause" defined—curable defaults	Section 9(a) and (b)	Curable defaults: 30 days for appointment of a receiver for your business assets, a final judgment in the amount of $10,000 or more against you, attachment of your bank accounts, property or receivables, suit to foreclose any lien or mortgage against your restaurant is instituted or failure to comply.
h. "Cause" defined—non-curable defaults	Section 9(a) and (b)	Non-curable defaults: (i) insolvency, bankruptcy, appointment of a receiver, general assignment for the benefit of creditors or dissolution; (ii) unauthorized transfer; (iii) material misrepresentations in application; or (iv) default under franchise agreement that would permit termination.
i. Franchisee's obligations on termination/non-renewal	Section 9(c)	You cannot develop any more THE CHEESE STEAK SHOP restaurants in your development area and the Company can do so or license someone else to do so.
j. Assignment of contract by franchisor	Section 7(a)	The Company may assign the Area Development Agreement to any other party.
k. "Transfer" by franchisee—defined	Section VII(B)(1)	Includes transfer or encumbrance of Area Development Agreement or if interest in developer.
l. Franchisor approval of transfer by franchisee	Section 7(c)	You must obtain the Company's prior written consent to any transfer.
m. Conditions for franchisor approval of transfer	Section 7(c)	(i) You have paid all your obligations; (ii) you are not in default under the Area Development Agreement or any other agreement between you and the

Area Development Agreements: Provision	Area Development Agreements: Section in Franchise or Other Agreement	Area Development Agreements: Summary
		Company; (iii) you execute a general release; (iv) the transferee signs an assumption agreement; (v) the transferee meets the Company's criteria; (vi) the transferee signs current Area Development Agreement; (vii) the transferee completes training; (viii) if the transferee is a corporation, it must only conduct this business, furnish its charter documents to the Company, legend its stock or maintain "stop transfer" instructions, have list of current owners and all its shareholders must guarantee its obligations; and (ix) you pay a transfer fee.
n. Franchisor's right of first refusal to acquire franchisee's business	Section 7(d)	The Company may match any offer received.
o. Franchisor's option to purchase franchisee's business	Not applicable	
p. Death or disability of franchisee	Section 7(c)	Your heir or representative must qualify to operate the business or transfer within 6 months.
q. Non-competition covenants during the term of the franchise	Section 8(a)	You may not divert business or customers, hire the Company's employees, or engage in similar business.
r. Non-competition covenants after the franchise is terminated or expires	Section 9(d)	Restrictions in (q) apply for 3 years after termination or expiration.
s. Modification of the agreement		No amendment unless in writing.
t. Integration/merger clause	Section 12(i)	Only the terms of the Area Development Agreement are binding (subject to state law including California law). Any other promises may not be enforceable. The Company does not disclaim the representations made in this FDD.
u. Dispute resolution by arbitration or mediation	Section XIII	Except for certain claims, all disputes may be arbitrated (subject to state law).
v. Choice of forum	Section XV(C)	Litigation must be in California in district where the Company's offices are located (subject to state law).
w. Choice of law	Section 12(h)	California law applies (subject to state law), except that non-competition provisions are governed by local law.

ITEM 18
PUBLIC FIGURES

The Company does not use any public figure to promote its 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.

We do not make any representations about a franchisee's future financial performance or the past financial performance of company-owned or franchised outlets. We also do not authorize our employees or representatives to make any such representations either orally or in writing. If you are purchasing an existing outlet, however, we may provide you with the actual records of that outlet. If you receive any other financial performance information or projections of your future income, you should report it to the franchisor's management by contacting Tony Bendana at 3333 Vincent Road, Suite 205, Pleasant Hill, CA 94523 or (510) 724-7100, the Federal Trade Commission, and the appropriate state regulatory agencies.

ITEM 20
OUTLETS AND FRANCHISEE INFORMATION

Table No. 1
Systemwide Outlet Summary
For Fiscal Years 2017 to 2019

Outlet Type	Year	Outlets at start of year	Outlets at end of year	Net Change
Franchised	2017	16	15	-1
	2018	15	15	+0
	2019	15	13	-2
Corporate owned	2017	9	9	0
	2018	9	10	+1
	2019	10	11	+1
Total Outlets	2017	25	24	-1
	2018	24	25	+1
	2019	25	24	-1

This chart represents the U.S. franchisees in the system. We also have a franchisee in the Philippines and Singapore, whose contact information is disclosed in Exhibit F-1 to the Disclosure Document.

Table No. 2
Transfers of Outlets from Franchisees to New Owners
(Other than the Franchisor)
For Fiscal Years 2017 to 2019

State	Year	Number of Transfers
California	2017	0
	2018	1
	2019	1
Total	2017	0
	2018	1
	2019	1

Table No. 3
Status of Franchise Outlets
For Fiscal Years 2017 to 2019

State	Year	Outlets at Start of Year	Outlets Opened	Terminations	Non-Renewals	Reacquired by Franchisor	Ceased Operations-Other Reasons	Outlets at End of Year at
California	2017	16	0	0	0	0	1	15
	2018	15	1	0	0	1	0	15
	2019	15	0	0	0	1	1	13
Totals	2017	16	0	0	0	0	1	15
	2018	15	1	0	0	1	0	15
	2019	15	0	0	0	1	1	13

Table No. 4
Status of THE CHEESE STEAK SHOP Owned Outlets
For Fiscal Years 2017 to 2019

State	Year	Outlets at Start of Year	Outlets Opened	Outlets Closed	Reacquired from Franchisee	Sold to Franchisees	Outlets at End of Year
California	2017	9	0	0	0	0	9
	2018	9	0	0	1	0	10
	2019	10	0	0	1	0	11
Totals	2017	9	0	0	0	0	9
	2018	9	0	0	1	0	10
	2019	10	0	0	1	0	11

Table No. 5
Projected New Franchised Outlets
As of December 31, 2019

State	Franchise Agreements signed but Outlet Not Opened	Projected New Franchise Next Fiscal Year	Projected New Company Outlets in Current Fiscal Year
California	0	1	1
Total	0	1	1

Contact Information

A list of all active franchised outlets as of December 31, 2019 is attached to the Disclosure Document as Exhibit F-1. A list of the franchisees who sold or closed an outlet since the start of the last fiscal year is attached to the Disclosure Document as Exhibit F-2. The addresses and telephone numbers of the company-owned outlets listed above are in Exhibit F-3.

If you buy this franchise, your contact information will be disclosed to other buyers, including when you leave the franchise system. In some instances, franchisees may be asked to sign a Confidentiality Agreement, which in some instances may restrict current and former franchises their ability to speak openly about their experience with THE CHEESE STEAK SHOP Franchise, however this has not occurred as of the issuance date of this Disclosure Document.

There are no trademark-specific franchisee organizations associated with this system.

ITEM 21
FINANCIAL STATEMENTS

Attached as Exhibit C to this Disclosure Document are the audited financial statements for the periods ended December 31, 2019, December 31, 2018 and December 31, 2017.

ITEM 22
CONTRACTS

Attached are copies of the following agreements regarding the offer of the Franchise:

Exhibit A	Franchise Agreement THE CHEESE STEAK SHOP restaurant
Exhibit B	Area Development Agreement
Exhibit C-1	Confidentiality and Noncompetition Agreement
Exhibit C-2	Guaranty of Franchise Agreement

ITEM 23
RECEIPTS

Copies of the Receipt are attached to the end of this Disclosure Document, following the Exhibits.

EXHIBIT A TO
THE CHEESE STEAK SHOP
DISCLOSURE DOCUMENT

FRANCHISE AGREEMENT

FRANCHISE AGREEMENT

THE CHEESE STEAK SHOP

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EXHIBITS

Exhibit A	Opening Date/Transfer Date of Restaurant; Expiration Date of Initial Term
Exhibit B	Form of Mutual Release of Known Claims
Exhibit C	Outline of Topics - Annual Business Plan (New Restaurants – First Year Plan)
Exhibit D	Outline of Topics – Annual Business Plan (Existing Restaurant)
Exhibit E	Names; Equity Owners of Franchisee
Exhibit F	Confidentiality and Non-competition Agreement; Certification of Equity Holder
Exhibit G	Guaranty of Franchise Agreement

THE CHEESE STEAK SHOP

FRANCHISE AGREEMENT

This franchise agreement (the "Agreement") is entered into by and between ONE CHEESE STEAK FRANCHISING, LLC, a California limited liability company with headquarters located at ____ ("Franchisor"), and ______________________________ (jointly and severally, "Franchisee"), whose address is: ____.

This Agreement is for the establishment of one THE CHEESE STEAK SHOP restaurant (the "Restaurant") to be located at ____ with the specific opening date to be determined in accordance with the terms of this Agreement.

RECITALS

A. Franchisor has established methods of operation (the "System") for the development and operation of THE CHEESE STEAK SHOP restaurants which includes, without limitation: the marks and all related names, trademarks, service marks, logos, copyrights and associated goodwill; distinctive building designs, décor, color schemes and trade dress and signage; an operations manual incorporating required standards, procedures, policies and techniques; secret food formulae; and advertising, marketing, and promotional programs.

B. Pursuant to Franchisor's continuing efforts to develop its chain of THE CHEESE STEAK SHOP restaurants, Franchisor desires to grant to Franchisee, and Franchisee desires to obtain from Franchisor, the right to establish and operate the Restaurant in accordance with and under the System.

C. This Agreement is for the establishment of a single THE CHEESE STEAK SHOP restaurant at a specific location. It does not grant to Franchisee any rights to develop or operate any other THE CHEESE STEAK SHOP restaurants at any locations other than the single location designated in Exhibit A of this Agreement.

IN CONSIDERATION OF THE COVENANTS CONTAINED HEREIN, IT IS AGREED AS FOLLOWS:

1. GRANT OF FRANCHISE

Subject to all the terms and conditions of this Agreement, Franchisor grants to Franchisee the non-exclusive right to use the Franchisor's System to establish and operate one Restaurant. Franchisee acknowledges that adherence to the standards and policies of the System, as changed from time to time, is absolutely essential for the continued operation of the Restaurant granted by this Agreement.

2. LOCATION AND PROTECTED TERRITORY

(a) Territory. Franchisee shall have the right to establish the Restaurant at the single location designated above. Except as provided below, while this Agreement is in force, Franchisor shall not operate or enfranchise any other business within a radius Franchisor grants around the Restaurant. The radius shall be one (1) mile in areas of average density, except in dense areas where the population within 24 hours exceeds 50,000 persons per square miles, or if the franchise is granted in a "Non-Traditional Venue," in which instance the territory will beset in Franchisor's discretion. A Non-Traditional Venue is defined as an airport, hotel, convention center, sports arena, stadium, college campus, military base, amusement park, or similar venue.

(b) Relocation. Any relocations of the Restaurant shall require Franchisor's prior written consent, which may be withheld in its discretion. During the term of this Agreement, Franchisee may relocate the Restaurant only if:

(i) The new location meets the Franchisor's then-current criteria for new locations;

(ii) Franchisor determines, in its reasonable discretion, that such location will not have an adverse competitive impact on the System;

(iii) The proposed location is within the Franchisee's assigned territory and not within any other Restaurant territory;

(iv) All accrued obligations of Franchisee to Franchisor under this Agreement have been performed or satisfied in full;

(v) Franchisee and Franchisor shall have executed a general mutual release in a form satisfactory to Franchisor of all claims that are known or reasonably could have been know (the release shall not include claims by third parties subject to indemnification under paragraph 7(w) below; and

(vi) Franchisee reasonably meets or exceeds Franchisor's standards applicable to new franchisees.

3. TERM OF AGREEMENT

This Agreement shall commence on the date it is signed by Franchisor and shall be for the term set forth on Exhibit "A" attached hereto and incorporated herein by this reference. The term of the lease or sublease, including any applicable options, for the Restaurant must be equal to the term of this Agreement. Once the Restaurant opens for business, Franchisor shall insert the exact opening date in Exhibit "A". If Franchisee is acquiring an existing THE CHEESE STEAK SHOP restaurant, the term shall be the shorter of: (a) the remaining term of the transferor's franchise agreement; or (b) the remaining term of the existing lease, including any applicable options, for the Restaurant.

4. RENEWAL OF FRANCHISE

(a) Renewal. Franchisee, at its option, shall have the right to renew this Agreement for the shorter of the remaining term of the lease or sublease, including option periods, or one additional term of ten (10) years provided that:

(i) Franchisee gives Franchisor written notice of its election to renew not less than 180 days prior to the expiration of the term;

(ii) Franchisee, when notice is given and at the time of renewal, is not in default of any material provision of either this Agreement or any amendment hereof;

(iii) When Franchisee delivers the notice to Franchisor, and on the effective date of the renewal, the following conditions shall exist:

(1) Franchisee has made reasonable alterations and improvement to the Premises as necessary to comply with THE CHEESE STEAK SHOP current décor;

(2) The Restaurant and the surrounding premises are clean, neat and sanitary;

(3) The Restaurant and the surrounding premises are adequately lighted and appear as a clean, wholesome and sanitary environment;

(4) All reasonable repairs and replacements which are needed or have been requested by Franchisor, in writing, have been made; and

(5) All monetary obligations owed by Franchisee to Franchisor or its designee have been satisfied prior to renewal.

(iv) Franchisee and Franchisor execute a then-current form of Franchise Agreement which shall substitute the renewal fee in this Agreement of $1,000 for the initial franchise fee.

(v) Franchisee and Franchisor execute a general mutual release of all claims that are known or reasonably could have been known. The release shall not include claims by third parties subject to indemnification under paragraph 7(w) below. The release will be in a form substantially similar to that set forth in Exhibit "B" attached hereto and will be subject to Franchisor's reasonable approval;

(vi) Franchisee furnishes Franchisor with a copy of a lease for the Restaurant premises indicating that Franchisee's right and ability to possess is assured for the renewal term; and

(vii) Franchisee performs such remodeling as Franchisor may reasonably require pursuant to paragraph 7(k) below;

5. FEES

(a) Initial Franchise Fee. In consideration of the Franchise granted herein, a Franchisee intending to open a new restaurant at its first franchised location shall pay to Franchisor an initial franchise fee as follows: $17,500.00 in full upon execution of this Agreement (see paragraph 9(g) below, regarding transfer fees applicable to the acquisition of an existing THE CHEESE STEAK SHOP restaurant).

For each subsequent franchise which may be granted, Franchisee shall pay the initial franchise fee then required by Franchisor for new Franchisees, payable upon Franchisor's approval of Franchisee's application.

If Franchisee has paid part of this initial fee already under an Area Development Agreement, Franchisee shall pay the unpaid balance due for this restaurant.

(b) Royalty Fee. In consideration of the franchise granted herein and the continuing right to use the System, Franchisee agrees to pay Franchisor, commencing from the date the Restaurant opens, a royalty fee of five percent (5%) of the adjusted gross sales (defined below at section 5(e)) generated monthly by the Restaurant (except as may be provided in Section 3, if applicable). Payment of the Royalty fee shall be accompanied by or refer to the standard weekly report furnished by Franchisor, and referred to in paragraph 7(o) herein, and shall be made on a weekly basis. If Franchisee is more than five (5) days late in paying the royalty fee, a late charge of ten percent (10.0%) of the unpaid amount shall be payable on the unpaid fee from the date such payment was due.

(c) Corporate Marketing Fund. Commencing from the date the Restaurant opens, Franchisee shall pay to Franchisor, as the administrator of THE CHEESE STEAK SHOP Corporate Marketing Fund (the "CMF"), an advertising fee of up to two percent (2.0%) of the Adjusted Gross Sales generated by the Restaurant (except as may be provided in Section 3, if applicable). Such fee shall be paid at the same time and manner as the royalty fee with late charge computed and assessed in the same manner as may be imposed for any late payment of a royalty fee. The CMF shall be maintained in a separate account and shall be administered by Franchisor in accordance with paragraph 6(h) below.

(d) Default Fee. Franchisor may, in its discretion, assess a fee of $250 ("Default Fee") per material violation of any part of this Agreement or any operational requirement set forth in the Operations Manuals or other training materials provided to Franchisee in any of the following instances: (i) Franchisee fails to promptly cure a default identified orally or in writing to Franchisee by Franchisor; (ii) Franchisor reasonably concludes that Franchisee engaged in an intentional, knowing, willful or deliberate violation; or (iii) Franchisee repeats any previous default within any twelve (12) month period. Franchisee's failure or refusal to pay the Default Fee shall constitute a material default under this Agreement.

(e) Relocation Fee. If Franchisee desires to relocate the Restaurant during the term of this Agreement (which relocation must be in compliance with the conditions set forth in paragraph 2 above), Franchisee shall reimburse Franchisor for its reasonable cost to evaluate and process the transaction, including but not limited to Franchisor's reasonable costs of administration, not to exceed $15,000. Upon request by Franchisee, Franchisor shall provide Franchisee with copies of invoices from any third party providers.

(f) Adjusted Gross Sales. The term "adjusted gross sales" shall mean and include the entire gross receipts of every kind and nature from all products sold in or from the restaurant (or any support facility) or service performed by Franchisee including, without limitation, gross receipts from off-site delivery, catering and special events, without reserve or reduction for inability or failure to collect "adjusted gross sales" will not include (or will be adjusted for) the following: (i) the amount of coupons or similar discounts redeemed in conjunction with any sale by Franchisee; (ii) the amount of any sales tax levied upon retail sales and which is payable to the appropriate governmental authorities and subsequently actually paid to authorities); and (iii) refunds made in good faith to customers.

(g) Consumer Price Index Adjustment. All fees stated as dollar amounts, not as percentages, within this Agreement may be adjusted by the Franchisor each January 1st by the same percentage that the Consumer Price Index, issued by the U.S. Department of Labor, Bureau of Labor Statistics, West Region for the immediately preceding December 31st, increases over and above the Consumer Price Index existing as of the date this Agreement is signed.

6. DUTIES OF FRANCHISOR

Franchisor will provide the following services subject to the remedy provision set forth in paragraph 11(j) below:

(a) Location. It is Franchisee's obligation to find a suitable location for the Restaurant which meets the Franchisor's approval. Franchisor will assist Franchisee with the search by advising and consulting with Franchisee, if requested to do so by Franchisee. Franchisee acknowledges that Franchisor's acceptance of a location does not constitute a representation or guarantee by Franchisor that the location will be a successful location for the Restaurant.

(b) Training and Support.

(i) Initial Training. If the Restaurant is Franchisee's first THE CHEESE STEAK SHOP restaurant, before the Restaurant opens for business, Franchisee shall successfully complete Franchisor's customary training course concerning the operation of the Restaurant. Franchisor, in its sole discretion, may require a manager or other designated representative of Franchisee to successfully complete the training course. In addition, prior to completing initial training, Franchisor shall assist Franchisee in preparing a business plan for the Restaurant which shall cover a twelve (12) month period commencing upon Franchisee's completion of training. The business plan, the final form which is subject to Franchisor's approval, shall set forth a pre-opening timetable, a schedule for construction, a hiring plan for Franchisee's employees, scheduled opening of the Restaurant and such other items as Franchisor shall require (the "Business Plan"). Franchisee's completion of the approved Business Plan is a prerequisite to successful completion of initial training. An outline of the subject areas to be addressed in the Business Plan is attached to this Agreement as Exhibit "C".

(ii) Pre-Opening, Opening and Post-Opening Support for New Franchisees. If the Restaurant is Franchisee's first THE CHEESE STEAK SHOP restaurant, Franchisor shall provide Franchisee with pre-opening, opening, and post-opening support which shall consist of on-site visits from Franchisor's representatives prior to the opening of the Restaurant, review of Franchisee's design, construction and equipment plans, a pre-opening inspection to determine whether all conditions to opening have been met and such on-site assistance during and after opening as Franchisor deems reasonably appropriate.

(1) Upon receipt of Franchisee's proposed design, layout and equipment plans (the "Store Plans"), Franchisor will review such plans and either consent to

them or provide Franchisee with a written summary of required changes. Franchisee shall implement any required changes and shall not file plans with regulatory authorities or proceed with construction until receiving Franchisor's written consent to the plans.

(2) Prior to the scheduled opening of the Restaurant, Franchisor will send a representative to meet with Franchisee at the Restaurant site to determine whether or not construction of Franchisee's Restaurant is in compliance with the Business Plan and the Store Plans.

(3) Prior to the scheduled opening of the Restaurant, Franchisor shall advise Franchisee in connection with its initial staffing level and scheduling of employees for the Restaurant and shall review with Franchisee training guidelines, job descriptions and supervision of the Restaurant.

(4) Prior to the scheduled opening of the Restaurant, Franchisor will send a representative to the Restaurant to conduct an on-site pre-opening final review in order to determine whether the Restaurant meets all material pre-opening conditions set forth in the Business Plan. If the Restaurant fails to meet the conditions, Franchisor will provide Franchisee with a written report of the deficiencies and requirements to remedy them. Franchisee shall take all steps necessary to implement the requirements set forth in the report. In no event shall Franchisee open the Restaurant without compliance with such pre-opening conditions. Franchisor's representative may, but is not required to, assist Franchisee in implementing corrections required by Franchisor's report. If Franchisee is not able to implement the corrections during the time Franchisor's representative is conducting the on-site review, Franchisee will be responsible for the costs of any additional on-site visits made by Franchisor's representative in order to determine compliance with pre-opening conditions.

(5) Franchisor will send a representative to the Restaurant for its opening to provide assistance to Franchisee for a period of time necessary to implement the opening requirements set forth in the Business Plan, provided such assistance shall not be required to exceed one (1) week. During this period of time, Franchisor's representative shall assist Franchisee in formulating additional objectives for the sixty (60) day period following opening the Restaurant.

(6) Franchisor will send a representative to the Restaurant at a minimum once every two (2) weeks during the sixty (60) day period following opening of the Restaurant to assist Franchisee in implementing the additional objectives. Following this period of time, if the additional objectives have not been implemented, Franchisor may, at Franchisee's request and expense, provide a representative to continue to assist Franchisee in such implementation.

(iii) Periodic Training and Updates. Franchisor shall offer periodic training in connection with the introduction of new products, material changes in operational procedures or other topics which Franchisor determines appropriate. If Franchisor requires attendance at any additional training program(s) or course(s), Franchisee and/or its manager(s) shall successfully complete such program(s) or course(s). In addition;

(1) Franchisor will provide certification examinations which measure proficiency in the same skills that are the subjects of Franchisor's customary training for new franchisees and which will be conducted on a periodic basis at THE CHEESE STEAK SHOP restaurants (or other locations) designated by Franchisor that are reasonably accessible to franchisees. Franchisee shall bear the cost of transportation to the certification location and accommodations, if required, for its own personnel. In addition, Franchisor will charge a fee to cover its expenses in supervising certification re-examinations for managers who fail to successfully complete their initial certification examinations. Franchisees or managers who are certified examiners by Franchisor may administer certification examinations to employees of Franchisee; provided, however, that Franchisor reserves the right to re-examine and/or de-certify individuals certified by others if Franchisor reasonably determines that such individuals have not achieved the required qualifications to operate a restaurant.

(2) Franchisor will maintain training materials for supervisory Restaurant employees. In conjunction with periodic certification examinations, Franchisor will provide instruction to franchisees and certified Restaurant managers regarding use of the materials.

(3) Franchisor will periodically distribute a current schedule and curriculum of management courses. Such courses will be offered at locations designated by Franchisor. All franchisees and certified managers are eligible to attend such courses on a first-come, first-serve basis provided they have completed prerequisite qualifying courses and pre-work.

(4) Franchisor will periodically distribute current information or provide training concerning the repair and maintenance of equipment utilized in the operation of the Restaurant. Franchisee's personnel may attend such courses on a first-come, first-serve basis provided they have completed prerequisite qualifying courses and pre-work.

(5) Franchisor will periodically publish information concerning legal and regulatory requirements that may affect the general business of the System; such information shall not, however, be a substitute for advice Franchisee should obtain from time to time, from professional advisors.

(iv) Special Training and Optional Courses. If Franchisee is an existing THE CHEESE STEAK SHOP franchisee, for subsequent unit openings Franchisor shall waive the initial training described in paragraph 6(b)(i) and, upon Franchisee's request, Franchisor will provide only the services described in subparagraph 6(b)(ii), provided Franchisee submits a completed Business Plan as described in subparagraph 6(b)(i).

(c) Operations Manual and Advertising Manual. Franchisor shall loan to Franchisee a copy of THE CHEESE STEAK SHOP Operations Manual and copies of all marketing and advertising manuals currently in use, and copies of any revisions of such manuals by Franchisor or other manuals as may be developed by Franchisor. Collectively, the manuals will contain information relating to the development, opening and operation of the Restaurant, including food formulas and specifications for designated food and beverage products; required menu items; methods of inventory control; bookkeeping and accounting procedures; marketing ideas and materials; business practices and policies; and other management, advertising and personnel policies (sometimes referred to collectively, the "Manuals"). Franchisor shall periodically update the Manuals, and provide Franchisee with supplements to the Manuals, as reasonably necessary and appropriate. The Manuals are, and are intended to remain, proprietary property of the Franchisor.

(d) Design. Franchisor shall designate the standard design, color scheme, trade dress and motif for the Restaurant. Franchisor will maintain a library of model designs for THE CHEESE STEAK SHOP restaurants. Upon receipt of Franchisee's proposed Store Plans, Franchisor will review such plans and either consent to them or provide Franchisee with a written summary of required changes. Franchisee shall implement any required changes and shall not file plans with regulatory authorities or proceed with construction until receiving Franchisor's written consent.

(e) Fixture, Sign, Equipment, Inventory and Supply Specifications. Franchisor shall designate standard fixtures, signs, current menu reader boards, equipment and initial and continuing inventory and supplies for placement in and use at the Restaurant. Franchisor will maintain, and make available to Franchisee, information concerning products and equipment regularly used in the operation of THE CHEESE STEAK SHOP restaurants. Franchisor will periodically analyze and consider new products and equipment for possible introduction in THE CHEESE STEAK SHOP restaurants. If Franchisor determines in its discretion that such products or equipment should be included in certain or all THE CHEESE STEAK SHOP restaurants and the introduction of the new product or equipment will cause material alteration in the operation of the Restaurant, Franchisor will test the new product or equipment in its own THE CHEESE STEAK SHOP restaurant or in one or more franchised THE CHEESE STEAK SHOP location(s). Results and analysis of Franchisor's tests of the proposed new product or equipment will be provided to franchisees. Training will be conducted and information concerning the products and equipment will be available for review by affected franchisees. Franchisor will maintain comprehensive source materials for products and equipment necessary for the operation of a THE CHEESE STEAK SHOP restaurant and will make such information available to all franchisees upon request. The library will include information concerning pricing, availability, performance specifications, maintenance and repairs, and if available, performance reviews by Franchisor or franchisees who have used the product in the actual operation of a THE CHEESE STEAK SHOP restaurant. Franchisor will also use reasonable efforts to obtain system-wide or group pricing from relevant distributors and manufacturers to assist franchisees in securing the best pricing for needed equipment and supplies. By providing such information and assistance, Franchisor is not guaranteeing the functionality or quality of any specific equipment or supplies.

(f) Advice and Consultation. Franchisor shall advise and consult with Franchisee periodically in connection with the development and operation of the Restaurant. Franchisor shall communicate to Franchise its know-how, new developments, techniques, and improvements in restaurant management, food preparation, and services which are pertinent to the operation of the Restaurant in accordance with the System, all subject to Franchisee's obligation to maintain in confidence all such information not required to be disclosed during the operation of the Restaurant. Franchisor shall communicate topical information concerning the business of the Restaurant; such information may include lists and referrals to third party providers and other resources. Such communication may be accomplished by operation consultants, reports, seminars, or newsletters, electronic media, or other forms of communication. Franchisor shall also make available to Franchisee, services, facilities, rights, and privileges which Franchisor makes generally available, from time to time, to all of its franchisees operating within the System.

(g) Independent Status of Franchisee. Franchisor shall not establish requirements regarding: (1) Franchisee's employment policies, assignment or direction of Franchisee's employees, wages or hours of labor (except to the extent specified in paragraphs 7(m) and 7(n); and (2) the customers to whom Franchisee may provide services. Franchisor shall not be involved to any extent in the management or operation of the Restaurant, except as otherwise provided in this Agreement.

(h) Advertising.

(i) National Marketing Fund. The CMF exists for the primary purpose of promoting the System through advertising and promotional programs and materials. Franchisee acknowledges that the CMF, which may hire employees, agents and firms to carry out its purpose, shall be used to meet any and all costs, direct and indirect, incident to advertising for the System, including without limitation those incurred in administering the CMF, developing advertising and promotional programs and materials, conducting consumer research, employing individuals, and implementing related activities. Franchisor's charges to the fund shall be limited to reimbursement for the reasonable cost of purchases, activities and services in furtherance of the purpose of the CMF. In its sole discretion, Franchisor shall determine the media, markets, and content of all advertising programs. Franchisor shall not make expenditures from the CMF for advertising directed primarily at the sale of franchises. Franchisor shall account for the CMF separately from Franchisor's other funds and shall prepare reports on a quarterly basis. Such reports shall include advertising fees received, expenditures from the CMF and collection activity. Copies of Franchisor's accounting of the CMF shall be available upon Franchisee's request.

(ii) Local Marketing Expenditure. Franchisee is not required to spend any amount of local marketing. Franchisee understands and acknowledges that Franchisor is not required to spend any amount of the National Marketing Fund in Franchisee's local market and Franchisee may improve its likelihood of success by conducting local marketing on its own, subject to Franchisor's advertising requirements set forth in Section 7(g).

(i) Adherence to System. In the operation of its THE CHEESE STEAK SHOP restaurants (including those operated by its affiliate), Franchisor will comply with all material operational requirements of the System.

7. DUTIES OF FRANCHISEE

In addition to its duties as set forth elsewhere in this Agreement, Franchisee agrees to perform the following:

(a) Identification of Location. Within one hundred eighty (180) days of executing this Agreement, Franchisee must execute a lease for a premises approved by Franchisor.

(b) Preparation of Location. Within one hundred eighty (180) days of the date a final location is obtained, Franchisee shall totally equip and make ready the location for operation. Immediately upon receipt of written acknowledgement from Franchisor the Restaurant complies with the System specifications and requirements, Franchisee shall commence operation of its Restaurant.

(c) Lease Responsibilities. Except as otherwise provided herein, Franchisee shall be responsible for all terms and conditions of the lease pertaining to the location, including any required security deposit and prepaid rent. Franchisee shall provide to Franchisor a copy of the fully executed lease (and any assignment and/or subleases thereto) immediately upon execution of this Agreement.

(d) Construction Standards. Franchisee shall be responsible for the establishment and completion of the Restaurant, including construction or remodeling and equipment installation. Franchisee agrees that in constructing or remodeling the Restaurant, it shall secure all necessary permits and adhere to the plan, design, color scheme, and motif of THE CHEESE STEAK SHOP restaurants as specified by Franchisor, provided that Franchisee may make minor changes to the standard plans and specifications, if necessary, to meet the requirements of applicable codes and regulations. Franchisee shall submit all Store Plans and specifications to Franchisor for review prior to submitting them to regulatory authorities for approval, and shall not submit plans to any regulatory authority or proceed with construction until Franchisor's written consent shall have been obtained. In the event Franchisee commences construction, remodeling, installation, or other work on the premises without the prior written approval of Franchisor, or contrary to the specifications and directions of Franchisor, Franchisee shall upon notice from Franchisor and solely at Franchisee's expense, promptly remove or appropriately modify all objectionable items so as to comply with Franchisor's specifications and directions.

(e) Fixture and Equipment Standards. Franchisee shall lease and /or purchase all fixtures and equipment designated by Franchisor and shall install, or have installed, in the Restaurant all such fixtures and equipment. Franchisee has the right to lease and/or purchase the fixtures and equipment from any source, provided, however, all fixtures, furnishings, color schemes, machinery, equipment, and accessories shall conform to specifications of design, color, quality, performance, and utility designated and approved by Franchisor.

(f) Sign Standards. Franchisee shall prominently display and maintain in good appearance and condition on the land and building comprising THE CHEESE STEAK SHOP restaurant all signs of such nature, form, color, illumination, and size, and containing such legends and symbols as Franchisor shall require. Franchisee shall not display at the Restaurant any signs to which Franchisor objects.

(g) Inventory and Supply Specifications. For the purposes of this paragraph, the types of inventory, supplies and products used in the operation of a THE CHEESE STEAK SHOP restaurant can be divided into three categories: (1) "Proprietary Products"; (2) products using a logo or trademark; and (3) all other products, items and supplies. To insure uniformity and quality, and to protect the integrity of THE CHEESE STEAK SHOP name and marks, Franchisee agrees to the following restrictions regarding these various types of products, as follows:

(i) Proprietary Products. Franchisor has developed certain ingredients and products using or incorporating secret recipes or other trade secrets or information (the "Proprietary Products"). These products may include additional items if future products are developed and authorized for use in THE CHEESE STEAK SHOP restaurants. Franchisee agrees to purchase all Proprietary Products only from suppliers specified by Franchisor, and in no event will Franchisee alter or attempt to substitute any other product for any Proprietary Product. Franchisee will only use or distribute Proprietary Products in connection with the operation of the franchise granted herein and any other franchise which Franchisor may grant to Franchisee. Franchisor expressly reserves the right to designate suppliers or itself to be the sole supplier of Proprietary Products.

(ii) Advertising and Materials or Supplies Using the Marks or Logos. In the dispensing and sale of food products, and in displaying products and merchandise to be sold hereunder, all articles such as containers, cartons, bags, menus, napkins and other paper goods, packaging, point of sale advertising and promotional materials, shall be subject to approval by Franchisor as to quality and design and shall bear trademarks approved by Franchisor.

(iii) All Other Products, Inventory or Supplies. In order to protect the integrity of THE CHEESE STEAK SHOP System and the Proprietary trademarks, Franchisor will from time to time establish and publish reasonable specifications for the types of products, inventory and supplies authorized for use in connection with the operation of the Restaurant. Except as may be required above, Franchisee may purchase any or all of its products, inventory and supplies from any source, provided that the items conform to Franchisor's specifications.

(h) Restrictions Against use of Non-Conforming Products. Franchisee shall: (1) use only recipes, flavorings, garnishments and food and beverage ingredients which meet Franchisor's standards and specifications as described above; (2) employ only those methods of food handling and preparation which Franchisor may designate in the Operations Manual or as otherwise indicated by the Franchisor; and (3) serve and dispense only foods and beverages of the types authorized by Franchisor. Except for Proprietary Products, Franchisor will not prescribe a particular brand or supplier of products, inventory or supplies; provided, however, that it may require Franchisee to purchase all or part of its requirements solely from distributors or manufacturers which meet Franchisor's reasonable standards and specifications for quality and consistency.

(i) Confidential Information and Operations Manual and Advertising Manuals. Franchisee acknowledges that the information contained in Franchisor's operations and advertising manuals constitutes confidential and trade secret information. Additionally, Franchisor may provide Franchisee with other information which has been designated by Franchisor as "Confidential", "Trade Secret'" or "Proprietary Information". Without the prior written consent of Franchisor, Franchisee shall neither disclose the contents of the Manuals to any person, except employees of Franchisee for purposes related solely to the operation of the Restaurant, nor reprint or reproduce the Manuals, or any Confidential, Trade Secret, or Proprietary Information, in whole or part for any purposes. Upon reasonable request by Franchisor, Franchisee shall undertake reasonable efforts to obtain agreements from its management personnel prohibiting disclosure of any trade secret or proprietary information.

(j) Operation of Restaurant.

(i) Operation of Restaurant Facility. Franchisee shall participate in the operation and management of the Restaurant (personally or through a manager approved by Franchisor) and shall diligently devote Franchisee's best efforts to the operation and management so as to maximize sales and profits, keeping free from conflicting enterprises or any other activities which would be detrimental to or interfere with such operation or management. The Restaurant must be directly operated by Franchisee, who has successfully completed Franchisor's customary training for new franchisees as set forth in subparagraph 6(b)(i) above, or by a manager who has been certified by Franchisor as described in subparagraph 6(iii)(A) above. Franchisee shall operate and maintain the Restaurant only at the location designated herein and only in accordance with the business standards, procedures, policies, and techniques comprising the System as specified in Franchisor's Operations Manual, as modified from time to time, or as specified in other manuals or written material provided by Franchisor. Franchisee shall at all times during the term of this Agreement remain responsible for overseeing the day-to-day operations of the Restaurant, or employ a manager for this purpose who has successfully completed Franchisor's manager certification course. Franchisee shall conspicuously post at the Restaurant a notice to the effect that the Restaurant is a franchised business operated independently of One Cheese Steak Franchising, LLC.

(ii) Menu. Mandatory and optional menu items offered for sale at and from the Restaurant are essential components of the System and shall be specified by Franchisor in its sole discretion, from time to time, in its Manuals. Franchisee shall offer for sale all mandatory menu items and shall not offer for sale menu items which are not so specified by Franchisor as mandatory or optional. The requirements of this subparagraph are subject to exception or amendment only as follows:

(1) By Franchisor's written consent; or

(2) Franchisee may object to offering any new mandatory menu item by seeking a determination, pursuant to and in accordance with paragraph 19 (Dispute Resolution Procedures) that its introduction will either (1) cause an unreasonable burden on the operation of the Restaurant or (2) adversely affect the business of the Restaurant. If Franchisee's objection becomes the subject of arbitration, pursuant to paragraph 19, Franchisee shall have the burden of proving such unreasonable burden or adverse effect and establishing that the Restaurant otherwise satisfies the operational specifications prescribed under subparagraphs 7(l) and (m), below. During the pendency of the dispute resolution proceedings, Franchisee shall not be deemed in default for failure to offer such mandatory menu item for sale nor shall Franchisor be limited in its conduct of advertising, promotional programs or consumer research with regard to such item nor shall its administration of the Fund otherwise be restricted. Franchisee may object to offering any new mandatory menu item in the manner described above at any time before, or within two hundred seventy (270) days after, the date its introduced.

(k) Annual Business Plan. Franchisee shall, each year, not later than ninety (90) days following the anniversary of the effective date of this Agreement, develop and provide to Franchisor a business plan for the operation of the Restaurant during the immediately following twelve (12) month period, in form and substance satisfactory to Franchisor (the "Annual

Business Plan"). The Annual Business Plan shall set forth, among other things, goals and specific commitments by Franchisee for improving sales, marketing, operations and financial performance. Franchisee, shall, upon Franchisor's request and reasonable advance notice, meet with Franchisor at such time and place as Franchisor shall designate to discuss the Annual Business Plan and the operation of the Restaurant. An outline of the subject areas to be addressed in the Annual Business Plan is attached to this Agreement as Exhibit "C".

(l) Sanitation and Maintenance Standards. At its sole expense, Franchisee shall at all times maintain the interior and exterior of the Restaurant premises, including all of the fixtures, signs, and equipment, in a good, clean, attractive, and safe condition and repair.

(m) Remodeling/Improvements. Franchisor shall establish and publish specifications for the furnishings, fixtures, signage, facility and equipment of the Restaurant to enhance the value of the System. Franchisee shall from time to time make such cost effective improvements and alterations to the Restaurant as Franchisor shall reasonably require in order for the Restaurant to meet such specifications.

(n) Staffing Requirements. Franchisee shall maintain an adequate number of neat, clean, competent, and courteous employees at the Restaurant to insure maximum customer satisfaction and consistent service. Franchisee shall require all employees to wear uniforms of such color, design, and other specifications as Franchisor may designate from time to time. Franchisor may periodically require Franchisee to submit to Franchisor for its approval plans setting forth staffing levels for the Restaurant and describing employee functions.

(o) Hours of Operation. Subject to any contrary requirements of regulatory authorities or Franchisee's lease, Franchisee shall operate the Restaurant at such minimum hours and on such days as may from time to time be prescribed by Franchisor (except when the Restaurant is untenable as a result of fire or other casualty) and shall maintain sufficient supplies of goods and products so as to operate the Restaurant at maximum capacity and efficiency.

(p) Sales Records and Monthly Reports. Franchisee shall record all sales on point-of-sale systems designated by Franchisor. Franchisee shall execute and submit a monthly written report, on Franchisor's prescribed form, of Franchisee's Adjusted Gross Sales from the reported month's operation and any additional information which Franchisor may reasonably request. The report shall be submitted to Franchisor in accordance with the terms of paragraph 5(b) herein. If requested by Franchisor, Franchisee shall furnish frequent reports of adjusted gross sales by telephone or as otherwise specified by Franchisor. Franchisee shall purchase or lease and install a point of sale ("POS") electronic cash register or computer system (a "POS system") which reasonably meets or exceeds Franchisor's published specifications. Franchisee agrees to execute any and all necessary agreements and pay reasonable fees in connection with the installation, maintenance and upgrade of such a POS system. Franchisee understands and agrees that both technological and operational developments may require Franchisee to upgrade or replace components of, or the entire, POS system during the term of this Agreement or upon its renewal. Franchisee will upgrade, replace or expand the POS system in order to assume and discharge all of the POS system related tasks specified, and as modified from time to time, by Franchisor.

(q) Prompt Payment. Franchisee shall make timely payments to Franchisor under this Agreement and to third party vendors and suppliers in accordance with the terms of invoices rendered to Franchise for the purchase of food, paper products, and other supplies, and for all obligations necessary to conduct the business of the Restaurant. For purchases made from Franchisor or the Fund, Franchisor's then-current late charge shall be payable on all past due payments (computed from the due date to the date of receipt); payments shall be deemed "past due" if not received by Franchisor (or the Fund) in accordance with the terms of the applicable invoice. Franchisee agrees and acknowledges that Franchisor may require, as a component of the POS system referred to in paragraph 7(o) herein, that Franchisee participate in Franchisor's automatic debit/credit transfer program. Franchisor will not undertake the transfer of funds from Franchisee's account without prior, written authorization from Franchisee to do so.

(r) Advertising. Franchisee acknowledges the need for uniformity in THE CHEESE STEAK SHOP image. Except for all advertising and/or promotional materials prepared or previously approved by Franchisor, no advertising and/or promotional materials (including without limitation electronic media, home pages, web sites and the like, and changes thereto) shall be used by Franchisee, until such time as Franchisee has submitted the materials to Franchisor and the use of such materials has not been disapproved by Franchisor within a period of ten (10) days from the date of Franchisor's acknowledged receipt of materials.

(s) Convention. If Franchisor holds a mandatory convention or conference for franchisees in the system, or within Franchisee’s region, Franchisee will attend and will pay the fee assessed for attendance by Franchisor.

(t) Trade Name and Marks.

(i) Franchisor's trade name, and the service marks and trademarks licensed hereunder (the "Proprietary Marks"), are the sole and exclusive property of Franchisor. Franchisee shall require no right to use, or to license the use of any name, mark, or other tangible property right granted herein, or any name or mark confusingly similar thereto, except in connection with the operation of the Restaurant. Franchisee shall not incorporate or form a partnership or joint venture under any names, in whole or in part, referred to in this Agreement or otherwise belonging to Franchisor or any name or mark confusingly similar thereto. Execution of this Agreement by Franchisor shall constitute its consent to Franchisee's name, if Franchisee is an entity, and to its use of such other names as are set forth in Exhibit "E" attached hereto and incorporated herein by this reference.

(ii) Franchisee agrees to consistently use the mark THE CHEESE STEAK SHOP and/or such other name(s) as designated by Franchisor on all signs, decorations, advertising, menus, letterhead, telephone listings, and other printed and decorative materials used in or on the premises.

(iii) If there should be asserted a claim or prior use of any trade names, trademarks, service marks, slogans or visual media used in the Restaurant, Franchisee, at its sole expense, shall use such name or marks as may then be provided by Franchisor, or, if no such substitutes are provided by Franchisor, Franchisee's own name and such marks or words as shall clearly avoid possible confusion between the business of the Restaurant and the business of the claimant, and Franchisee shall have no claim against Franchisor for any damages due to the change in names or marks.

(u) Legal Compliance. At its sole expense, Franchisee shall comply with all federal, state, and local laws, ordinances and regulations affecting the operation of the Restaurant.

(v) Right of Inspection. Franchisee shall allow the designated agents of Franchisor to enter the Restaurant at reasonable times for the purpose of examining and inspecting fixtures, furnishings, signs, equipment, products, supplies, and employees of the Restaurant to determine whether Franchisee is in compliance with the standards and policies of the System. In order to monitor the System, Franchisor shall have the right to take reasonable samples of food and ingredients served at the Restaurant, free of charge. If Franchisee shall fail to operate the Restaurant in accordance with the System, Franchisor may, at its option, and at Franchisee's expense, and in addition to any other remedies of Franchisor hereunder, place a representative of Franchisor in the Restaurant until Franchisor shall determine that the Restaurant is in compliance.

(w) Books and Records. Franchisee shall keep books of account in accordance with sound accounting practices which fully and accurately disclose gross and adjusted gross sales of the Restaurant and in compliance with Franchisor's requirements for accounting systems and methods as set forth in the Operations Manual. Franchisor shall deliver or cause to be delivered, by the twenty-fifth (25th) day of the following month, monthly financial statements in an electronic format which including a balance sheet and a profit & loss statement and a debt summary which comply with Franchisor's requirements. In addition, Franchisee shall permit Franchisor, or its authorized agent, to inspect and examine Franchisee's books and records at reasonable times. If any audit discloses that reported adjusted gross sales of Franchisee have been understated, Franchisee shall immediately pay to Franchisor and the Fund amounts due, together with late charges as prescribed in paragraph 5(b) hereof. If such audit discloses that the reported adjusted gross sales of Franchisee have been understated to the extent of three percent (3%) or more, Franchisee shall reimburse Franchisor for any and all expenses incurred in connection with or attributable to the audit.

(x) Insurance. At all times during the term of this Agreement, Franchisee shall maintain in full force and effect at its sole cost and expense Commercial General Liability Insurance, including Contractual liability, Products-Completed Operations, Personal and Advertising Injury liability with minimum limits of liability for each type of insurance of $1,000,000 General Aggregate, $1,000,000 Products-Completed Operations Aggregate, $1,000,000 Personal and Advertising Injury, $1,000,000 Each Occurrence, $50,000 Fire Damage, and $1,000 Medical Expense. Franchisee shall also maintain in full force and effect at its sole cost Workers Compensation Insurance as required by applicable law, Employers' Liability Insurance with minimum limits $1,000,000, Umbrella Excess Liability Insurance with minimum limits of $2,000,000, and any other or increased amounts of insurance which Franchisor may from time to time require. Franchisor and all other subsidiaries and affiliates designated by Franchisor from time to time shall be named as additional insureds effective at the beginning of the term of each policy. Franchisee shall provide Franchisor with certificates of insurance evidencing the required coverage. Such certificates shall be renewed and provided annually and shall contain such detailed information as Franchisor may from time to time request. Franchisee shall also provide Franchisor with full and complete copies of any and all of the above policies upon request of Franchisor. All insurance policies must be issued by an insurance company licensed to do business in the state where the Restaurant is located, approved by Franchisor, and rated A or better by A.M. Best 7 Company, Inc. Franchisee shall cause the companies to agree by endorsement or separate written document that Franchisor shall be given at least thirty (30) days' prior written notice of termination, expiration, cancellation, modification or reduction in coverage limits of any such policy. Upon failure of Franchisee to maintain in effect any of the insurance required, or to furnish to Franchisor satisfactory evidence of such insurance, Franchisor may, in its discretion, obtain insurance coverage on behalf of Franchisee, and Franchisee agrees to promptly execute applications or instruments required to obtain any such insurance and to pay to Franchisor, on demand, all costs, premiums and other expenses incurred by Franchisor.

(y) Notification of Legal Proceedings. Franchisee shall notify Franchisor in writing within ten (10) days of the commencement of any action, suit or proceeding, or of the issuance of any order, writ, injunction, award, or decree of any court or government agency which may adversely affect Franchisee's financial condition or ability to perform its duties or meet its obligations hereunder.

(z) Indemnity. Franchisee shall pay all bills, debts, obligations and liabilities incurred in the operation of the Restaurant and shall indemnify and hold each "Indemnified Party" (as defined below) harmless therefrom. If any Indemnified Party is subjected to any claim, demand or liability or becomes a party to any suit or other judicial or administrative proceeding by reason of any claimed act or omission of Franchisee, its employees or agents, or by reason of any act or omission occurring on the Restaurant premises or otherwise relating to the business or operation of the Restaurant, Franchisee shall indemnify each Indemnified Party and hold each Indemnified Party harmless from and against all judgments, settlements, penalties and expenses, including attorneys' fees, court costs and other expenses of litigation or administrative proceeding. The defense of such claim, litigation or administrative proceeding by an Indemnified Party, or by Franchisee on an Indemnified Party's behalf, shall be at the sole cost and expense of Franchisee, who shall hold each Indemnified Party free and harmless from all such obligations and liabilities and shall reimburse an Indemnified Party for all expenses incurred therein, including attorneys' fees. Further, an Indemnified Party shall have the right independently to take any action it may deem necessary, in its sole discretion, to protect and defend itself against any threatened action subject to indemnification hereunder, without regard to expense, forum or other parties that may be involved. As used in this paragraph 7(y), the term "Indemnified Party" means Franchisor and any subsidiary or affiliated company of Franchisor, and any officer, director, shareholder or employee of Franchisor or any such subsidiary or affiliated company. The obligation of Franchisee to indemnify and hold harmless Franchisor for Franchisor's own negligence shall be limited to an amount not to exceed the amount of benefits paid under the insurance coverage maintained by Franchisee in accordance with the requirements of paragraph 7(u) above.

(aa) Copyrights. Franchisor owns rights under the Copyright Act in various creative works. Franchisor shall have the right, in its sole discretion, to grant to Franchisee a revocable, non-exclusive, royalty-free license to reproduce, copy, and distribute copyrighted works selected and made available to Franchisee (except confidential and trade secret information) by

Franchisor from time to time, but any such license shall not include the right to make adaptations or derivative works based upon the licensed works.

(bb) Information on Entity Franchisee. If Franchisee is an Entity, it shall deliver to Franchisor a copy of its current partnership agreement, articles of incorporation, operating agreement or other agreement or document that provides for the disposition of this Agreement or an interest therein, prior to the execution of this Agreement. Franchisee shall also deliver to Franchisor copies of all subsequently restated or amended agreements or documents (marked to show the changes made).

8. NON-COMPETITION

(a) Franchisee acknowledges that, pursuant to this Agreement, Franchisee will receive valuable specialized training and trade secrets, including without limitation information regarding the operational, sales, promotional and marketing methods and techniques of the System. In consideration for the use and license of such valuable information, Franchisee agrees that it shall not during the term of this Agreement and for a period of five years after termination of this agreement (for any reason), engage in activities which are licensed under this agreement with respect to any business other than the franchised business, nor operate, manage, own assist or hold interest, direct or indirect (as an employee, officer, director, shareowner, partner, joint venture or otherwise), in any retail or wholesale business or business selling products other than the franchised business, without the express prior written consent of Franchisor. It is the intention of the parties that Franchisee maximize the franchise business and gross receipts for the mutual benefit of Franchisor and Franchisee, and any action of Franchisee which diverts business to another entity or diminishes the gross receipts of the franchised business shall be a material breach of this Agreement. Franchisee shall not, either directly or indirectly, for itself, or through, on behalf of, or in conjunction with, any person, persons, partnership, or corporation, (i) divert or attempt to divert any business or customer of the franchised business to any competitor, by direct or indirect inducement or otherwise, or do perform, directly or indirectly, any other act injurious or prejudicial to the goodwill associated with the Marks or the System, or (ii) solicit any person who is at the time employed by, or engaged as a sales agent or broker by, franchisor or any related entity to leave his or her employment. This section 8(a) including the following covenants 8(a)(i)-(iii), shall apply to each of its directors, officers, general partners, and Principals:

(i) Franchisee acknowledges that the restrictions contained in this section are reasonable and necessary in order to protect legitimate interest of Franchisor, and in the event of violation of any of these restrictions, Franchisor shall be entitled to obtain damages including, without limitation, continuing Royalty and other fees that would have been payable if such business were included in the Franchised Business and an equitable accounting of all earnings, profits and other benefits arising from such violation, which rights and remedies shall be cumulative and in addition to any other rights or remedies to which Franchisor may be entitled at law or in equity.

(ii) During the term of this Agreement, Franchisee shall not directly or indirectly sell, dispense, give away or otherwise provide Franchisee's food products for sale within the exclusive territory of any other franchised or company-owned THE CHEESE STEAK SHOP restaurant.

(iii) During the term of this Agreement, neither the Franchisee nor any of the Franchisee's principals shall directly or indirectly engage or be financially involved in (except for ownership of not more than five (5%) percent of the outstanding stock, voting and non-voting, of a corporation, the stock of which is traded on a national securities exchange) or be employed by any café or restaurant business selling or offering related products to those sold or offered by Franchisee's franchised business which are a significant aspect of that operation.

(b) Franchisee shall require and obtain execution of covenants similar to those set forth in this paragraph 8 including covenants applicable upon the termination of a person's relationship with Franchisee and covenants set forth in paragraph 7(h) above from any or all of the following persons:

(i) all officers, directors, and holders of a beneficial interest in the securities of Franchisee and any corporation directly or indirectly controlling Franchisee, if Franchisee is a corporation;

(ii) any limited partners owning an interest in the partnership interest in Franchisee and the general partners (including any corporation and the officers, directors, and holders of a beneficial interest in the securities of any corporation which controls, directly or indirectly, any general partner or 10% limited partner), if Franchisee is a partnership;

(iii) any person holding a beneficial interest in Franchisee if Franchisee is any other type of entity; provide, however, if an equity holder of Franchisee does not have access to Franchisor's trade secrets or proprietary or confidential information and is not active in the business (and so attests in writing jointly certified by Franchisee), such person will not be required to execute such covenants. Franchisee shall use its best efforts to cause its equity holders to execute either the covenants described above or the certification (that such equity holder does not have access to Franchisor's trade secrets or proprietary or confidential information and is not active in the business). The requirements of the preceding sentence are continuing and a change in circumstances shall require Franchisee to then use its best efforts to obtain the required documentation. Franchisee's inability to obtain an equity holder's execution (other than the control Person, as defined below) of the required documents shall not be a material default under this Agreement. Franchisee's inability to obtain the cooperation of its equity holder shall not be or cause an estoppel or waiver of Franchisor's right to rely upon and enforce against any party the trade secret, confidentiality and non-competition provisions of this Agreement. The provisions of subparagraph 9(e)(iv) below, and the benefits provided therein, shall not apply to any equity holder who fails to fully execute any requested trade secret, confidentiality, non-competition, or disclaimer of information documentation.

(c) All covenants required by this paragraph 8 shall be in forms satisfactory to Franchisor, including without limitation specific identification of Franchisor as a third-party beneficiary of such covenants with the independent right to enforce them.

9. ASSIGNMENT AND TRANSFER

(a) Definitions. Certain words used in this paragraph, and elsewhere in this Agreement, shall have the following meanings:

(i) "Control Person" means the individual who has the authority to, and does in fact, actively direct and control the business affairs of an entity with respect to the Restaurant; such authority may arise from or be the result of the ability to legally control the equity of the Entity, by contract, or otherwise as may reasonably be determined by Franchisor.

(ii) "Controlling Interest" means the authority exercised by the Control Person, either alone or in combination with another or others;

(iii) "Entity" means a legally formed or constituted means of doing business, including, but not limited to, a corporation, partnership, limited partnership, or limited liability company;

(iv) "Immediate Family" means spouse, brother, sister, daughter, son or grandchild (or qualifying legal representative of any minor described in this subparagraph);

(v) "Key Employee" means a Restaurant employee of at least management level who has successfully completed Franchisor's training course or meets Franchisor's training criteria and who has been employed by Franchisor for at least two (2) years in such managerial capacity and who is of good moral character. As used in this paragraph, a "Key Employee" shall be considered as a member of Franchisee's immediate family and shall be accorded like treatment.

(b) General. None of Franchisee's rights under this Agreement, all of which are personal in nature, may be the subject of any pledge, lien, levy, attachment, or security interest or arrangement, or acquired through execution, foreclosure, or like action or event. Without Franchisor's prior written consent and Franchisee's compliance in all other aspects with the terms in this paragraph, none of Franchisee's rights or obligations under this Agreement are directly or indirectly assignable or transferable. Any change in the Control Person (defined below) requires the consent of Franchisor which will not be unreasonably withheld. Any purported transaction, transfer of interest or action contrary to this paragraph will be a breach of this Agreement and will be void. Upon and after each valid assignment of a beneficial interest under this Agreement pursuant to this paragraph, the assignee(s) or transferee(s) shall be deemed to be franchisees under this Agreement and shall be bound by and liable for all existing and future obligations of Franchisee. No equity owner in any entity (defined below) which becomes the Franchisee shall have any rights in or under this Agreement by reason of his or her equity position.

If the initial Franchise named on page 1 of this Agreement is an Entity, a Control Person (defined below) shall be identified in Exhibit "A" and established for the Entity in accordance with the provisions of subparagraph 9(f)(ii) below.

(c) Assignments and Transfers. This Agreement may not be assigned or transferred, whether by sale, death of Franchisee, or otherwise, except:

(i) to an Entity in which Franchisee is the Control Person; or

(ii) to an individual who is determined by Franchisor to meet the requirements of an individual assignee or transferee; or

(iii) to an Entity in which the Control Person is determined by Franchisor to meet the requirements of a Control Pederson under paragraph (f) below; or

(iv) in connection with an assignment or transfer that involves less than fifty percent (50%) of the total equity in an Entity (in the aggregate over the term of this Agreement and where the Control Person remains the same, provided that the assignee or transferee is of good moral character, and the transferee or assignee executes the confidentiality agreement or certification described in subparagraph 8(c)(iv) above; or

(v) to an Immediate Family member who meets Franchisor's qualifications for new franchisee; Franchisor may evaluate whether a minor Immediate Family member (for whom there was a qualified representative at the time of assignment) meets such qualifications when such Immediate Family member becomes an adult.

(d) Right of First Refusal. Any other provision of this Agreement notwithstanding, no assignment or transfer of the Franchise, a majority of the equity in a Franchisee that is an Entity, or a controlling equity interest in a Franchisee, shall be made, unless and until:

(i) The parties to the proposed transaction have entered into a binding written agreement subject to the rights of Franchisor under this Agreement;

(ii) Franchisor has been provided with a copy of the agreement (and any material, collateral transaction documentation); and

(iii) Franchisor has been offered, in writing, a sixty (60) day period within which to first acquire the interest upon the same terms and conditions set forth in the agreement; provided, however, Franchisor's right shall be limited to the right to acquire any undivided interest in the assets of the Restaurant, both tangible and intangible, equivalent in value to the equity interest offered for sale or to be transferred (and Franchisor shall succeed to the majority or control authority of the seller/transferor), but Franchisor shall not have the right to acquire and interest in the Entity; in the alternative, if Franchisor elects to exercise its right under this paragraph, Franchisee shall then have the right, as condition to such exercise, to require Franchisor to purchase all of the assets of the Restaurant, both tangible and intangible, for a price or other consideration based upon an extension of the fractional value represented by the proposed sale or transfer to the entire value of the Restaurant.

Franchisee shall advise any and all prospective transferees of the terms of this Agreement and, in particular, the requirements of this paragraph.

(e) Exceptions to Franchisor's Rights of First Refusal. Any other provision of this Agreement notwithstanding, Franchisor will not exercise its right of first refusal, set forth in the preceding paragraph, if the proposed assignment or transfer is to:

(i) a member of Franchisee's Immediate Family; or

(ii) a qualified retirement plan; or

(iii) an estate trust, the trustee of which is reasonably acceptable to Franchisor and the primary beneficiaries of which are members of the trustor's Immediate Family, and Franchisee timely delivers to Franchisor writings necessary and appropriate to document the transaction; or

(iv) to an existing equity holder in Franchisee, provided that : (A) Franchisee was an existing franchisee and had disclosed to Franchisor its equity owners in writing prior to or upon execution of this Agreement; and (B) the transferee is reasonably qualified to operate Franchisee's business; and such equity holder(s) are listed in Exhibit "E" hereto.

(f) Conditions to Assignments and Transfers.

(i) No assignment or transfer of this Agreement shall be approved by Franchisor unless and until all accrued obligations of Franchisee to Franchisor under this Agreement have been performed or satisfied in full.

(ii) A proposed Control Person (including a proposed individual assignee acquire a Controlling Interest) must demonstrate to Franchisor's satisfaction that he or she reasonably meets or exceeds Franchisor's standards applicable to new franchisees with respect to experience in the food business, personal and financial reputation and stability, willingness and ability to devote adequate time and best efforts to the operation of the Restaurant, and such other criteria and conditions as Franchisor may reasonably apply in evaluating new franchisees. Franchisor must be provided such information about the proposed Control Person, and the nature and make-up of the Entity, as it may reasonably require.

(iii) A proposed assignee or transferee must agree in a writing satisfactory to Franchisor to assume all of the obligations of Franchisee under this Agreement, by personal guaranty (subject to the provisions of paragraph 21(b) or otherwise, and demonstrate to Franchisor's satisfaction that he or she fully meets and satisfies Franchisor's standards applicable to new franchisees regarding financial resources.

(iv) Franchisee or the transferee shall pay to Franchisor the applicable transfer fee described in paragraph 9(g) below.

(v) Franchisee and Franchisor shall execute a mutual general release in a form satisfactory to Franchisor, of all claims that are known or reasonably could have been known (but shall not include claims by third parties subject to indemnification under paragraph 7(y) above).

(g) Transfer Fee. If the transfer is subject to Franchisor's right of first refusal, then the transfer fee due to Franchisor is $7,500**.** If the transfer is not subject to Franchisor's right of first refusal, Franchisee shall pay to Franchisor the reasonable cost of affecting the transfer of interest. The transfer fee is payable upon Franchisor's approval of the proposed transfer.

(h) Franchisor's Consent. Upon full performance and satisfaction of the preceding requirements of this paragraph by Franchisee and/or the prospective assignee(s) or transferee(s), Franchisor's consent to the proposed transaction shall not be unreasonably withheld.

(i) Offerings by Franchisee. No offering of any securities by Franchisee shall imply, by use of the Proprietary Marks or otherwise, that Franchisor is participating in underwriting, issuing, or offering securities of Franchisee or Franchisor or that Franchisee owns the Proprietary Marks or the System. Franchisee shall give Franchisor reasonable prior written notice and obtain Franchisor's prior written consent (in addition to complying with any other applicable requirements of this Paragraph 9) if it intends to make any reference to Franchisor, the Proprietary Marks, the System or this Agreement in Franchisee's offering materials. Franchisor shall have the right to require that any offering materials contain a written statement prescribed by Franchisor concerning the limitation described in the preceding sentence prior to any distribution of the offering materials. Franchisee and the other participants in the offering must fully indemnify Franchisor in connection with the offering.

(j) Successors. Except as otherwise expressly provided herein, this Agreement shall inure to the benefit of and shall bind the heirs, executors, personal representatives, administrators, successors, and assigns of Franchisor and Franchisee. Franchisor shall have the right to sell, assign, or transfer all or any part of its interests herein to any person or entity.

10. OPERATION IN THE EVENT OF ABSENCE, DISABILITY OR DEATH

The parties hereto acknowledge that it's imperative that the Restaurant be operated without any interruption and in a manner that will not cause harm to the Restaurant or the System. In order to insure such continued operation, in the event that Franchisee is not able to operate the Restaurant, by reason of illness, death, or otherwise, Franchisee authorizes Franchisor to operate the Restaurant for as long as Franchisor deems necessary and practicable without waiver of any other rights or remedies Franchisor may have under this Agreement. All proceeds from the operation of the Restaurant during such period of operation by Franchisor shall be separately accounted for, and the expenses of the Restaurant, including reasonable compensation and expenses for Franchisor's representative(s) shall be charged to said proceeds. If Franchisor, in its sole discretion, temporarily operates the Restaurant as provided in this paragraph, Franchisee agrees to hold harmless and full indemnify Franchisor and any representative(s) of Franchisor who may act in accordance with this provision. The obligation of Franchisee to indemnify and hold harmless Franchisor for Franchisor's own negligence shall be limited to an amount not to exceed the amount of benefits paid under the insurance coverage maintained by Franchisee in accordance with the requirements of paragraph 7(w) above. Nothing herein shall be construed to deny the surviving spouse, heirs, or estate of a deceased Franchisee or the majority shareholder or partner of Franchisee, as the case may be, the opportunity to participate in the ownership of Franchise for a reasonable time after the death of Franchisee or majority shareholder of Franchise, as the case may be, provided that said surviving spouse, heirs, or estate shall obtain the consent of Franchisor in accordance with paragraph 9 above.

11. DEFAULT AND TERMINATION

(a) The occurrence of any of the following events shall constitute a default under this Agreement:

(i) Franchisee fails to obtain a suitable Franchisor-approved location within one hundred eighty (180) days of the execution of this Agreement by Franchisor, or if Franchisee fails within one hundred eighty (180) days (or within three hundred sixty (360) days where Franchisee has obtained a build–to-suit location) from the date obtaining a location approved by Franchisor to totally equip and ready the location, unless such failure is caused by delays provided for in paragraph 13 herein;

(ii) Franchisee misuses the System or the names, marks, insignia, symbols or rights provided by Franchisor to Franchisee, or otherwise materially impair the goodwill associated therewith, or if Franchisee shall use at the Restaurant any names, marks, insignia or symbols not authorized by Franchisor;

(iii) Franchisee uses any part or all of the System for any purpose except in connection with the Franchise granted herein and any other franchises granted to Franchisee by Franchisor;

(iv) Franchisee fails to remit to Franchisor, or its assignee or designee, any payments when due;

(v) Franchisee fails to submit to Franchisor any financial or other information (including the Annual Business Plan) required under this Agreement;

(vi) Franchisee fails to construct, maintain, remodel or equip the Restaurant in accordance with this Agreement;

(vii) Franchisee fails to successfully complete Franchisor's customary training and indoctrination course concerning the operation of the Restaurant as required by paragraph 6(b) above, or if Franchisee shall fail to successfully complete any other program or course required by Franchisor as set forth in paragraph 6(b) above;

(viii) Franchisee fails to operate the Restaurant in accordance with the terms of this Agreement and Franchisor's Operations Manual, or other manuals designated by Franchisor; or fails to use products, ingredients and methods of preparation which conform to the standards and specifications of Franchisor or serves any menu items that are not approved by Franchisor; or fails to remain responsible for the day-to-day operation of the Restaurant or to employ a manager for this purpose who has successfully complete Franchisor's manager certification course or fails to maintain Franchisor's standards of quality, appearance and service in the operation of the Restaurant;

(ix) Franchisee attempts to effect any assignment or other than in accordance with paragraph 9 hereof;

(x) Franchisee is in default under any lease or sublease of the Restaurant premises or lose right to possession thereof for any reason whatsoever (including Franchisee's election not to exercise an option under its lease or sublease) other than partial condemnation or casualty loss which are subject to the provisions of paragraph 12 below;

(xi) Franchisee makes, or has made, any misrepresentation to Franchisor in connection with obtaining this Agreement or in conducting the business franchised and licensed hereunder;

(xii) Franchisee fails to obtain Franchisor's prior written consent or approval where expressly required by this Agreement;

(xiii) Franchisee fails to maintain in effect the insurance coverage required by this Agreement;

(xiv) Franchisee, or, subject to the provisions set forth in the last two sentences of this subparagraph, any person controlling, controlled by or under common control with Franchisee or acting as guarantor or surety of any obligation of Franchisee, becomes insolvent by reason of inability to pay its debts as they mature, is adjudicated bankrupt, or files or have filed against it a petition in bankruptcy, reorganization or similar proceeding under the bankruptcy laws of the United States; or if a receiver, permanent or temporary, of the business assets or property, or any part thereof, of Franchisee, or any such person , is appointed by a court of competent authority; or if Franchisee, or any such person requests the appointment of a receiver or makes a general assignment for the benefit of creditors; or if a final judgment against Franchisee, or any such person, in the amount of $10,000 or more remains unsatisfied of record for thirty (30) days or longer; or if the bank accounts, property receivables of Franchisee, or any such person, are attached and such attachment proceedings are not dismissed within a thirty (30) day period; or if execution is levied against the business or property of Franchisee, or any such person, or if suit to foreclose any lien or mortgage against the Restaurant, the premises thereof, or the equipment thereon is instituted and not dismissed within thirty (30) days. If a person controlling Franchisee or acting as guarantor or surety of any obligation of Franchisee suffers or is made the subject of any of the foregoing acts or procedures, Franchisor may require Franchisee to obtain a personal guarantee of the obligations imposed upon Franchisee under this agreement from persons having, in the aggregate, financial resources reasonably acceptable to Franchisor. If Franchisor requires such additional guarantees, Franchisee will have a reasonable amount of time (under the circumstances) to procure such guarantees, but in no event more than forty-five (45) days following receipt of Franchisor's request;

(xv) Franchisee Abandons the Restaurant. For purposes of this Agreement, "abandon" shall mean Franchisee's failure, at any time during the term hereof, to keep the Restaurant open and operating for business during the minimum days and hours specified by Franchisor, for any aggregate of five (5) days in any thirty (30) day period or for such smaller amount of time as may be specified in the lease for the Restaurant premises as constituting abandonment, except in the case of casualty loss subject to the provisions of paragraph 12 below;

(xvi) The premises are damaged, destroyed or become unusable for the operation of the Restaurant by reason of fire, earthquake, flood, or for any other reason, and if Franchisee does not comply with the provisions of paragraph 12 below;

(xvii) Franchisee, or any person controlling, controlled by or under common control with Franchisee, is convicted under any law providing criminal penalties, provided such conviction is directly related to the business conducted pursuant to this agreement.

(b) Upon the occurrence of any event set forth in paragraph 11(a), Franchisor may terminate this Agreement without prejudice to any other rights or remedies contained in this Agreement or provided by law or equity, unless otherwise explicitly provided herein. Such termination shall be effective ten (10) days after written notice is given by Franchisor to Franchisee of any event set forth in subparagraphs 11(a)(ii) through (xv) if each default is not cured within such ten (10) day period. Termination shall be effective immediately and without prior notice, however, upon occurrence of any events specified in subparagraphs 11(a)(i) and (xvi) through (xvii). Should termination occur under that provision of subparagraph 11(a)(i) where Franchisee fails to obtain a suitable Franchisor-approved location within one hundred eighty (180) days of the date of execution of this Agreement by Franchisor, Franchisor shall refund the initial franchise fee, after deduction of all amounts expended by Franchisor in processing Franchisee's application, inspecting proposed locations, reviewing proposed leases and otherwise working with Franchisee, including without limitation travel and living expenses and compensation of Franchisor's employees and consultants.

(c) In the event of the termination or expiration of this Agreement for any reason, or upon Franchisee's sale, assignment or transfer of this Agreement, the franchise or any other interest hereunder, Franchisee shall immediately discontinue the use of all trade names, trademarks, service marks, trade dress, exterior and interior signs, structures, and forms of advertising depicting Franchisor, its symbols, trademarks, service marks, business, and products (sometimes collectively referred to as "indicia of the System"). Franchisee shall immediately : (i) remove all indicia of the System so as to eliminate Franchisor's name, trademarks, service marks, and symbols from the Restaurant; (ii) make such reasonable modifications to the exterior and interior appearance, décor, and trade dress of the Restaurant so as to eliminate its identification as a THE CHEESE STEAK SHOP restaurant in the local market in which it is situated; and (iii) otherwise cease using Franchisor's name, trademarks, service marks, and symbols in advertising or any other activities including without limitation electronic media, home pages, web sites or the like. Franchisee shall also remove from the premises and cease using all of the paper products and other articles bearing Franchisor's name, trademarks or service marks. Franchisee shall not adopt or use marks or names which are confusingly similar to or colorable imitations of Franchisor's name, marks, or symbols. If Franchisee shall fail or omit to make or cause necessary changes to be made within seven (7) days after written notice by Franchisor, Franchisor shall have the right to enter upon the Restaurant premises and without prejudice to Franchisor's other rights and remedies, for the purpose of making or causing such changes to be made, which changes shall be at Franchisee's sole expense, including, without limitation, the removal of all indicia of the System. If the termination of this Agreement is by Franchisor for cause, then, in addition to the above, Franchisee shall immediately: (i) cease using all telephone numbers associated or identified with the Restaurant and, upon Franchisor's request, assign or transfer such numbers to Franchisor or its designee(s); and (ii) deliver to Franchisor all customer lists for the Restaurant. Franchisee will not be in breach of this requirement solely because a published, pre-printed directory or advertising materials (over which Franchisee has no control) will remain in circulation after the termination or expiration of this Agreement (e.g., a telephone directory). In such cases, however, Franchisee must promptly notify the publisher or person controlling such materials that (i) Franchisee no longer operates the Restaurant or the Restaurant no longer will be operated as a THE CHEESE STEAK SHOP restaurant, as applicable; (ii) Franchisee is no longer authorized to use the Proprietary Marks pursuant to this Agreement; (iii) upon expiration or termination of the edition of the pre-printed directory or advertising materials, that Franchisee will not renew the listing or advertising materials using the Proprietary Marks; and (iv) undertake other reasonable action necessary to assure that the continuing publication ceases.

(d) Following the expiration of this Agreement, termination of this Agreement by Franchisor for cause or termination by Franchisee in breach of this Agreement, Franchisor shall have the option, exercisable within thirty (30) days from the date of expiration or termination, to purchase Franchisee's THE CHEESE STEAK SHOP restaurant (including an assignment of the lease, if any, and leasehold improvements and all tangible and intangible property of Franchisee used in the franchised business including the telephone numbers associated with the business) under the following terms:

(i) The purchase price for said property shall be the fair market value, payable in cash within ninety (90) days from the date of the exercise of the option, less the amount of any liens or encumbrances against such property. Franchisor and Franchisee shall have thirty (30) days from the date of the exercise of the option within which to agree upon a fair market value. If Franchisor and Franchisee cannot agree, each shall have thirty (30) days (or not more than sixty (60) days from the date of the exercise of the option) within which to appoint an appraiser, and to give written notice to the other party of such appointment. The two appraisers so appointed shall then jointly appoint a third appraiser to perform the actual valuation. If either party shall then fail to give notice to the other of appointment of an appraiser within the time frames set forth above, the duly appointed appraiser shall determine the fair market value. Franchisor shall pay the cost of appraisal if the right to purchase is exercised following expiration of this Agreement. In determining the Restaurant's fair market value, the appraiser will value the business as a going concern and will not discount the value because either the franchise agreement or lease for the Restaurant have expired (or soon will expire). Franchisor will have the right to rescind its agreement to purchase the Restaurant if all the following occur: (1) Franchisor is unable to obtain long-term leasehold rights to possess the property at a fair market rent and upon commercially reasonable terms; (2) Notice of the rescission is given to Franchisee within sixty (60) days of the date the appraiser delivers his valuation; (3) unless the Restaurant is being acquired subsequent to termination of this Agreement (by Franchisor for cause or by Franchisee in breach of this Agreement) and Franchisor has installed its representative to operate the Restaurant, Franchisee has been allowed to continuously operate the Restaurant as a THE CHEESE STEAK SHOP restaurant until the date of such notice.

(ii) If the purchase is exercised following Franchisor's termination of this Agreement for cause or termination by Franchisee in breach of this Agreement, any and all costs, expenses, and liabilities incurred by Franchisor, including attorney's fees and the cost of appraisal, in exercising this option and in acquiring said property, as well as any and all monies due and owing from Franchisee to Franchisor, plus any damages, expenses and costs incurred or suffered by Franchisor by reason of any default, breach, or violation of this Agreement by Franchisee, shall be deducted from the purchase price.

(e) Termination and/or expiration of this Agreement shall not affect the rights of Franchisee to operate any other THE CHEESE STEAK SHOP restaurant(s) in accordance with the terms and conditions of any other One Cheese Steak Franchising, LLC Agreement(s) to which Franchisee is a party.

(f) Upon termination of this Agreement for any reason Franchisee shall immediately return to Franchisor all copies in Franchisee's possession or control of Franchisor's Operations Manual and all marketing and advertising materials, together with all copies of any materials marked by Franchisor as "Confidential," "Trade Secret" or "Proprietary Information" and all copies of any other written or printed material identified in writing by Franchisor as being subject to return to Franchisor.

(g) Franchisee's obligation to maintain information received hereunder in confidence shall survive termination of this Agreement and shall continue until such information shall become generally known in the industry through no fault of Franchisee.

(h) Termination of this Agreement shall terminate all rights and licenses granted during the term of this Agreement to copy, reproduce, distribute, and publicly display any copyrighted work of Franchisor. Franchisee acknowledges that it has never had, and after termination still does not have, the right to make adaptations or derivative works based upon the creative works owned by Franchisor.

(i) Franchisee agrees that in the event Franchisee shall breach any of its obligations under paragraphs (c), (d), (f), (g), or (h) of this Article, money damages would not adequately compensate Franchisor for such violations and Franchisor shall be entitled, without showing any actual damages it has sustained and in addition to any remedies it may have, to injunctions or other appropriate orders to restrain or remedy any such breach by Franchisee.

(j) Franchisee expressly agrees that it does not have the right to terminate for convenience. In the event that Franchisee terminates or abandons its obligations under this Agreement other than as expressly permitted under the terms of this Agreement, the parties agree that damages will be virtually impossible to determine and so the parties agree that Franchisee shall pay two (2) years' worth of royalties and advertising fund contributions based upon the prior two (2) years' gross sales as liquidated damages.

(k) Upon the occurrence of a material default by Franchisor of its obligations under this Agreement (except as explicitly provided herein), Franchisee shall have the right, in addition to any other rights under this Agreement or at law, to terminate this Agreement by written notice to Franchisor after having notified Franchisor in writing of the details of Franchisor's material default and affording Franchisor the right to cure the default. Upon receipt of the notice of the default, Franchisor shall have a reasonable amount of time to cure the default. Any dispute regarding whether or not Franchisor is in material default, has failed to cure such default in a reasonable time, or whether or not Franchisee is entitled to terminate this Agreement, will be submitted to binding cost-effective arbitration, as set forth herein.

12. CONDEMNATION AND CASUALTY

(a) Franchisee shall give Franchisor notice of any proposed taking through the state or federal government's exercise of the power of eminent domain, at the earliest possible time. If the Restaurant or a substantial part of the Restaurant is to be taken, it may be relocated within the area specified in paragraph 2, above, or elsewhere with the Franchisor's written approval in accordance with its relocation procedures. If such location is authorized and Franchisee opens a new THE CHEESE STEAK SHOP restaurant at such other location in accordance with Franchisor's specifications within one year of the closing of the old THE CHEESE STEAK SHOP restaurant, the new THE CHEESE STEAK SHOP restaurant will thereafter be deemed to be the Restaurant franchised under this Agreement. If such a condemnation takes place and a new THE CHEESE STEAK SHOP restaurant does not, for whatever reason, become the Restaurant under this Agreement in strict accordance by Franchisor to Franchisee, this Agreement shall terminate immediately upon notice by Franchisor to Franchisee.

(b) If the Restaurant is damaged by fire or other casualty, Franchisee will expeditiously repair the damage. If the damage or repair requires closing the Restaurant, Franchisee will immediately notify Franchisor, will repair or rebuild the Restaurant in accordance with Franchisor's specifications, and will reopen the Restaurant for continuous business operations as soon as reasonably practicable (but in any event within one year after closing of the Restaurant), giving Franchisor advance notice of the date of reopening. If the Restaurant is not reopened in accordance with this paragraph, this Agreement shall terminate immediately upon notice by Franchisor to Franchisee.

(c) The term of this Agreement shall not be extended by any interruption in the Restaurant's operations except by an act of God that results in the Restaurant being closed not less than sixty (60) days nor more than three hundred sixty-five (365) days. Franchisee must apply for any such extension within sixty (60) days following the reopening of the Restaurant. Except as expressly provided elsewhere in this Agreement, no such event during the term of this Agreement shall excuse Franchisee from paying periodic franchise fees in accordance with the preceding requirements of this Agreement to the extent Franchisee receives benefits under business interruption insurance or similar coverage Franchisee maintains in accordance with the requirements of paragraph 7(w) above.

13. UNAVOIDABLE DELAYS

In the event of failure to perform or delays in the performance of any duties hereunder caused by forces not within the reasonable preventive control of the party due to perform, for example (without Limitation), government regulations, fire, flood, labor disputes, natural disaster, acts of God, civil disorders, riots, insurrections, work stoppages, slowdowns or disputes, or other similar events, such failures or delays shall not cause a default in said performance, but, in the event of delay, or for such other reasonable period of time as agreed to between the parties, provided that such extension shall not enlarge or extend the Term of Agreement set forth in paragraph 3 herein (except as may be provided in paragraph 12 above).

14. INVALID OR UNENFORCEABLE PROVISIONS

Whenever possible, each provision and term of this Agreement shall be interpreted in such manner as to be effective and valid under applicable law, but if any provision or term of this Agreement shall be held to be prohibited by or invalid under such applicable law, then such provision or term shall be ineffective only to the extent of such prohibition or invalidity, without invalidating or affecting in any manner whatsoever the remainder of such provisions or term or the remaining provisions or terms of this Agreement.

15. RELATIONSHIP BETWEEN PARTIES

The relationship between the parties is only that of independent contractors. No partnerships, joint venture, or relationship of principal and agent is intended. Franchisee shall not pledge Franchisor's credit or bind it to any obligation.

16. WAIVER

No failure of Franchisor or Franchisee to exercise any power hereunder granted, or to insist on strict compliance by the other with any obligation or condition hereunder, and no custom or practice of the parties at variance with the terms hereof shall constitute a waiver of either party's right to demand exact compliance with the terms hereof. Waiver by either party of any particular default by the other shall not affect or impair any rights with respect to any subsequent default of the same or of a different nature; nor shall any delay or omission of either party to exercise any rights arising from a default affect or impair any rights as to said default or any subsequent default.

17. NOTICES

All notices hereunder shall be hand delivered or sent by express mail or air courier or by registered or certified mail to Franchisor and Franchisee at the respective addresses set forth on the first page of this Agreement, unless Franchisor and/or Franchisee shall from time to time change said addresses by written notice to the other as provided herein. Any notice given by registered or certified mail shall be deemed received by the party to whom it is addressed on the third day after such notice is deposited in the United States mail with the postage thereon fully prepaid, return receipt requested. Any notice given express mail or air courier shall be deemed given the next business day. Neither party may avoid the presumption of notice by refusing delivery of a certified or overnight delivery.

18. APPLICABLE LAW

This Agreement shall be governed by, and construed and enforced in accordance with the laws of the State of California without regard to its conflict of law provisions.

19. RESOLUTION OF DISPUTES

Franchisor and Franchisee each agree to submit any controversy, dispute or claim of whatever nature, arising out of, in connection with or in relation to the interpretation, performance or breach of this Agreement, including any claim based upon contract, negligence or other tort, or statute, to resolution as follows:

(a) The parties will attempt in good faith to resolve through negotiation any dispute, claim or controversy arising out of or relating to this Agreement. Either party may initiate negotiation by providing written notice in letter form to the other party, setting forth the subject of the dispute and the relief requested. The recipient of such notice will respond in writing within five (5) days with a statement of its position and recommended solution to the dispute. If the dispute is not resolved by this exchange of correspondence, then representatives of each party with full settlement authority will meet at a mutually agreeable time and place within ten (10) days of the date of the initial notice in order to exchange relevant information and perspectives, and to attempt to resolve the dispute. If the dispute is not resolved after 30 days of good faith negotiations, the matter shall be submitted to binding arbitration with Judicial Arbitration & Mediation Services, Inc. ("JAMS/ENDISPUTE"), or its successor. Each party shall advance their own filing fees.

(b) The parties agree that any and all disputes, claims or controversies arising out of or relating to this Agreement that are not resolved by their mutual agreement shall be submitted to final and binding arbitration before JAMS/ENDISPUTE, or its successor, pursuant to the United States Arbitration Act, 9 U.S.C. Sec. 1 *et seq.* Either party may commence the arbitration process called for in this Agreement by filing a written demand for arbitration with JAMS/ENDISPUTE, with a copy to the other party. Except as provide below, the arbitration will be conducted in accordance with the provisions of JAMS/ENDISPUTE's Comprehensive Arbitration Rules and Procedures in effect at the time of filing of the demand for arbitration. The parties will cooperate with JAMS/ENDISPUTE and with one another in selecting an arbitrator from JAMS/ENDISPUTE's panel of neutrals, and in scheduling the arbitration proceedings. The parties covenant that they will participate in the arbitration in good faith, and that they will share equally in its costs. The provisions of this paragraph may be enforced by any court of competent jurisdiction, and the party seeking enforcement shall be entitled to an award of all costs, fees and expenses, including attorney's fees, to be paid by the party against whom enforcement is ordered. If the rules of JAMS/ENDISPUTE permit, the arbitration of the dispute, claim or controversy will be conducted in accordance with the provisions of JAMS/ENDISPUTE's Streamlined Arbitration Rules. In determining whether or not deference to Franchisor's business judgment, consistent with Franchisor's operation of its THE CHEESE STEAK SHOP restaurants (or those of any affiliate). If the dispute, claim or controversy relates to a requirement that Franchisee remodel or improve the Restaurant, the arbitrator will also give consideration to Franchisee's prior improvements to the Restaurant and will have discretion as to dates by which the requirements must be implemented.

(c) The foregoing provisions of this paragraph notwithstanding, Franchisor shall retain the right, in its discretion, to initiate proceedings in any court of competent jurisdiction exclusively for injunction relief under the Lanham Act (15 U.S.C. 1051 et seq.) Franchisor shall also have the right to seek provisional relief in any court of competent jurisdiction for violation of paragraph 8 ("Non-Competition") or paragraph 11(d); provided, however, that Franchisor shall also concurrently initiate arbitration proceedings in accordance with this agreement and the arbitrator shall be authorized to enter plenary relief.

20. TERMINOLOGY

All items and words used in this Agreement, regardless of the number and gender in which they are used, shall be deemed and construed to include any other number, singular or plural, and any other gender, masculine, feminine, or neuter, as the context or sense of this Agreement or any section, paragraph, or cause herein may require, as if such word had been fully and properly written in the appropriate number and gender.

21. ENTIRE AGREEMENT

(a) This Agreement and the exhibits attached hereto and incorporated herein, if any, contain the entire agreement of the parties and there are no representations (other than those contained in the Franchise Disclosure Document, inducements, promises, agreements, arrangements or undertakings, oral or written, between the parties hereto other than those set forth and duly executed in writing in this Agreement.

(b) Upon execution of this Agreement by Franchisor, all previous agreements, contracts, arrangements or undertakings of any kind relative to the Franchise granted herein are canceled, and as between parties hereto, all claims and demands are fully satisfied; provided, however, that this paragraph shall have no effect upon written agreement(s) signed by both parties, whenever executed, except to the extent that such written agreement specifically refers to and modifies or cancels this Agreement. If Franchisee is a corporation, partnership or other entity, those shareholders, partners and other persons described in paragraph 8 above shall sign Franchisor's form of Confidentiality and Non-Competition Agreement. If Franchisee is a corporation, partnership or other entity, Franchisor will determine which of the shareholders, partners or other principals shall sign Franchisor's form of Guaranty of Franchise Agreement, in accordance with Franchisor's criteria, which are set forth in Exhibit "G" attached hereto and herein incorporated.

22. AMENDMENT OF AGREEMENT

This Agreement shall not be modified or amended except by written agreement executed by both parties hereto. No subsequently published manual or other publication of Franchisor shall materially alter the parties' rights and obligations under this Agreement.

23. COSTS AND EXPENSES OF ENFORCEMENT

The prevailing party shall recover the reasonable costs and expenses, including reasonable attorneys' fees, incurred by such party in connection with any legal proceeding involving the enforcement of any of the provisions of this Agreement.

24. CAPTIONS

The paragraph headings throughout this Agreement are for convenience and reference only, and the words contained therein shall not be held to expand, modify, amplify, or aid in the interpretation or construction of this Agreement.

25. CONSENT AND APPROVAL

Whenever either of the parties is required herein to obtain the consent or approval of the other party, such consent or approval shall not be unreasonably withheld.

26. FRANCHISEE'S ACKNOWLEDGMENTS

By initialing in the space below you are agreeing to have all disputes, claims or controversies arising out of or relating to this agreement decided by neutral arbitration, and you are giving up any rights you might possess to have those matters litigated in a court or jury trial. By initialing in the space below you are giving up your judicial rights to discovery and appeal except to the extent that they are specifically provided for under this agreement. If you refuse to submit to arbitration after agreeing to this provision you may be compelled to arbitrate under federal or state law. Your agreement to this arbitration provision is voluntary.

No representation, promise, guarantee or warranty was made to induce the execution hereof or in connection herewith which is not expressly contained herein. Franchisee recognizes that neither franchisor nor any other person can guarantee franchisee's success in the franchised business. By the execution and acceptance of this agreement, the parties hereto acknowledge that they have read the same and understand each provision hereof. This agreement, although drawn by franchisor, shall be construed fairly and reasonably, and not more strictly against one party than against the other party hereto.

Franchisee acknowledges that he or she has had the opportunity, and has been advised by franchisor, to consult with franchisee's own independent advisors such as attorneys, accountants, bankers and business consultants regarding this franchise and the business contemplated by this agreement and that franchisee is not relying on any representations or statements other than those set forth in this agreement and franchisor's offering circular. Franchisee further agrees and acknowledges that franchisee shall comply with all applicable law in the operation of the restaurant and its business and shall consult with its own independent advisors to the extent necessary to do so. Franchisor shall not be responsible for the operation of franchisee's business. Whenever a provision of this agreement provides for franchisor's review and consent of approval, franchisor's review shall not be to determine compliance with the law. Such compliance is the sole responsibility of franchisee.

27. EFFECTIVE DATE

This Agreement shall become effective and binding upon execution by Franchisor.

DATED:________________________

____
Franchisee (Print Name)

By:___________________________________

Title:_________________________________

DATED:______________________

ONE CHEESE STEAK FRANCHISING, LLC

By:________________________________

Title:______________________________

Exhibit A

Opening Date/Transfer Date/Expiration Date Of Restaurant

1. Address of Restaurant:
____
____
____

2. Opening Date:
____

3. Expiration Date of Initial Term:
____

4. Control Person:
____

Acknowledged by: __________________________________
(signature of Control Person)

Initial Here: ________________________ __________________________________
Franchisor Franchisee

STORE NUMBER: ___________

Exhibit B

Form of Mutual Release of Known Claims

In consideration of the mutual promises set forth herein and other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, One Cheese Steak Franchising, LLC ("Franchisor"), on the one hand, and ________________________________ ("Franchisee"), for itself and on behalf of its respective Agents, on the other hand, hereby fully relieve and forever discharge one another and their respective Agents from the Claims, as those terms are defined below. This Release is intended to bind the parties hereto, on their own behalf and on behalf of their respective (as the case may be) spouse, officers, directors, partners, shareholders, employees, trustees, affiliates, predecessors, successors, subsidiaries, parent corporations, heirs, executors, beneficiaries, administrators, agents, representatives, assigns and any and all persons claiming any rights whatsoever from or through said parties or any of said parties or entities (the "Agents").

Subject to the limitations set forth in the following two sentences, "Claims" means any and all rights, claims (including claims of any predecessor in interest), debts, costs, liabilities, accounts, reckonings, demands, agreements, contracts, covenants, representations, warranties, promises, undertakings, suits, judgments, losses, injuries, obligations. Liens, expenses (including without limitation attorney's fees and costs) and damages, actions and causes of action of every kind and nature whatsoever which the parties and their respective Agents may now or hereafter have, individually or collectively, based upon, arising out of, relating to or in connection with the certain franchise agreement dated _______________ between Franchisor and Franchisee with respect to THE CHEESE STEAK SHOP restaurant located at: ____ (the "Franchise Agreement"); provided, however that this release shall not affect the rights, obligations and covenants of the parties which by their nature survive the expiration or termination of the Franchise Agreement. The Claims shall only include claims based on facts that are known by the releasing party as of the date of this Release or which, with reasonable due diligence, could have been discovered by the releasing party as of the date of this Release. The Claims shall not include any claims by third parties subject to indemnification under the provisions of paragraph 7(y) of the Franchise Agreement, nor does it include any obligation to pay accrued and unpaid franchise fees, advertising fund fees, or other obligations to pay money set forth in a separate executed writing.

The parties acknowledge that no representation, promise or inducement not contained in this Release or in the documents referred to in it was made to them. The parties further agree that they will forever refrain and forebear from commencing, instituting and prosecuting any lawsuit, action or other proceeding against one another based on, arising out of, relating to or in connection with any Claims released hereunder.

By executing this Release, the parties, for themselves and their respective Agents, represent and warrant that their statements herein are true and correct and that they have the respective right and authority to enter into and to accept the terms and covenants of this Release, and that no third party has or claims an interest in any of the Claims released hereby. The parties acknowledge that this Release shall be a complete defense to any Claim subject to the terms hereof.

The interpretation and enforcement of this Release shall be governed by the laws of the State of California. Any dispute concerning this Release shall be resolved in accordance with the provisions of paragraph 19 of the Franchise Agreement.

DATED: ______________________

____
Franchisee (Print Name)

By:______________________________

Title:_____________________________

DATED: ______________________

ONE CHEESE STEAK FRANCHISING, LLC

By:______________________________

Title:_____________________________

Exhibit C

Outline of Topics - Annual Business Plan

(New Restaurants - First Year Plan)

I. Pre-Opening Procedures
This section should include; site selection, planning process, description of THE CHEESE STEAK SHOP franchise support.

II. Personnel
This section should describe your philosophy on management style as it relates to customer satisfaction and service.

III. Operations
This section should describe the structure of your staff, job descriptions, hours of operation, etc.

IV. Financial Planning
This section should describe your investment, additional funding, start-up costs, a two year P&L and a cash flow projection.

V. Ownership Structure
This section describes the owner's involvement, business knowledge, and business structure.

VI. Sales & Marketing
This section should include the menu, the competition, your market opportunities and advertising strategies.

VII. Business Priorities
This section should contain information about 1 year plan and 5 year plan for operating and expending (if desired) the new THE CHEESE STEAK SHOP restaurant.

Exhibit D

Outline of Topics - Annual Business Plan

(Existing Restaurant)

I. Personnel

II. The Facility

III. Operations

IV. Financial Planning

V. Ownership Structure

VI. Sales & Marketing

VII. Business Priorities

Exhibit E

Names

Equity Owners of Franchisee

Name:	Address:	Percentage Ownership:
1. ______________________________	______________________________	________
	______________________________	
	Email ______________________________	
	Phone ______________________________	
2. ______________________________	______________________________	________
	______________________________	
	Email ______________________________	
	Phone ______________________________	
3. ______________________________	______________________________	________
	______________________________	
	Email ______________________________	
	Phone ______________________________	
4. ______________________________	______________________________	________
	______________________________	
	Email ______________________________	
	Phone ______________________________	

Exhibit F

CONFIDENTIALITY AND NON-COMPETITION AGREEMENT

As partial, essential consideration for One Cheese Steak Franchising, LLC to enter into a franchise agreement with ____, a California limited liability company ("Franchisee") for THE CHEESE STEAK SHOP restaurant (the "Restaurant") located at: ____ (the "Franchise Agreement") the undersigned represents and agrees as follows:

1. The covenants contained herein shall be construed as severable and independent, and shall be interpreted and applied consistently with the requirements of reasonableness and equity. The period, the geographic area and the scope of the restrictions on the undersigned's activities are divisible so that if any provisions invalid, that provision shall be automatically modified to the extent necessary to make it valid.

2. The undersigned acknowledges that by reason of the undersigned's affiliation with Franchisee, the undersigned may have access to trade secrets and confidential information concerning One Cheese Steak Franchising, LLC, its products, customers, and its methods of doing business. The undersigned, therefore, agrees that during the term of the Franchise Agreement, he or she shall not engage in, either as a principal, agent, employee, officer or director, or be financially interested in or associated with any business that has as its primary objective the sale cheese steaks in the county in which the Restaurant, which is the subject of the Franchise Agreement, is located.

3. The undersigned agrees not to divulge, communicate, use to the detriment of One Cheese Steak Franchising, LLC or for the benefit of any other person or persons, or misuse in any way, any confidential information or trade secrets of One Cheese Steak Franchising, LLC or Franchisee, including, without limitation, the contents of any manuals, business methods and processes, know-how, lists, recipes, ingredient lists, formulas, financial information, cost and expense information, product information, food cost analyses, pricing and discount information, product data, marketing and customer data, business plans or other technical data. The undersigned acknowledges and agrees that any information or data it has acquired or may hereafter acquire by reason of its affiliation with Franchisee and/or One Cheese Steak Franchising, LLC, whether or not designated as confidential, is the property of One Cheese Steak Franchising, LLC, was received in confidence and that such confidentiality shall be absolutely maintained.

4. The undersigned acknowledges that the Franchise Agreement may affect his or her right to sell, assign, pledge, encumber or otherwise transfer, voluntarily or by operation of law, the undersigned's interest in Franchisee. If Franchisee is a corporation, the undersigned acknowledges that the bylaws of Franchisee shall include or otherwise incorporate the following provision:

> Legending of Certificates. Every certificate representing shares of the corporation {i.e., Franchisee} shall contain the following legend conspicuously on its face:

> The transfer of the shares represent by this certificate is subject to the terms and conditions of a Franchise Agreement with One Cheese Steak Franchising, LLC dated: ________________ a copy of which is on file with the Secretary of this Corporation.

5. The undersigned agrees and acknowledges that One Cheese Steak Franchising, LLC is a third party beneficiary of the covenants set forth in this Agreement with the independent right to enforce them. The undersigned shall provide One Cheese Steak Franchising, LLC, upon request, with written evidence of compliance with the terms of this Agreement and of the undersigned's position and ownership interest in Franchisee.

IN WITNESS WHEREOF, the undersigned has executed this Agreement as of the ______ day of __________________, __________.

____________________________________	____________________________________
(SIGNATURE)	Position with Franchisee
____________________________________	____________________________________
(SIGNATURE)	Percentage Ownership of Franchisee

CERTIFICATION OF EQUITY HOLDER

In connection with the execution of that certain Franchise Agreement between One Cheese Steak Franchising, LLC ("ONE CHEESE STEAK FRANCHISING, LLC") and ________________________________, a California ("Franchisee"), for THE CHEESE STEAK SHOP restaurant (the "Restaurant") located in ___________________________, ________________________ (the "Franchise Agreement"), the undersigned jointly attests and certifies as follows:

> The undersigned, an equity holder of Franchisee, does not have access to trade secrets or proprietary or confidential information concerning ONE CHEESE STEAK FRANCHISING, LLC, its products, customers, or its methods of doing business, and is not active in the Franchisee's business or the operation of the restaurant.

IN WITNESS WHEREOF, the undersigned have executed this Certificate as of the _________ day of __________________, _________.

Equity Holder:

______________________________	______________________________
(SIGNATURE)	Position with Franchisee
______________________________	______________________________
(SIGNATURE)	Percentage Ownership of Franchisee

Jointly certified by:

____

(Name of Franchisee)

By: ______________________________

Name: ______________________________

Title: ______________________________

Exhibit G

GUARANTY OF FRANCHISE AGREEMENT

THIS GUARANTY is effective as of the ______ day of ______________,_________ (the "Effective Date"), by _______________________________________ (jointly and severally, "Guarantor") in favor of One Cheese Steak Franchising, LLC, a California corporation ("ONE CHEESE STEAK FRANCHISING, LLC") and is entered into in consideration of a franchise agreement for the operation of a THE CHEESE STEAK SHOP restaurant located at: _______________________________, __________________ (the "franchise Agreement") with ____ ("Franchisee"). As follows:

1. Guarantor unconditionally guarantees to One Cheese Steak Franchising, LLC the full payment of all monies owed and the full performance of Franchisee's obligations under the Franchise Agreement and any undertakings or agreements entered in connection therewith, as the same may be modified, renewed or amended from time to time, and the costs (including attorney's fees) incurred by One Cheese Steak Franchising, LLC to collect and enforce them under such agreement or hereunder (the "Obligations").

2. Guarantor agrees that Guarantor's liability hereunder shall not be released, reduced or in any way affected by (a) the taking of any guaranty for the Obligations; (b) any release, waiver, exchange, substitution, subordination or other modification of any guaranty relating to the Obligations; (c) any partial release of Guarantor's liability hereunder or under any other instrument held as security for the Obligations; or (d) any assignment by One Cheese Steak Franchising, LLC, in whole or in part, of this Guaranty. In addition, if and to the extent that One Cheese Steak Franchising, LLC is required, in connection with any bankruptcy proceeding affecting Franchisee, to return any amounts paid One Cheese Steak Franchising, LLC by franchisee, Guarantor guarantees repayments to One Cheese Steak Franchising, LLC of any amounts so required to be returned.

3. Guarantor waives (a) presentment, demand, protest and notice of any kind; (b) all statutes of limitations as a defense to any action brought against Guarantor by One Cheese Steak Franchising, LLC to the fullest extent permitted by law; (c) any defense based upon any legal disability of Franchisee or any discharge or limitation of the liability of Franchisee to One Cheese Steak Franchising, LLC, whether consensual or arising by operation of law or any bankruptcy, insolvency, or debtor-relief proceeding, or from any other cause; and (d) all rights of subrogation, all rights to enforce any remedy that One Cheese Steak Franchising, LLC may have against Franchisee and all rights to participate in any security held by One Cheese Steak Franchising, LLC for the Obligations, until the Obligations have been paid and performed in full. One Cheese Steak Franchising, LLC may bring an action against Guarantor in his capacity as guarantor without first proceeding against Franchisee or any other person or security held by One Cheese Steak Franchising, LLC and without pursuing any other remedy. Upon a default by Franchisee, One Cheese Steak Franchising, LLC may nonjudicially or judicially foreclose against any real or personal property security it holds for the Obligations or exercise any other remedy against Franchisee.

4. Any indebtedness of Franchisee now or hereafter held by Guarantor is hereby subordinated to the Obligations. No delay or failure by One Cheese Steak Franchising, LLC to exercise any right or remedy against Franchisee or Guarantor shall be construed as a waiver of such right or remedy. All remedies of One Cheese Steak Franchising, LLC against Franchisee and guarantor are cumulative.

5. If any provision of this Guaranty is held to be unenforceable, such unenforceability will not affect any other provisions hereof. The provisions of this Guaranty shall benefit and bind Guarantor and One Cheese Steak Franchising, LLC and their respective heirs, administrators, legal representatives, successors and permitted assigns. This Guaranty shall be governed by the laws of the State of California and may be amended only by a written instrument signed by Guarantor and One Cheese Steak Franchising, LLC.

	ONE CHEESE STEAK FRANCHISING, LLC	"Guarantor"
By:	____________________	____________________
Its:	____________________	____________________

EXHIBIT B
THE CHEESE STEAK SHOP
DISCLOSURE DOCUMENT

AREA DEVELOPMENT AGREEMENT

THE CHEESE STEAK SHOP

AREA DEVELOPMENT AGREEMENT

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THE CHEESE STEAK SHOP

AREA DEVELOPMENT AGREEMENT

THIS AREA DEVELOPMENT AGREEMENT (the "**Agreement**") is made and entered into as of ______________, (the "**Effective Date**"), by and between **ONE CHEESE STEAK FRANCHISING, LLC**, a California limited liability company (**"Franchisor"**), and ________________________, a ____________________________ ("**Area Developer**") with reference to the following facts:

A. ONE CHEESE STEAK FRANCHISING, LLC, a California limited liability company, as the result of the expenditure of time, skill, effort and money, has developed a distinctive system (the **"System"**) relating to the establishment, operation and franchising of restaurants featuring cheese steaks, Italian style sandwiches and other foods in a wholesome family setting (**"The Cheese Steak Shop"**) that are required to operate pursuant to system standards that are designated from time to time (the **"System Standards"**).

B. The Cheese Steak Shop is identified by means of certain trade names, service marks, trademarks, logos, emblems, and indicia of origin, including the marks, but not limited, to "The Cheese Steak Shop™" both in plain text and stylized versions; the phrase "CAUTION: MAY BE HABIT FORMING®", as well as additional logos and trademarks and phrases, as are now designated and may be designated by Franchisor in writing for use in connection with the System, from time to time (collectively, the **"Proprietary Marks"**) and for use in connection with the operation of The Cheese Steak Shop businesses (the **"Restaurant"**).

C. The distinguishing characteristics of The Cheese Steak Shop include, without limitation, distinctive recipes and menus; distinctive exterior and interior design, décor, color scheme, fixtures, and furnishings for The Cheese Steak Shop businesses; service standards; uniform standards, specifications and procedures for operations; procedures for management control; training and assistance; specifications for equipment and fixtures; defined product offerings; Franchisor specified pricing; restrictions on ownership; and advertising, public relations and promotional programs, all of which may be changed, improved and further developed by Franchisor from time to time (collectively '**The Cheese Steak Shop System**"). Franchisor has the right to use and to license others to use The Cheese Steak Shop Proprietary Marks and The Cheese Steak Shop System.

D. Franchisor desires to expand and develop Restaurants (a "**Restaurant**" or "**Restaurants**") in the Development Area, and Area Developer wishes to develop Restaurants in the Development Area, upon the terms and conditions as set forth in this Agreement.

NOW, THEREFORE, THE PARTIES AGREE:

1. **<u>GRANT OF AREA DEVELOPMENT RIGHTS</u>.**

1.1 <u>Grant of Area Development Rights</u>.

1.1.1 Upon the terms and subject to the conditions of this Agreement, Franchisor hereby grants to Area Developer, and Area Developer hereby accepts, the right and obligation, during the "**Term**" (defined below), to develop Restaurants solely at sites in the geographic area defined in **<u>Attachment A</u>** annexed to this Agreement (the "**Development Area**"). An increase or decrease in the size of the cities, counties or political subdivisions, if any, included within these boundaries shall have no effect on the Development Area as it is described in **<u>Attachment A</u>**.

1.1.2 To protect The Cheese Steak Shop System, The Cheese Steak Shop Proprietary Marks, and the goodwill associated with the same no right or license is granted to Area Developer under this Agreement to use The Cheese Steak Shop Proprietary Marks, or The Cheese Steak Shop System, such right and license being granted solely pursuant to Franchise Agreements executed pursuant to this Agreement. Without limiting the generality of the foregoing, nothing in this Agreement shall permit Area Developer to own or operate a Restaurant, except pursuant to a duly executed and subsisting Franchise Agreement. Area Developer shall not use The Cheese Steak Shop Proprietary Marks, or The Cheese Steak Shop System in any manner or for any purpose, including in connection with any offering of securities or any request for credit, without the prior express written approval of Franchisor.

1.2 **<u>Exclusivity</u>.**

1.2.1 During the Term of this Agreement, Franchisor and its "**Affiliates**" (defined below) shall not operate or grant a license or franchise to any other person to operate a Restaurant at any site within the Development Area.

1.2.2 Except as provided in <u>Section 1.2.1</u>, Franchisor expressly reserves all other rights, including the right, among others, in any manner and on any terms and conditions that Franchisor deems advisable, and without granting Area Developer any rights under this Agreement, to do each of the following:

(i) use the Proprietary Marks and System in connection with establishing and operating The Cheese Steak Shop businesses at any location outside the Territory;

(ii) use the Proprietary Marks or other marks in connection with selling or distributing any goods (including branded merchandise) or services anywhere in the world (including within the Territory), whether or not you also offer them, through channels of distribution other than The Cheese Steak Shop business (including, for example, grocery stores, other permanent or temporary retail locations, kiosks, catalogs, mail order, or the internet or other electronic means);

(iii) acquire, establish or operate, without using the Proprietary Marks, any business of any kind at any location anywhere in the world (including within the Territory);

(iv) use the Proprietary Marks in connection with soliciting or directing advertising or promotional materials to customers anywhere in the world (including within the Territory);

(v) acquire, merge with, or otherwise affiliate with, and thereafter own and operate, and franchise or license others to own and operate, any business of any kind or company-owned or franchised system of businesses of any kind, including any business or system that offers products or services the same as or similar to those offered by you under the System and the Proprietary Marks, and to convert any such acquired business or such acquired system of businesses to operation under the System and the Proprietary Marks, notwithstanding any other provisions hereof.

1.3 **<u>Certain Definitions</u>.** In this Agreement, the following capitalized terms shall have the meanings set forth below, unless the context otherwise requires:

"**<u>Affiliate</u>**" when used in this Agreement in connection with Franchisor or Area Developer, includes each person or Entity which directly, or indirectly, through one or more intermediaries, controls, is controlled by or is under common control with Franchisor or Area Developer, as applicable. Notwithstanding the foregoing definition, if Franchisor or its Affiliate has any ownership interest in Area Developer, the term "**Affiliate**" shall not include or refer to Franchisor or that Affiliate (the "**Franchisor Affiliate**"), and no obligation or restriction upon an "**Affiliate**" of Area Developer, shall bind Franchisor, or said Franchisor Affiliate or their respective direct/indirect parents or subsidiaries, or their respective officers, directors or managers.

"**<u>Applicable Law</u>**" means and includes applicable common law and all applicable statutes, laws, rules, regulations, ordinances, policies and procedures established by any Governmental Authority, governing the operation of a Restaurant, including all labor, immigration, disability, laws and regulations, as in effect on the Effective Date of this Agreement, and as may be amended, supplemented or enacted from time to time.

"**<u>Competitive Activities</u>**" means to own, operate, lend to, advise, be employed by or have any financial interest in any restaurant business, other than Restaurant operated pursuant to a validly subsisting Franchise

Agreement with Franchisor. Notwithstanding the foregoing, "**Competitive Activities**" shall not include the direct or indirect ownership solely as an investment of securities of any Entity which are traded on any national securities exchange if applicable owner thereof (i) is not a controlling person of, or a member of a group which controls, such Entity; and (ii) does not, directly or indirectly, own five percent (5%) or more of any class of securities of such Entity.

"**Competitive Business**" means to a business that engages in Competitive Activities.

"**Default**" or "**default**" means any breach of or failure to comply with any of the terms or conditions of an agreement.

"**Development Period**" means each of the time periods indicated on **Attachment B** during which Area Developer shall have the right and obligation to construct, equip, open and thereafter continue to operate Restaurants in accordance with the Development Obligation.

"**Development Obligation**" shall mean Area Developer's right and obligation to construct, equip, open and thereafter continue to operate at sites within the Development Area the cumulative number of Restaurants set forth in **Attachment B** annexed to this Agreement within each Development Period and, if applicable, within the geographic areas specified in **Attachment B** annexed to this Agreement.

"**Entity**" means any limited liability company, partnership, trust, association, corporation or other entity which is not an individual.

"**Equity**" means capital stock, membership interests, partnership rights or other equity ownership interests of an Entity.

"**Franchise Agreement**" means the form of agreement prescribed by Franchisor and used to grant to Area Developer the right to own and operate a single Restaurant in the Development Area, including all exhibits, riders, guarantees or other related instruments, all as amended from time to time.

"**Force Majeure**" means any event that is reasonably unforeseeable as of the date of this Agreement and that is beyond control, directly or indirectly, of Area Developer, the effects of which could not reasonably be prevented or avoided by Area Developer with the exercise of commercially reasonable efforts and due diligence and which event does not result from Area Developer's fault or negligence or the fault or negligence of its agents, employees or subcontractors and which event causes Area Developer to be delayed, in whole or in part, or unable to partially or wholly perform its obligations under this Agreement and subject to the satisfaction of the foregoing criteria, shall include: acts of God (such as tornadoes, earthquakes, hurricanes, floods, fire or other natural catastrophe); strikes, lockouts or other industrial disturbances; war, terrorist acts, riot or other civil disturbance; epidemics; or other similar forces; provided however, that neither an act or failure to act by a Governmental Authority, nor the performance, non-performance or exercise of rights under any agreement with Area Developer by any lender, landlord or other person shall be an event of Force Majeure under this Agreement, except to the extent that such act, failure to act, performance, non-performance or exercise of rights results from an act which is otherwise an event of Force Majeure. Area Developer's financial inability to perform or Area Developer's insolvency shall not be an event of Force Majeure under this Agreement.

"**Governmental Authority**" means and includes all federal, state, county, municipal and local governmental and quasi-governmental agencies, commissions and authorities.

"**Owner**" means each of the individuals listed on **Attachment C** and each direct or indirect shareholder, member, general or limited partner, trustee, or other equity owner of Franchisee. If Franchisee is an Entity, each Owner and each Owner's spouse, shall jointly and severally guarantee Franchisee's payment and performance of its obligations under this Agreement under a Guarantee in the form of **Attachment D**, except, that if Franchisor or any Affiliate of Franchisor has any ownership interest in Area Developer, the term "**Owner**" shall not include or refer to Franchisor or that Affiliate or their respective direct and indirect parents and subsidiaries, and no obligation or restriction upon the "**Area Developer**", or its Owners shall bind Franchisor, said Affiliate or their respective direct and indirect parents and subsidiaries or their respective officers, directors or managers.

"**Protected Area**" means the geographic area designated by Franchisor in a Franchise Agreement.

2. **AREA DEVELOPER'S DEVELOPMENT OBLIGATION.**

To protect The Cheese Steak Shop System, The Cheese Steak Shop Proprietary Marks, and the goodwill associated with the same:

2.1 Development Obligation.

2.1.1 Within each Development Period specified in **Attachment B**, Area Developer shall construct, equip, open and thereafter continue to operate at, and only at, sites within the Development Area, not less than the cumulative number of Restaurants required by the Development Obligation for that Development Period.

2.1.2 Restaurants developed under this Agreement which are open and operating and which have been assigned to Affiliates of Area Developer in accordance with Section 7.2.2 with Franchisor's consent, shall count in determining whether Area Developer has satisfied the Development Obligation for so long as the applicable Affiliate continues to satisfy the conditions set forth in Section 7.2.2.

2.2 Timing of Execution of Leases and Franchise Agreements. Notwithstanding anything to the contrary contained in this Agreement, on or before the date which is one hundred eighty (180) days before the end of each Development Period, Area Developer shall have executed (in accordance with this Agreement) a lease (or purchase agreement) and Franchise Agreement and paid the required Initial Franchise Fee, for each Restaurant which is required to be constructed, equipped, opened and thereafter operated by the end of such Development Period.

2.3 Force Majeure.

2.3.1 Subject to Area Developer's continuing compliance with Section 2.3.2, should Area Developer be unable to meet the Development Obligation for any Development Period solely as the result of Force Majeure or any legal disability of Franchisor to deliver a Disclosure Document pursuant to Section 6.2, which results in the inability of Area Developer to construct or operate Restaurants in all or substantially all of the Development Area pursuant to the terms of this Agreement, the particular Development Period during which the event of Force Majeure (or Franchisor's legal disability to deliver a Disclosure Document) occurs shall be extended by an amount of time equal to the time period during which the Force Majeure (or Franchisor's legal disability to deliver a Disclosure Document) shall have existed during that Development Period. Development Periods during which no such Force Majeure (or legal disability) existed shall not be extended. Other than as a result of Force Majeure, any delay in Franchisor's issuance of acceptance of any site under Article 6, including, Area Developer's failure to satisfy the other conditions set forth in Section 6.3, shall not extend any Development Period.

2.3.2 In the event of the occurrence of an event constituting Force Majeure, Area Developer shall notify Franchisor in writing within five (5) days following commencement of the alleged Force Majeure of the specific nature and extent of the Force Majeure, and how it has impacted Area Developer's performance under this Agreement. Area Developer shall continue to provide Franchisor with updates and all information as may be requested by Franchisor, including Area Developer's progress and diligence in responding to and overcoming the Force Majeure.

2.4 Area Developer May Not Exceed The Development Obligation. Unless Franchisor shall otherwise consent in writing, Area Developer may not construct, equip, open and operate more than the total number of Restaurants comprising the Development Obligation.

3. **DEVELOPMENT AREA.**

3.1 Franchisor's Right to Develop. Notwithstanding Section 2.1 above, if during the Term of this Agreement, Area Developer is unable or unwilling, or fails for any reason (except due to Force Majeure as provided in Section 2.3), to satisfy the Development Obligation, this Agreement shall automatically terminate upon notice by Franchisor to Area Developer. Upon such termination, Franchisor may, but has no obligation to, open and operate, or license others to (or grant others development rights to) open and operate, Restaurants at any site(s) within the Development Area, excluding sites in the Protected Area granted to Area Developer pursuant to the individual Franchise Agreement for each then existing Restaurant located in the Development Area.

3.2 Protected Area for Each Individual Restaurant. Each Franchise Agreement executed pursuant to this Agreement shall provide that Franchisor and its Affiliates may not open or operate, or franchise or license the operation of any Restaurant at any site located within the Protected Area surrounding Restaurants opened by Area Developer pursuant to such Franchise Agreement.

4. **TERM OF AREA DEVELOPMENT AGREEMENT.**

4.1 Term. The term of this Agreement shall commence on the Effective Date and, unless otherwise negotiated, terminated or extended as provided in this Agreement, shall continue until the earlier of (i) the fifth (5^{th}) anniversary of the Effective Date or (ii) the date of execution of the Franchise Agreement granting Area Developer the right to open the last Restaurant necessary for Area Developer to fully satisfy the Development Obligation (the "**Term**").

4.2 Limited Additional Development Right. If Area Developer shall determine that it desires to engage in further development of the Development Area in excess of the Development Obligation, Area Developer shall at the earlier of (i) one hundred eighty (180) days prior to the scheduled expiration of the Term or (ii) the date on which acceptance of the proposed site for the last Restaurant required to meet the Development Obligation is issued; notify Franchisor in writing ("**Additional Development Notice**") of Area Developer's desire to develop additional Restaurants in the Development Area and a plan for such development over a new term, setting forth the number of proposed Restaurants and the deadlines for the development of each of them within such proposed term. This right of additional development by Area Developer shall be exercised only in accordance with Section 4.3 and is subject to the conditions set forth in Section 4.4. This Agreement is not otherwise renewable.

4.3 Exercise of Right of Additional Development.

4.3.1 If Franchisor determines the additional development obligation proposed by the Additional Development Notice is unacceptable in any respect(s), Franchisor and Area Developer shall (subject to Section 4.4) negotiate during the following sixty (60) days in an effort to reach a mutually agreeable additional development obligation. Each party may negotiate to protect its own interests as it deems appropriate in its discretion.

4.3.2 If the additional development obligation proposed by the Additional Development Notice is acceptable to Franchisor, or if Franchisor and Area Developer reach agreement on an alternative additional development obligation (the "**Additional Development Obligation**") within said sixty (60) day period, then Franchisor shall deliver to Area Developer a copy of Franchisor's then-current Disclosure Document, if required by Applicable Law, and two (2) copies of the then-current Area Development Agreement, which may vary substantially from this Agreement, setting forth the agreed upon Additional Development Obligation. Within thirty (30) days after Franchisor's delivery of the said Area Development Agreement, but no sooner than immediately after the expiration of any applicable waiting period(s) prescribed by Applicable Law, Area Developer shall execute two (2) copies of the Area Development Agreement and return them to Franchisor together with the applicable development fee for Restaurants required by the Additional Development Obligation. If Area Developer has so executed and returned the copies and has satisfied the conditions set forth in Section 4.4, Franchisor will execute the copies and return one fully executed copy to Area Developer.

4.4 **Conditions to Exercise of Right of Additional Development.** Area Developer's right to additional development described in Section 4.2 shall be subject to Area Developer's fulfillment of the following conditions precedent:

4.4.1 Area Developer (and each of its Affiliates which have developed or operate Restaurants in the Development Area) shall have fully performed all of its obligations under this Agreement and all other agreements between Franchisor and Area Developer (or the applicable Affiliate).

4.4.2 Area Developer shall have demonstrated to Franchisor Area Developer's financial capacity to perform the Additional Development Obligations set forth in the new Area Development Agreement. In determining if Area Developer is financially capable, Franchisor will apply the same criteria to Area Developer as it applies to prospective area developers at that time.

4.4.3 At the expiration of each Development Period and at the expiration of the Term, Area Developer shall have opened and shall thereafter have continued to operate, in the Development Area, not less than the aggregate number of Restaurants then required by the Development Obligation.

4.4.4 Franchisor and Area Developer shall have executed a new Area Development Agreement pursuant to Section 4.3.

4.4.5 Area Developer, and all Affiliates of Area Developer who then have a currently effective Franchise Agreement or Area Development Agreement with Franchisor, shall have executed and delivered to Franchisor a general release, in a form prescribed by Franchisor, of any and all claims which Area Developer may have or believes to have against Franchisor and/or its Affiliates and their respective officers, directors, agents and employees, whether the claims are known or unknown, which are based on, arise from or relate to this Agreement or Restaurants, as well as claims, known or unknown, which are not based on, do not arise from or do not relate to this Agreement or Restaurants but which relate to other Franchise Agreements, franchised businesses and other agreements between Franchisor or its affiliates and Area Developer which arose on or before the date of the general release, including, without limitation, all obligations, liabilities, demands, costs, expenses, damages, claims, actions and causes of action, of whatever nature, character or description, arising under federal, state and local laws, rules and ordinances.

4.5 **Effect of Expiration.** Unless an Additional Development Obligation shall have been agreed upon, and a new Area Development Agreement shall have been executed by the parties pursuant to Sections 4.2 and 4.3, then, to protect The Cheese Steak Shop System, The Cheese Steak Shop Proprietary Marks, and the goodwill associated with the same, following the expiration of the Term or the sooner termination of this Agreement: (i) Area Developer shall have no further right to construct, equip, own, open or operate additional Restaurants which are not, at the time of such termination or expiration, the subject of a then existing Franchise Agreement between Area Developer (or an Affiliate of Area Developer) and Franchisor which is then in full force and effect; and (ii) Franchisor, or its Affiliates, may thereafter themselves construct, equip, open, own or operate, and license others to (or grant development rights to) construct, equip, open, own or operate The Cheese Steak Shop businesses at any location(s) (within or outside of the Development Area), without any restriction, subject only to any Protected Area rights granted for any then existing Restaurant operated by Area Developer pursuant to a validly subsisting Franchise Agreement executed for such Restaurant.

5. **PAYMENTS BY AREA DEVELOPER.**

5.1 **Initial Development Fee.** Concurrently with the execution of this Agreement, Area Developer shall pay to Franchisor the amount set forth on **Attachment A** as the initial development fee (the "**Initial Development Fee**"), representing $5,000 for each Restaurant (excluding the first Restaurant) required to be opened during the Term pursuant to the Development Obligation. The Initial Development Fee is fully earned by Franchisor when paid and is not refundable, in whole or in part, under any circumstances.

5.2 **Initial Franchise Fee.** Concurrently with the execution of this Agreement, Area Developer shall pay to Franchisor an initial franchise fee (the "**Initial Franchise Fee**") of $17,500 for a Restaurant to be opened under this Agreement. Thereafter, Area Developer shall pay to Franchisor an additional restaurant fee of $12,500 for each subsequent Restaurant to be opened under this Agreement (the "**Additional Restaurant Fee**"). The Additional Restaurant Fee shall be payable upon execution by Area Developer of each Franchise Agreement subsequent to the first that is entered into under this Agreement; provided, however, that Franchisor shall credit $5,000 of the Initial Development Fee against such Additional Restaurant Fees payable under each Franchise Agreement subsequent to the first.

6. **EXECUTION OF INDIVIDUAL FRANCHISE AGREEMENTS.**

6.1 Development and Opening of Restaurants.

6.1.1 Area Developer is responsible for complying with the terms of each applicable franchise agreement associated with each Restaurant for the development and opening of each Restaurant to be opened under this Agreement. These terms may vary over the course of the Term. Franchisor agrees, however, that it will communicate criteria for acceptable sites to Area Developer, provide standard specifications for building a Restaurant to the then-current design and requirements, and provide initial training to a full-time manager who meets Franchisor's criteria.

6.2 Conditions Precedent to Franchisor's Obligations. To protect The Cheese Steak Shop System, The Cheese Steak Shop Proprietary Marks, and the goodwill associated with the same, it shall be a condition precedent to Franchisor's obligations pursuant to Sections 6.1, and to Area Developer's right to develop each and every Restaurant, that Area Developer shall have satisfied all of the following conditions precedent prior to Franchisor's acceptance of the proposed Restaurant and the site and lease therefor, and Franchisor's execution of the Franchise Agreement therefor:

6.2.1 Area Developer (and each of its Affiliates which have developed or operate Restaurants in the Development Area) shall have fully performed all of its obligations under this Agreement and all Franchise Agreements and other written agreements between Franchisor and Area Developer (or any such Affiliate of Area Developer), and must not at any time be in default of any of its contractual or other legal obligations to Franchisor or any of its Affiliates, or any approved vendor or supplier, or to any federal, state, county or municipal agency.

6.2.2 Area Developer shall have demonstrated to Franchisor, in Franchisor's discretion, Area Developer's financial and other capacity to perform the obligations set forth in the proposed new Franchise Agreement, including Area Developer's submission of a comprehensive management plan acceptable to, and accepted by Franchisor, which shall include among other reasonable requirements as may be established by Franchisor, an organization chart and supervisory requirements for the proposed Restaurant. In determining if Area Developer is financially or otherwise capable, Franchisor shall apply the same criteria to Area Developer as it applies to prospective area developers at that time.

6.2.3 Area Developer shall continue to operate, in the Development Area, not fewer than the cumulative number of Restaurants required by the Development Obligation set forth in **Attachment B** to be in operation as of the end of the immediately preceding Development Period.

6.2.4 Area Developer, and each of its Affiliates who then has a currently effective Franchise Agreement or Area Development Agreement with Franchisor, must sign a general release, in a form prescribed by Franchisor, of any and all claims which Area Developer may have or believes to have against Franchisor and/or its Affiliates and their respective officers, directors, agents and employees, whether the claims are known or unknown, which are based on, arise from or relate to this Agreement or Restaurants, as well as claims, known or unknown, which are not based on, do not arise from or do not relate to this Agreement or Restaurants but which relate to other Franchise Agreements, franchised businesses and other agreements between Franchisor or its affiliates and Area Developer which arose on or before the date of the general release, including, without limitation, all obligations, liabilities, demands, costs, expenses, damages, claims, actions and causes of action, of whatever nature, character or description, arising under federal, state and local laws, rules and ordinances.

6.2.5 Area Developer shall have satisfied (or Franchisor shall have waived in writing) any conditions upon which Preliminary Acceptance was granted.

7. **ASSIGNMENT AND SUB-FRANCHISING.**

7.1 Assignment by Franchisor. Franchisor shall have the right to transfer or assign all or any part of its rights or obligations under this Agreement to any person or legal entity. With respect to any assignment which results in the subsequent performance by the assignee of all of Franchisor's obligations under this Agreement, the assignee shall expressly assume and agree to perform such obligations, and shall become solely responsible for all obligations of Franchisor under this Agreement from the date of assignment. In addition, and without limitation to the foregoing, Area Developer expressly affirms and agrees that Franchisor, and/or its Affiliates, may sell their assets, The Cheese Steak Shop Proprietary Marks or The Cheese Steak Shop System; may sell securities in a public offering or in a private placement; may merge, acquire other corporations or be acquired by another corporation; and may undertake a refinancing, recapitalization, leveraged buy-out or other economic or financial restructuring. With regard to any of the above sales, assignments and dispositions, Area Developer expressly and specifically waives any claims, demands or damages arising from or related to the loss of Franchisor's name, The Cheese Steak Shop Proprietary Marks (or any variation thereof) or The Cheese Steak Shop System and/or the loss of association with, or identification of, ONE CHEESE STEAK FRANCHISING, LLC, as Franchisor under this Agreement. Area Developer specifically waives any and all other claims, demands or damages arising from or related to the foregoing merger, acquisition and other business combination activities including, without limitation, any claim of divided loyalty, breach of fiduciary duty, fraud, breach of contract or breach of the implied covenant of good faith and fair dealing. Area Developer agrees that Franchisor has the right, now or in the future, to purchase, merge, acquire or affiliate with an existing competitive or non-competitive franchise network, chain or any other business regardless of the location of that chain's or business' facilities, and to operate, franchise or license those businesses and/or facilities as Restaurants operating under The Cheese Steak Shop Proprietary Marks or any other marks following Franchisor's purchase, merger, acquisition or affiliation, regardless of the location of these facilities (which Area Developer acknowledges may be proximate to Restaurants).

7.2 No Sub-Franchising by Area Developer.

7.2.1 Area Developer shall not offer, sell, or negotiate the sale of The Cheese Steak Shop franchises to any third party, either in Area Developer's own name or in the name and/or on behalf of Franchisor, or otherwise sub-franchise, subcontract, sublicense, share, divide or partition this Agreement, and nothing in this Agreement will be construed as granting Area Developer the right to do so. Area Developer shall not execute any Franchise Agreement with Franchisor, or construct or equip any Restaurant with a view to offering or assigning such Franchise Agreement or Restaurant to any third party.

7.2.2 Notwithstanding Section 7.2.1, Area Developer may, with Franchisor's prior written consent, execute and contemporaneously assign a Franchise Agreement executed pursuant to this Agreement to a separate Entity; provided and on condition that:

(a) Upon Franchisor's request, Area Developer has delivered to Franchisor a true, correct and complete copy of the transferee Entity's articles of incorporation or articles of organization, bylaws, operating agreement, partnership agreement and other organizational documents, and Franchisor has accepted the same.

(b) The transferee Entity's articles of incorporation or articles of organization, bylaws, operating agreement and partnership agreement, as applicable, shall provide that its activities are confined exclusively to operating Restaurants.

(c) Area Developer, directly owns and controls not less than fifty-one percent (51%) of the Equity and voting rights of such Entity.

(d) Such Entity is in good standing in its jurisdiction of organization and each other jurisdiction where the conduct of its business or the operation of its properties requires it to be so qualified.

(e) The person designated by Area Developer as the Owner has exclusive day-to-day operational control over such Entity.

(f) Such Entity conducts no business other than the operation of The Cheese Steak Shop Restaurant.

(g) Such Entity assumes all of the obligations under the Franchise Agreement as franchisee pursuant to written agreement, the form and substance of which shall be acceptable to Franchisor.

(h) Each person or Entity comprising Area Developer, and all present and future Owners of ten percent (10%) or more (directly or indirectly), in the aggregate, of the Equity or voting rights of any franchisee under any and all Franchise Agreements executed pursuant to this Agreement, and each such Owner's spouse, shall execute a Guarantee in the form of **Attachment D** to this Agreement, personally, irrevocably and unconditionally guaranteeing, jointly and severally, with all other guarantors, the full payment and performance of all of the obligations to Franchisor and to Franchisor's Affiliates under this Agreement and each Franchise Agreement executed pursuant to this Agreement (for purposes of determining whether said ten percent (10%) threshold is satisfied, holdings of spouses, family members who live in the same household and Affiliates shall be aggregated).

(i) None of the Owners of the Equity of the franchisee under the applicable Franchise Agreement is engaged in Competitive Activities.

(j) At Franchisor's request, Area Developer shall, and shall cause each of its Affiliates and Owners to execute and deliver to Franchisor a general release, in a form prescribed by Franchisor, of any and all claims which Area Developer may have or believes to have against Franchisor and/or its Affiliates and their respective officers, directors, agents and employees, whether the claims are known or unknown, which are based on, arise from or relate to this Agreement or Restaurants, as well as claims, known or unknown, which are not based on, do not arise from or do not relate to this Agreement or Restaurants but which relate to other Franchise Agreements, franchised businesses and other agreements between Franchisor or its Affiliates and Area Developer which arose on or before the date of the general release, including, without limitation, all obligations, liabilities, demands, costs, expenses, damages, claims, actions and causes of action, of whatever nature, character or description, arising under federal, state and local laws, rules and ordinances.

(k) Area Developer shall pay Franchisor a transfer fee in the amount of $10,000 plus Franchisor's out of pocket costs associated with the transfer, including costs of attorneys' fees associated with the transfer.

(l) Area Developer and the transferee shall use an independent third party escrow company in connection with their purchase and sale transaction.

7.2.3 In the event that Area Developer exercises its rights under Section 7.2.2, Area Developer and such assignee Entity shall, in addition to any other covenants contained in the applicable Franchise Agreement, affirmatively covenant to continue to satisfy each of the conditions set forth in Section 7.2.2 throughout the term of such Franchise Agreement.

7.3 Assignment by Area Developer.

7.3.1 This Agreement has been entered into by Franchisor in reliance upon and in consideration of the singular personal skill, qualifications and trust and confidence reposed in Area Developer. Therefore, subject to Franchisor's right of first refusal pursuant to Section 7.3.4, neither Area Developer's interest in this Agreement nor any of its rights or privileges under this Agreement shall be assigned or transferred, voluntarily or involuntarily, in whole or in part, by operation of Applicable Law or otherwise ("**Assignment**"), in any manner without Franchisor's prior written consent, which consent may be withheld for any reason whatsoever in Franchisor's judgment. To protect The Cheese Steak Shop System, The Cheese Steak Shop Proprietary Marks and the goodwill associated with the same, Area Developer acknowledges and agrees that except as provided in Section 7.2.2, Area

Developer acknowledges and agrees that it will not be permitted to make an Assignment of this Agreement or sell, gift, convey, assign or transfer the assets used in any of Restaurants developed under this Agreement or any Franchise Agreement executed pursuant to this Agreement except in conjunction with a concurrent Assignment to the same approved assignee of all of the assets used in all of said Restaurants, and all of the Franchise Agreements executed pursuant to this Agreement or at Franchisor's election the execution by the assignee of new Franchise Agreements on Franchisor's then-current form for each of Restaurants then developed or under development by Area Developer, and otherwise in accordance with the terms and conditions of Area Developer's Franchise Agreement(s). For a transfer to a corporation, partnership or limited liability company where such transfer is for the convenience of ownership only, Area Developer shall pay an administrative fee of Five Hundred Dollars ($500) plus Franchisor's out of pocket costs of approving and documenting the transfer. For the transfer of the franchise to an existing franchisee of Franchisor, Area Developer shall pay Franchisor a transfer Fee e equal to ten percent (10%) of the Initial Franchise Fee Area Developer paid to Franchisor. For a transfer under any other circumstances, Area Developer shall pay Franchisor a transfer fee in an amount equal to twenty-five percent (25%) of the Initial Franchise Fee Area Developer paid to Franchisor, which shall be in addition to any Transfer Fee under any Franchise Agreement. Franchisor may, in its sole discretion, require, as a condition to providing its consent to an Assignment of this Agreement, Area Developer to execute a general release, in a form prescribed by Franchisor, of any and all claims, known or unknown, which the Area Developer may have against Franchisor and/or its affiliates and their respective officers, directors, agents and employees and a continuing guarantee (and, if the Area Developer is other than an individual, Franchisor may require, as Franchisor may request, such principals of the Area Developer, as assignor, to sign a continuing guarantee) in favor of Franchisor of the performance and payment by the assignee of all obligations and debts to Franchisor and its affiliates under this Agreement.

7.3.2 Area Developer shall not, directly or indirectly, pledge, encumber, hypothecate or otherwise grant any third party a security interest in this Agreement in any manner whatsoever without the prior express written consent of Franchisor. To the extent that the foregoing prohibition may be ineffective under Applicable Law, Area Developer shall provide not less than ten (10) days' prior written notice (which notice shall contain the name and address of the secured party and the terms of such pledge, encumbrance, hypothecation or security interest) of any pledge, encumbrance, hypothecation or security interest in this Agreement.

7.3.3 Securities, partnership or other ownership interests in Area Developer may not be offered to the public under the Securities Act of 1933, as amended, nor may they be registered under the Securities Exchange Act of 1934, as amended, or any comparable federal, state or foreign law, rule or regulation. Such interests may be offered by private offering or otherwise only with the prior written consent of Franchisor, which consent shall not be unreasonably withheld. All materials required for any such private offering by federal or state law shall be submitted to Franchisor for a limited review as discussed below prior to being filed with any governmental agency; and any materials to be used in any exempt offering shall be submitted to Franchisor for such review prior to their use. No such offering by Area Developer shall imply that Franchisor is participating in an underwriting, issuance or offering of securities of Area Developer or Franchisor, and Franchisor's review of any offering materials shall be limited solely to the subject of the relationship between Area Developer and Franchisor and its Affiliates. Franchisor may, at its option, require Area Developer's offering materials to contain a written statement prescribed by Franchisor concerning the limitations described in the preceding sentence. Area Developer, its Owners and the other participants in the offering must fully defend and indemnify Franchisor, and its Affiliates, their respective partners and the officers, directors, manager(s) (if a limited liability company), shareholders, members, partners, agents, representatives, independent contractors, servants and employees of each of them, from and against any and all losses, costs and liability in connection with the offering and shall execute any additional documentation required by Franchisor to further evidence this indemnity. For each proposed offering, Area Developer shall pay to Franchisor a non-refundable fee of $10,000, which shall be in addition to any Transfer Fee under any Franchise Agreement or such greater amount as is necessary to reimburse Franchisor for its reasonable costs and expenses associated with reviewing the proposed offering, including without limitation, legal and accounting fees. Area Developer shall give Franchisor written notice at least thirty (30) days prior to the date of commencement of any offering or other transaction covered by this Article.

7.3.4 Area Developer's written request for consent to any Assignment must be accompanied by an offer to Franchisor of a right of first refusal to purchase the interest which is proposed to be transferred, on the same terms and conditions offered by the third party; provided that Franchisor may substitute cash for any non-cash consideration proposed to be given by such third party (in an amount determined by Franchisor reasonably and in good faith as the approximate equivalent value of said non-cash consideration); and provided further that Area Developer shall make representations and warranties to Franchisor customary for transactions of the type proposed (the "**Purchase Option**"). If Franchisor elects to exercise the Purchase Option, Franchisor or its nominee, as applicable, shall send written notice of such election to Area Developer within thirty (30) days of receipt of Area Developer's request. If Franchisor accepts such offer, the closing of the transaction shall occur within one hundred twenty (120) days following the date of Franchisor's acceptance. Any material change in the terms of an offer prior to closing or the failure to close the transaction within one hundred twenty (120) days following the written notice provided by Area Developer shall cause it to be deemed a new offer, subject to the same right of first refusal by Franchisor, or its third party designee, as in the case of the initial offer. Franchisor's failure to exercise such option shall not constitute consent to the transfer or a waiver of any other provision of this Agreement, including any of the requirements of this Article with respect to the proposed transfer.

7.3.5 If Area Developer is an Entity, each of the following shall be deemed to be an Assignment of this Agreement: (i) the sale, assignment, transfer, conveyance, gift, pledge, mortgage, or other encumbrance of more than forty-nine percent (49%) in the aggregate, whether in one or more transactions, of the Equity or voting power of Area Developer, by operation of law or otherwise or any other event(s) or transaction(s) which, directly or indirectly, effectively changes control of Area Developer; (ii) the issuance of any securities by Area Developer which itself or in combination with any other transaction(s) results in the Owners, as constituted on the Effective Date, owning less than fifty-one percent (51%) of the outstanding Equity or voting power of Area Developer; (iii) if Area Developer is a partnership, the resignation, removal, withdrawal, death or legal incapacity of a general partner or of any limited partner owning more than forty-nine percent (49%) of the partnership rights of the partnership, or the admission of any additional general partner, or the transfer by any general partner of any of its partnership rights in the partnership, or any change in the ownership or control of any general partner; (iv) the death or legal incapacity of any Owner owning more than forty-nine percent (49%) of the Equity or voting power of Area Developer; and (v) any merger, stock redemption, consolidation, reorganization, recapitalization or other transfer of control of Area Developer, however effected. If Area Developer is an Entity, Area Developer shall promptly provide Franchisor with written notice (stating such information as Franchisor may from time to time require) of each and every transfer, assignment and encumbrance by any Owner of any direct or indirect Equity or voting rights in Area Developer, notwithstanding that the same may not constitute an "**Assignment**" as defined under this Article 7.

8. **NON-COMPETITION.**

8.1 Non-Competition During Term of Agreement. Area Developer specifically acknowledges that, pursuant to this Agreement, Area Developer will receive valuable specialized training and confidential information, including, without limitation, information regarding the operational, sales, promotional, and marketing methods and techniques of Franchisor and The Cheese Steak Shop System. To protect The Cheese Steak Shop System, The Cheese Steak Shop Proprietary Marks, and the goodwill associated with the same, Area Developer (or, if Area Developer is a corporation, limited liability company or partnership, all Principals of Area Developer) covenants that during the term of this Agreement, except as otherwise approved in writing by Franchisor, Area Developer (or, if Area Developer is a corporation, limited liability company or partnership, all principals of Area Developer) shall not, either directly or indirectly, for itself, or through, on behalf of or in conjunction with any person, or legal entity:

8.1.1 Divert or attempt to divert any present or prospective customer of Restaurant to any competitor, by direct or indirect inducement or otherwise, or do or perform, directly or indirectly, any other act injurious or prejudicial to the goodwill associated with The Cheese Steak Shop Proprietary Marks or The Cheese Steak Shop System.

8.1.2 Own, maintain, advise, operate, engage in, be employed by, make loans to, invest in, provide any assistance to, or have any interest in (as owner or otherwise) or relationship or association with, any business that is the same or similar to The Cheese Steak Shop Restaurant or which offers services being offered by The Cheese Steak Shop Restaurant, with the exception of the operation of a Restaurant under an existing Franchise Agreement with Franchisor.

8.2 Non-Competition After Transfer, Expiration or Termination of Agreement. To protect The Cheese Steak Shop System, The Cheese Steak Shop Proprietary Marks, and the goodwill associated with the same, commencing upon the date of: (a) a transfer permitted under Article 7; (b) expiration of this Agreement; (c) termination of this Agreement (regardless of the cause for termination); or (d) a final court order (after all appeals have been taken) with respect to any of the foregoing events or with respect to enforcement of this Section 8.2, and continuing for an uninterrupted period of two (2) years thereafter, Area Developer shall not, without Franchisor's prior written consent, either directly or indirectly, for itself, or through, on behalf of, or in conjunction with any person, persons, or legal entity, own, maintain, advise, operate, engage in, be employed by, make loans to, or have any interest in or relationship or association with any Competitive Business that is or is intended to be, located at a location designated as a "**Franchised Location**" in a Franchise Agreement between Franchisor, as franchisor, and Area Developer, or an Affiliate or Owner of Area Developer, as franchisee, except in accordance with the terms of an effective Franchise Agreement between Franchisor, as franchisor, and Area Developer, or an Affiliate or Owner of Area Developer, as franchisee, or any location within ten (10) miles from any Restaurant or any part of the Development Area, as defined above.

8.3 **Modification.** The parties have attempted in Sections 8.1 and 8.2 to limit Area Developer's right to compete only to the extent necessary to protect Franchisor from unfair competition. The parties hereby expressly agree that if the scope or enforceability of Section 8.1 or 8.2 is disputed at any time by Area Developer, a court may modify either or both of such provisions to the extent that it deems necessary to make such provision(s) enforceable under Applicable Law. In addition, Franchisor reserves the right to reduce the scope of either, or both, of said provisions without Area Developer's consent, at any time or times, effective immediately upon notice to Area Developer.

8.4 **Non-Solicitation.** Area Developer agrees that at no time during the term of this Agreement, nor for a period of two (2) years after the expiration or termination of this Agreement, shall Area Developer, directly or indirectly:

8.4.1 Solicit or induce any individual, corporation or another entity which is a client or customer of Franchisor in an attempt to (i) enter into any business relationship with a client or customer of Franchisor if the business relationship is competitive with any aspect of Franchisor's business; or (ii) reduce or eliminate the business such client or customer conducts with Franchisor.

8.4.2 Solicit or induce any regular employee of Franchisor (i) to provide services to any individual, corporation or entity whose business is competitive with Franchisor; or (ii) to leave the employ of Franchisor.

8.4.3 Solicit or induce any person who has been an employee of Franchisor within the two (2) year period prior to the date of the expiration or termination of this Agreement about whom Area Developer obtained knowledge by reason of this Agreement to (i) cease working for Franchisor or clients or customers of Franchisor; (ii) refrain from beginning work for Franchisor or at clients or customers of Franchisor; or (iii) provide services to any individual, corporation or entity whose business is competitive with Franchisor.

8.4.4 As used in this Agreement, "**solicit or induce**" shall mean that in any communication with any individual, corporation or entity, Area Developer shall not affirmatively request or expressly suggest that such individual, corporation or entity do any of the forgoing things. As used in this Agreement, "**regular employee**" means any employee, whether temporary or permanent, full time or part time, that performs services for Franchisor.

8.4.5 The prohibitions contained in this Section 8.4 shall extend to (i) activities undertaken by Area Developer directly on Area Developer's own behalf; and (ii) activities undertaken by Area Developer indirectly through any individual, corporation or entity which undertakes such prohibited activities with Area Developer's assistance and in or with respect to which Area Developer is an owner, officer, director, trustee, shareholder, creditor, employee, agent, partner or consultant or participates in some other capacity.

8.5 **Enforcement**. In view of the importance of The Cheese Steak Shop Proprietary Marks and the incalculable and irreparable harm that would result to the parties in the event of a Default under this Article 8, the parties agree that each party may seek specific performance and/or injunctive relief to enforce the covenants and agreements in this Agreement, in addition to any other relief to which such party may be entitled at law or in equity. Each party submits to the exclusive jurisdiction of the courts of the State of California and the U.S. federal courts sitting in the County of Santa Clara, California for purposes thereof. The parties agree that venue for any such proceeding shall be the state and federal courts located in the County of Santa Clara, California.

9. **TERMINATION.**

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

9.2 Termination Without Opportunity to Cure. In addition to the foregoing, upon the occurrence of any of the following events of default, Franchisor may, at its option, terminate this Agreement and all rights granted hereunder, without affording Area Developer any opportunity to cure the default, effective immediately upon notice to Area Developer, if:

9.2.1 Area Developer or any of its owners, officers, or directors, or approved manager, are convicted of a felony, a crime involving moral turpitude, or any other crime or offense that Franchisor believes is reasonably likely to have an adverse effect on the System, the Proprietary Marks, the goodwill associated therewith or Franchisor's interest therein; or if Area Developer or any of its owners, officers, or directors commit any acts or engage in any behavior that Franchisor believes is reasonably likely to have an adverse effect on the System, the Proprietary Marks, the goodwill associated therewith, or Franchisor's interest therein, including conduct that is fraudulent, unfair, unethical, or deceptive;

9.2.2 any purported transfer is made to any third party without Franchisor's prior written consent, or otherwise contrary to the terms of Section 14 hereof;

9.2.3 an approved transfer is not effected within the time provided following death or mental incapacity, as required by Section 7.3 hereof;

9.2.4 Area Developer fail to comply with the covenants in Section 8 (in-term covenants);

9.2.5 Area Developer or its owners willfully or knowingly divulges or distributes any confidential information of the System contained in the Operations Manuals;

9.2.6 Area Developer knowingly maintains false books or records or submits to Franchisor any false reports or other documentation (including Area Developer's application for the Development Area);

9.2.7 Area Developer licenses the Proprietary Marks to a third party to operate a subfranchised Restaurant or makes any other knowing misuse of the Proprietary Marks or the goodwill associated therewith, or Area Developer makes any other knowing misuse of the Proprietary Marks or the goodwill therein;

9.2.8 upon receiving a notice of default under Section 9.3, Area Developer fails to initiate immediately a remedy to cure such default; or

9.2.9 after curing any default pursuant to Section 9.3, Area Developer commits the same default again, whether or not cured after notice.

9.3 **Notice With Opportunity to Cure**. Except as otherwise provided in Sections 9.1 and 9.2 of this Agreement, upon any other default by Area Developer, Franchisor will issue written notice of such default and an opportunity to substantially cure such default within 60 days of Area Developer's receipt of such notice (or such longer time period as required by applicable law). Franchisor will have the right to terminate this Agreement immediately upon notice if Area Developer fails to cure any default to our satisfaction, and provide proof thereof, within the 60 day period. Defaults which are curable hereunder include, but are not limited to, the following illustrative events:

9.3.1 If Area Developer fails to substantially comply with any of the requirements imposed by this Agreement, including but not limited to the requirement to comply with the Development Schedule;

9.3.2 If Area Developer fails, refuses or neglects promptly to pay any Initial Franchise Fees for a Restaurant to be developed, when such fee is due to Franchisor; or

9.3.3 If Area Developer fails, refuses or neglects to obtain Franchisor's prior written approval or consent as required by this Agreement.

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

9.5 **Cross-Default.** Any Default by Area Developer, or its Affiliates, under the terms and conditions of this Agreement, or any other agreement between Franchisor, its Affiliates and Area Developer, shall be deemed to be a Default of this Agreement. In the event of the termination of any franchise agreement executed pursuant to this Agreement for cause, Franchisor and its Affiliates may, at their option, terminate this Agreement without affording Area Developer an opportunity to cure, effective immediately upon notice to Area Developer.

9.6 **Effect of Termination**. In the event of termination of this Agreement, Area Developer shall no longer have the right to develop any additional Restaurants and its rights in the Development Area shall automatically terminate.

9.7 **Notice Required By Law.** Notwithstanding anything to the contrary contained in this Article 9, in the event any valid, Applicable Law of a competent governmental authority having jurisdiction over this Agreement and the parties to this Agreement shall limit Franchisor's rights of termination under this Agreement or shall require longer notice periods than those set forth above, this Agreement shall be deemed amended to conform to the minimum notice periods or restrictions upon termination required by such laws and regulations. Franchisor shall not, however, be precluded from contesting the validity, enforceability or application of such laws or regulations in any action, arbitration, hearing or dispute relating to this Agreement or the termination thereof.

10. **GENERAL CONDITIONS AND PROVISIONS.**

10.1 **Relationship of Area Developer to Franchisor.** It is expressly agreed that the parties intend by this Agreement to establish between Franchisor and Area Developer the relationship of Franchisor and Area Developer. It is further agreed that Area Developer has no authority to create or assume in Franchisor's name or on behalf of Franchisor, any obligation, express or implied, or to act or purport to act as agent or representative on behalf of Franchisor for any purpose whatsoever. Neither Franchisor nor Area Developer is the employer, employee, agent, partner or co-venturer of or with the other, each being independent. Area Developer agrees that it will not hold itself out as the agent, employee, partner or co-venturer of Franchisor. All employees hired by or working for Area Developer shall be the employees of Area Developer and shall not, for any purpose, be deemed employees of Franchisor or subject to Franchisor control. Area Developer further acknowledges and agrees that the various requirements, restrictions, prohibitions, specifications and procedures of The Cheese Steak Shop System that Area Developer must comply with under the Franchise Agreements, the Manuals or otherwise, do not directly or indirectly constitute, suggest, infer or imply that Franchisor controls any aspect or element of the day-to-day operations of the Restaurant, which Area Developer alone controls, but only constitute standards to which Area Developer must adhere when exercising Area Developer's control over the day-to-day operations of the Restaurant consistent with the policies of Franchisor. Each of the parties agrees to file its own tax, regulatory and payroll reports with respect to its respective employees and operations, saving and indemnifying the other party to this Agreement of and from any liability of any nature whatsoever by virtue thereof.

10.2 **Indemnity by Area Developer.** Area Developer hereby agrees to protect, defend and indemnify Franchisor, and all of its past, present and future Owners, Affiliates, officers, directors, employees, attorneys and designees, and hold them harmless from and against any and all costs and expenses, including, without limitation, attorneys' fees, court costs, losses, liabilities, damages, claims and demands of every kind or nature on account of any actual or alleged loss, injury or damage to any person, firm or corporation or to any property arising out of or in connection with Area Developer's construction, development or operation of Restaurants pursuant to this Agreement, except to the extent caused by intentional acts of Franchisor in breach of this Agreement. The terms of this Section 10.2 shall survive the termination, expiration or cancellation of this Agreement.

10.3 **No Consequential Damages For Legal Incapacity.** Franchisor shall not be liable to Area Developer for any consequential damages, including lost profits, interest expense, increased construction or occupancy costs, or other costs and expenses incurred by Area Developer by reason of any delay in the delivery of Franchisor's Disclosure Document caused by legal incapacity during the Term, or other conduct not due to the gross negligence or intentional misfeasance of Franchisor.

10.4 **Waiver and Delay.** No waiver by Franchisor of any Default or Defaults, or series of Defaults in performance by Area Developer, and no failure, refusal or neglect of Franchisor to exercise any right, power or option given to it under this Agreement or under any Franchise Agreement or other agreement between Franchisor and Area Developer, whether entered into before, after or contemporaneously with the execution of this Agreement (and whether or not related to Restaurants), or to insist upon strict compliance with or performance of Area Developer's (or its Affiliates) obligations under this Agreement or any Franchise Agreement or other agreement between Franchisor and Area Developer (or its Affiliates), whether entered into before, after or contemporaneously with the execution of this Agreement (and whether or not related to Restaurants), shall constitute a waiver of the provisions of this Agreement with respect to any continuing or subsequent Default or a waiver by Franchisor of its right at any time thereafter to require exact and strict compliance with the provisions thereof.

10.5 **Survival of Covenants.** The covenants contained in this Agreement which, by their nature or terms, require performance by the parties after the expiration or termination of this Agreement shall be enforceable notwithstanding said expiration or other termination of this Agreement for any reason whatsoever.

10.6 **Successors and Assigns.** This Agreement shall be binding upon and inure to the benefit of the successors and assigns of Franchisor and shall be binding upon and inure to the benefit of Area Developer and his or their respective heirs, executors, administrators and its successors and assigns, subject to the prohibitions and restrictions against Assignment contained in this Agreement.

10.7 **Joint and Several Liability.** If Area Developer consists of more than one person or Entity, or a combination thereof, the obligations and liabilities of each of such person or Entity to Franchisor are joint and several, and such person(s) or Entities shall be deemed to be general partnership.

10.8 **Entire Agreement.** This Agreement and the Attachments incorporated into this Agreement contain all of the terms and conditions agreed upon by the parties to this Agreement concerning the subject matter of this Agreement. No other agreements concerning the subject matter of this Agreement, written or oral, shall be deemed to exist or to bind any of the parties to this Agreement and all prior agreements, understandings and representations, are merged into this Agreement and superseded hereby. Area Developer represents that there are no contemporaneous agreements or understandings between the parties relating to the subject matter of this Agreement that are not contained in this Agreement. No officer or employee or agent of Franchisor has any authority to make any representation or promise not included in this Agreement or any Disclosure Document for prospective franchisees required by Applicable Law, and Area Developer agrees that it has executed this Agreement without reliance upon any such representation or promise. This Agreement cannot be modified or changed except by written instrument signed by all of the parties to this Agreement. Notwithstanding the foregoing, nothing in this Agreement is intended to disclaim representations Franchisor made to Area Developer in the Franchise Disclosure Document or in any related document that Franchisor previously furnished to Area Developer.

10.9 **Titles for Convenience.** Article, Section and paragraph titles used this Agreement are for convenience only and shall not be deemed to affect the meaning or construction of any of the terms, provisions, covenants, or conditions of this Agreement.

10.10 **Gender and Construction.** The terms of all Attachments annexed to this Agreement are hereby incorporated into and made a part of this Agreement as if the same had been set forth in full in this Agreement. All terms used in any one number or gender shall extend to mean and include any other number and gender as the facts, context, or sense of this Agreement or any Article or Section of this Agreement may require. As used in this Agreement, the words "include," "includes" or "including" are used in a non-exclusive sense. Unless otherwise expressly provided in this Agreement to the contrary, any consent, approval, acceptance or authorization of Franchisor which Area Developer may be required to obtain under this Agreement may be given or withheld by Franchisor in its sole discretion. To protect The Cheese Steak Shop System, The Cheese Steak Shop Proprietary Marks, and the goodwill associated with the same, on any occasion where Franchisor is required or permitted under this Agreement to make any judgment, determination or use its discretion, including any decision as to whether any condition or circumstance meets Franchisor's standards or satisfaction, Franchisor may do so in its sole subjective judgment and discretion. Neither this Agreement nor any uncertainty or ambiguity in this Agreement shall be construed or resolved against the drafter of this Agreement, whether under any rule of construction or otherwise. On the contrary, this Agreement has been independently reviewed by all parties and shall be construed and interpreted according to the ordinary meaning of the words used so as to fairly accomplish the purposes and intentions of all parties to this Agreement. Franchisor and Area Developer intend that if any provision of this Agreement is susceptible to two or more constructions, one of which would render the provision enforceable and the other or others of which would render the provision unenforceable, then the provision shall be given the meaning that renders it enforceable.

10.11 **Severability, Modification.** Nothing contained in this Agreement shall be construed as requiring the commission of any act contrary to Applicable Law. Whenever there is any conflict between any provisions of this Agreement and any present or future statute, law, ordinance or regulation contrary to which the parties have no legal right to contract, the latter shall prevail, but in such event the provisions of this Agreement thus affected shall be curtailed and limited only to the extent necessary to bring it within the requirements of the law. In the event that any part, Article, Section, paragraph, sentence or clause of this Agreement shall be held to be indefinite, invalid or otherwise unenforceable, the indefinite, invalid or unenforceable provision shall be deemed deleted, and the remaining part of this Agreement shall continue in full force and effect.

10.12 **Fees and Expenses.** Should any party to this Agreement commence any action or proceeding for the purpose of enforcing, or preventing the Default of, any provision of this Agreement, whether by arbitration, judicial or quasi-judicial action or otherwise, or for damages for any alleged Default of any provision of this Agreement, or for a declaration of such party's rights or obligations under this Agreement, then the prevailing party shall be reimbursed by the losing party for all costs and expenses incurred in connection therewith, including reasonable attorneys' fees for the services rendered to such prevailing party.

10.13 **Notices.** All notices or demands shall be in writing and shall be served in person, by Express Mail, by certified mail, by private overnight delivery or by electronic transmission (fax). Service shall be deemed conclusively made: (i) at the time of service, if personally served; (ii) twenty-four (24) hours (exclusive of weekends and national holidays) after deposit in the United States mail, properly addressed and postage prepaid, if served by

Express Mail; (iii) upon the earlier of actual receipt or three (3) calendar days after deposit in the United States mail, properly addressed and postage prepaid, return receipt requested, if served by certified mail; (iv) twenty-four (24) hours after delivery by the party giving the notice, statement or demand if by private overnight delivery; and (v) one (1) business day after electronic transmission (with confirmation copy sent by regular United States mail:

If to Franchisor:	The Coder Restaurant San Francisco, LLC 3411 Alma Street, Suite 150 Palo Alto, California 94306 Attention: CEO
With a copy (which shall not constitute notice) to:	Dawn Newton, Esq. Donahue Fitzgerald LLP 1999 Harrison Street, 25th Floor Oakland, CA 94612
If to Area Developer:	________________________ ________________________ ________________________ Attention: ________________

Either party may change its address for the purpose of receiving notices, demands and other communications as in this Agreement provided by a written notice given in the manner aforesaid to the other party.

10.14 <u>General</u>. The submission of this Agreement does not constitute an offer and this Agreement shall become effective only upon the execution thereof by Franchisor and Area Developer.

11. **DISPUTE RESOLUTION.**

11.1 Arbitration. Except as otherwise provided herein, any dispute, claim or controversy arising out of or relating to this Agreement, the breach hereof, the rights and obligations of the parties hereto, or the entry, making, interpretation, or performance of either party under this Agreement shall be settled by arbitration administered by the American Arbitration Association in accordance with its Commercial Arbitration Rules. Such arbitration shall take place before one (1) arbitrator selected by Franchisor and Area Developer in accordance with said rules. Judgment upon any award rendered may be entered in any Court having jurisdiction thereof. Except to the extent prohibited by Applicable Law, (i) the proceedings shall be held in Santa Clara County, California; (ii) all arbitration proceedings and claims shall be filed and prosecuted separately and individually in the name of Area Developer and Franchisor, and not in any representative capacity, and shall not be joined or consolidated, or otherwise filed concurrently in the same proceeding, with claims asserted by or against any other licensee, franchisee or area developer. The arbitrator shall award all of the costs of the arbitration, including the fees of the arbitrator and the reasonable attorneys' fees of the prevailing party, against the party who did not prevail. This agreement to arbitrate shall survive any termination or expiration of this Agreement. A party who is related to Area Developer, or a current or former employee, (or an entity owned by a party related to Area Developer, or a current or former employee) who is involved in a dispute under this Agreement may be added as a party to the arbitration, to the extent it would facilitate a more expeditious proceeding, if such other party has specific involvement with the facts being disputed. The arbitrator shall not have the power to vary or change the terms of the royalty or Brand Fund or other required payments for use of Franchisor's trademarks and proprietary information.

11.2 Jurisdiction and Venue. Notwithstanding the above, Franchisor reserves the right to bring any actions for trademark infringement, or enforcement of the prohibitive covenants, at its discretion, by way of in the Courts of Santa Clara County, California, or the County Area Developer is headquartered in. Area Developer waives all objections to personal jurisdiction or venue for purposes of this Section, and agrees that nothing in this Section shall be deemed to prevent us from removing an action brought by Area Developer from state court to federal court, or from bringing a motion to compel arbitration.

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

11.4 **Injunctive Relief**. Nothing in this Agreement shall bar Franchisor's right to obtain injunctive relief from any court of competent jurisdiction against threatened conduct that will cause Franchisor loss or damage, under the usual equity rules, including the applicable rules for obtaining specific performance, restraining orders, and preliminary injunctions.

11.5 **Limitation of Claims**. Area Developer agrees that any and all claims against Franchisor arising out of, or relating to, this Agreement may not be commenced unless Area Developer brings them before the earlier of (a) the expiration of one (1) year after the act, transaction, or occurrence upon which such claim is based; or (b) one (1) year after this Agreement expires or is terminated for any reason. Area Developer agrees that any claim or action not brought within the periods required under this Section shall forever be barred as a claim, counterclaim, defense, or set off.

11.6 **WAIVER OF RIGHT TO A JURY AND PUNITIVE DAMAGES**. AREA DEVELOPER AND FRANCHISOR KNOWINGLY, VOLUNTARILY, AND INTENTIONALLY WAIVE THEIR RESPECTIVE RIGHTS TO A TRIAL BY JURY AND WAIVE ANY CLAIM FOR PUNITIVE, MULTIPLE, AND/OR EXEMPLARY DAMAGES, EXCEPT THAT EACH PARTY SHALL BE FREE AT ANY TIME HEREUNDER TO BRING AN ACTION FOR WILLFUL TRADEMARK INFRINGEMENT AND, IF SUCCESSFUL, TO RECEIVE AN AWARD OF MULTIPLE DAMAGES AS PROVIDED BY LAW.

11.7 **Governing Law.** This Agreement shall be governed by and construed in accordance with the laws of the State of California, without giving effect to any conflict of laws principles. If, however, any provision of this Agreement would not be enforceable under the laws of California, and if Restaurants are located outside of California and such provision would be enforceable under the laws of the state in which Restaurants are located, then such provision shall be interpreted and construed under the laws of that state.

11.8 **Survival.** The terms of this Article 11 shall survive termination, expiration or cancellation of this Agreement.

11.9 **Exclusive Remedy**. In no event shall Area Developer make any claim for money damages based on any claim or assertion that Franchisor has unreasonably withheld or delayed any consent or approval under this Agreement. Area Developer waives any such claim for damages. Area Developer may not claim any such damages by way of setoff, counterclaim or defense. Area Developer's sole remedy for the claim will be an action or proceeding to enforce the provisions of this Agreement, for specific performance or for declaratory judgment.

11.10 **General.** The submission of this Agreement does not constitute an offer and this Agreement shall become effective only upon the execution thereof by Franchisor and Area Developer.

12. **AREA DEVELOPER.**

12.1 **Entity Information.** If Area Developer is an Entity, Area Developer represents and warrants that the information set forth in **Attachment C** annexed to this Agreement is accurate and complete in all material respects. Area Developer shall notify Franchisor in writing within ten (10) days of any change in the information set forth in **Attachment C**, and shall submit to Franchisor a revised **Attachment C**, which shall be certified by Area Developer as true, correct and complete and upon acceptance thereof by Franchisor shall be annexed to this Agreement as **Attachment C**. Area Developer promptly shall provide such additional information as Franchisor may from time to time request concerning all persons who may have any direct or indirect financial interest in Area Developer, including providing copies of all amendments to Area Developer "**Entity Documents**" as defined in **Attachment C**. Area Developer shall conduct no business other than the business contemplated under this Agreement and under any currently effective Franchise Agreement between Franchisor and Area Developer. The Entity Documents of Area Developer shall recite that the issuance and transfer of any interest in Area Developer is subject to the restrictions set forth in the Agreement and any Franchise Agreement executed pursuant thereto.

12.2 **<u>Responsibility</u>.** The term "**Area Developer**" as used in this Agreement shall refer to each person executing this Agreement as Area Developer, whether such person is one of the spouses, partners, shareholders, members, trustees, trustors or beneficiaries or persons named as included in Area Developer, and shall apply to each such person as if he were the only named Area Developer in this Agreement.

12.2.1 If Area Developer is a married couple, both husband and wife executing this Agreement shall be liable for all obligations and duties of Area Developer under this Agreement as if such spouse were the sole Area Developer under this Agreement.

12.2.2 If Area Developer is a partnership or if more than one person executes this Agreement as Area Developer, each partner or person executing this Agreement shall be liable for all the obligations and duties of Area Developer under this Agreement.

12.2.3 If Area Developer is a trust, each trustee, trustor and beneficiary signing this Agreement shall be liable for all of the obligations and duties of Area Developer under this Agreement.

12.2.4 If Area Developer is a corporation or limited liability company, all shareholders or members executing this Agreement shall be liable for all obligations and duties of Area Developer under this Agreement as if each such shareholder or member were the sole Area Developer under this Agreement, and each such shareholder and the spouse of each such shareholder shall jointly and severally guarantee Area Developer's payment and performance of its obligations under this Agreement under a Guarantee in the form of **<u>Attachment D</u>**.

12.2.5 If Area Developer is in breach or default under this Agreement, Franchisor may proceed directly against each such spouse, partner, signatory to this Agreement, shareholder, member, trustee, trustor or beneficiary without first proceeding against Area Developer and without proceeding against or naming in such suit any other Area Developer, partner, signatory to this Agreement, shareholder, member, trustee, trustor or beneficiary. The obligations of Area Developer and each such spouse, partner, person executing this Agreement, shareholder, member, trustee, trustor and beneficiary shall be joint and several.

12.2.6 Notice to or demand upon one spouse, partner, person signing this Agreement, shareholder, member, trustee, trustor or beneficiary shall be deemed notice to or demand upon Area Developer and all such spouses, partners, persons signing this Agreement, shareholders, members, trustees, trustors and beneficiaries, and no notice or demand need be made to or upon all such Area Developer's, spouses, partners, persons executing this Agreement, shareholders, members, trustees, trustors or beneficiaries.

12.2.7 The cessation of or release from liability of Area Developer, or any such spouse, partner, person executing this Agreement, shareholder, member, trustee, trustor or beneficiary shall not relieve any other Area Developer, spouse, partner, person executing this Agreement, shareholder, member, trustee, trustor or beneficiary from liability under this Agreement, except to the extent that the breach or default has been remedied or monies owed have been paid.

13. **<u>ACKNOWLEDGMENTS</u>.**

13.1 **<u>General</u>.** Area Developer, and its Owners, jointly and severally acknowledge that they have carefully read this Agreement and all other related documents to be executed concurrently or in conjunction with the execution of this Agreement, that they have obtained the advice of counsel in connection with entering into this Agreement, that they understand the nature of this Agreement, and that they intend to comply herewith and be bound hereby. Franchisor expressly disclaims making, and Area Developer acknowledges that it or they have not received or relied on any warranty or guarantee, express or implied, as to the potential volume, profits, expenses or success of the business venture contemplated by this Agreement.

13.2 **<u>Independent Investigation</u>.** Area Developer acknowledges that Area Developer has conducted an independent investigation of the business franchised under this Agreement, recognizes that the business venture contemplated by this Agreement involves business risks, and that its success will be largely dependent upon the ability of Area Developer and if an Entity, its Owners, as independent businesspersons. Franchisor expressly disclaims the making of, and Area Developer acknowledges that it has not received, any warranty or guarantee, express or implied, as to the potential volume, profits or success of the business venture contemplated by this Agreement.

13.3 **Copy of Agreement.** Area Developer acknowledges that it received a copy of this Agreement, the Attachments annexed to this Agreement, and agreements relating to this Agreement, if any, with all of the blank lines therein filled in prior to the date on which this Agreement was executed.

13.4 **Opportunity to Consult.** Area Developer acknowledges that it has read and understood this Agreement, the Attachments annexed to this Agreement, and agreements relating thereto, if any, and that Franchisor has accorded Area Developer ample time and opportunity to consult with advisors of Area Developer's own choosing about the potential benefits and risks of entering into this Agreement.

13.5 **Franchise Disclosure Document.** Area Developer acknowledges that it has received a copy of the complete Franchisor's Franchise Disclosure Document which contains a copy of this Area Development Agreement, at least fourteen (14) calendar days prior to the date on which this Agreement was executed. Area Developer acknowledges and agrees that Franchisor has made no promises, representations, warranties or assurances to Area Developer which are inconsistent with the terms of this Agreement or Franchisor's Franchise Disclosure Document, concerning the profitability or likelihood of success of Restaurant at the Franchised Location, that he has been informed by Franchisor that there can be no guarantee of success in the franchised business and that Area Developer's business ability and aptitude is primary in determining his success.

13.6 **Anti-Terrorism Laws.** Neither Area Developer nor any of its Owners conducts any activity, or has failed to conduct any activity, if such action or inaction constitutes a money laundering crime, including any money laundering crime prohibited under the International Money Laundering Abatement and Anti-Terrorist Financing Act ("**Patriot Act**") and any amendments or successors thereto.

13.6.1 Neither Area Developer, any of its Owners nor any employee of either of them is named as a "**Specially Designated Nationals**" or "**Blocked Persons**" as designated by the U.S. Department of the Treasury's Office of Foreign Assets Control. Currently, this list is published under the internet website address "www.treas.gov/offices/enforcement/ofac/sdn/". Area Developer is neither directly nor indirectly owned or controlled by the government of any country that is subject to a United States embargo. Nor does Area Developer or its Owners act directly or indirectly on behalf of the government of any country that is subject to a United States embargo. Area Developer agrees that it will notify Area Developer in writing immediately of the occurrence of any event, which renders the foregoing representations and warranties of this paragraph incorrect.

13.6.2 Area Developer represents that it understands and has been advised by legal counsel on the requirements of the Applicable Laws referred to above, including the United States Foreign Corrupt Practices Act (currently located at www.usdoj.gov/criminal/fraud/fcpa.html), any local foreign corrupt practices laws and the Patriot Act (currently located at www.epic.org/privacy/terrorism/hr3162.html), and hereby acknowledges the importance to Area Developer, The Cheese Steak Shop System and the parties' relationship of their respective compliance with any applicable auditing requirements and any requirement to report or provide access to information to Franchisor or any government, that is made part of any Applicable Law. Area Developer shall take all reasonable steps to require its consultants, agents and employees to comply with such laws prior to engaging or employing any such persons.

13.7 **Attorneys' Fees.** If either party commences a legal action against the other party arising out of or in connection with this Agreement, the prevailing party shall be entitled to have and recover from the other party its reasonable attorneys' fees and costs of suit.

13.8 **Atypical Terms.** Area Developer acknowledges and agrees that Franchisor may modify the offer of its area development rights to other The Cheese Steak Shop Area Developers in any manner and at any time, which offers have or may have terms, conditions and obligations which may differ from the terms, conditions and obligations in this Agreement. Area Developer further acknowledges and agrees that Franchisor has made no warranty or representation that all Area Development Agreements previously issued or issued after this Agreement by Franchisor do or will contain terms substantially similar to those contained in this Agreement. Franchisor may, in its reasonable business judgment and its sole and absolute discretion, due to local business conditions or otherwise, waive or modify comparable provisions of other Area Development Agreements previously executed or executed after the date of this Agreement with other The Cheese Steak Shop area developers in a non-uniform manner.

13.9 Counterparts and Electronic Transmission; Electronic Signatures. This Agreement and its Attachments may be executed in any number of counterparts, each of which shall be deemed to be an original and all of which together shall be deemed to be one and the same instrument. Copies of this Agreement and its Attachments with signatures that have been transmitted by email or by facsimile shall constitute and will be deemed original copies of this Agreement and its Attachments for all purposes, provided that the copies are fully executed, dated and identical in form to the original hard copy version of this Agreement and its Attachments. In addition, this Agreement and all Attachments to this Agreement may be signed electronically by the parties and electronic signatures appearing on this Agreement and the Attachments shall be deemed to be the same as handwritten signatures for the purposes of the validity, enforceability and admissibility of this Agreement and the Attachments.

IN WITNESS WHEREOF, the parties to this Agreement have executed this Agreement as of the date first shown above.

FRANCHISOR:

The Coder Restaurant San Francisco, LLC,
a California limited liability company

By: ____
Name: ______________________________________
Title: _______________________________________

AREA DEVELOPER:

____,
[ ] an individual;
[ ] a ______________ general partnership;
[ ] a ______________ limited partnership;
[ ] a ______________ limited liability company;
[ ] a ______________ corporation

By: ____
Name: ______________________________________
Title: _______________________________________

THE CHEESE STEAK SHOP
AREA DEVELOPMENT AGREEMENT

ATTACHMENT A
INITIAL DEVELOPMENT FEE AND DEVELOPMENT AREA

THE CHEESE STEAK SHOP
AREA DEVELOPMENT AGREEMENT

ATTACHMENT A
INITIAL DEVELOPMENT FEE AND DEVELOPMENT AREA

The "**Initial Development Fee**" is $______________, representing $5,000 for each Restaurant (excluding the first Restaurant) required to be opened during the Term pursuant to the Development Obligation.

The **Development Area*** is defined as the territory within the boundaries described below:

____
____
____
____
____

* If the Development Area is defined by streets, highways, freeways or other roadways, or rivers, streams, or tributaries, then the boundary of the Development Area shall extend to the center line of each such street, highway, freeway or other roadway, or river, stream or tributary.

IN WITNESS WHEREOF, the parties below have executed this **Attachment A** as of the Effective Date.

FRANCHISOR:

ONE CHEESE STEAK FRANCHISING, LLC,
a California limited liability company

By: ____
Name: ______________________________________
Title: _______________________________________

AREA DEVELOPER:

____,
[ ] an individual;
[ ] a ______________ general partnership;
[ ] a ______________ limited partnership;
[ ] a ______________ limited liability company;
[ ] a ______________ corporation

By: ____
Name: ______________________________________
Title: _______________________________________

THE CHEESE STEAK SHOP
AREA DEVELOPMENT AGREEMENT

ATTACHMENT B
DEVELOPMENT OBLIGATIONS

THE CHEESE STEAK SHOP
AREA DEVELOPMENT AGREEMENT

ATTACHMENT B
DEVELOPMENT OBLIGATIONS

	DEVELOPMENT PERIOD ENDING	CUMULATIVE NUMBER OF RESTAURANTS TO BE IN OPERATION
1.	______________________	______________________
2.	______________________	______________________
3.	______________________	______________________
4.	______________________	______________________
5.	______________________	______________________

IN WITNESS WHEREOF, the parties below have executed this **Attachment B** as of the Effective Date.

FRANCHISOR:

ONE CHEESE STEAK FRANCHISING, LLC,
a California limited liability company

By: ______________________________
Name: ____________________________
Title: _____________________________

AREA DEVELOPER:

______________________________________,
[ ] an individual;
[ ] a ______________ general partnership;
[ ] a ______________ limited partnership;
[ ] a ______________ limited liability company;
[ ] a ______________ corporation

By: ______________________________
Name: ____________________________
Title: _____________________________

THE CHEESE STEAK SHOP
AREA DEVELOPMENT AGREEMENT

ATTACHMENT C
ENTITY INFORMATION

THE CHEESE STEAK SHOP
AREA DEVELOPMENT AGREEMENT

ATTACHMENT C
ENTITY INFORMATION

Area Developer represents and warrants that the following information is accurate and complete in all material respects as of ______________________:

(1) Area Developer is a (check as applicable):
[ ] corporation
[ ] limited liability company
[ ] general partnership
[ ] limited partnership
[ ] Other (specify): ___________________________________

State of incorporation/organization: _____________________

Name of Area Developer entity: ________________________

Federal Tax Identification Number: _____________________

(2) Area Developer shall provide to Franchisor concurrently with the execution of this Attachment true and accurate copies of its charter documents including Articles of Incorporation, Bylaws, Operating Agreement, Regulations, Partnership Agreement, resolutions authorizing the execution of this Attachment and any amendments to the foregoing ("**Entity Documents**").

(3) Area Developer promptly shall provide such additional information as Franchisor may from time to time request concerning all persons who may have any direct or indirect financial interest in Area Developer.

(4) The name and address of each of Area Developer's Owners, members, shareholders or general and limited partner:

NAME	**ADDRESS**	**NUMBER OF SHARES OR PERCENTAGE INTEREST** (if applicable)

(5) There is set forth below the names, and addresses and titles of Area Developer's principal officers, partners and shareholders who will be devoting their full time to the franchise business:

NAME	**ADDRESS**	**TITLE**

6) The address where Area Developer's Financial Records and entity records (e.g., Articles of Incorporation, Bylaws, Operating Agreement, Partnership Agreement, etc.) are maintained is: ____.

(7) Area Developer represents and warrants to Franchisor, as an inducement to Franchisor's execution of the Area Development Agreement, that the information set forth on this Entity Information Disclosure

is true, accurate and complete in all material respects on the Effective Date and that Area Developer shall provide Franchisor with all additional information Franchisor may request with respect to the Owners and the ownership of Area Developer. In addition, Area Developer shall notify Franchisor within ten (10) days of any change in the information set forth in the Entity Information Disclosure and shall provide Franchisor with a revised Entity Information Disclosure certified by Area Developer to be true, correct and complete in all material respects. Franchisor grants Area Developer the rights in this Agreement in reliance upon each and all of the terms of the Entity Information Disclosure.

FRANCHISOR:

ONE CHEESE STEAK FRANCHISING, LLC,
a California limited liability company

By: ____
Name: _____________________________________
Title: ______________________________________

AREA DEVELOPER:

____,
[ ] an individual;
[ ] a ______________ general partnership;
[ ] a ______________ limited partnership;
[ ] a ______________ limited liability company;
[ ] a ______________ corporation

By: ____
Name: _____________________________________
Title: ______________________________________

THE CHEESE STEAK SHOP
AREA DEVELOPMENT AGREEMENT

ATTACHMENT D
GUARANTEE

THE CHEESE STEAK SHOP
FRANCHISE AGREEMENT

ATTACHMENT D
GUARANTEE

As an inducement to **ONE CHEESE STEAK FRANCHISING, LLC,** ("**Franchisor**") to execute the Area Development Agreement (the "**Development Agreement**") with ______________________________, a ______________________________ ("**Area Developer**") dated ___________, and in consideration of Franchisor's executing the Development Agreement, ______________________________ ("**Guarantors**") hereby grant this guarantee (this "**Guarantee**") and agree as follows:

A. Guarantors shall pay or cause to be paid to Franchisor all monies payable by Area Developer under the Development Agreement on the days and times in the manner therein appointed for payment thereof.

B. Guarantors shall unconditionally and fully guarantee full performance and discharge by Area Developer of all the obligations of Area Developer under the Development Agreement at the times and in the manner therein provided.

C. Guarantors shall indemnify and hold Franchisor and its affiliates harmless against and from all losses, damages, costs and expenses which Franchisor and its affiliates may sustain, incur or become liable for by reason of: (i) the failure for any reason whatsoever of Area Developer to pay the monies payable pursuant to the Development Agreement or to do and perform any other act, matter or thing pursuant to the provisions of the Development Agreement; or (ii) any act, action or proceeding of or by Franchisor for or in connection with the recovery of monies or the obtaining of performance by Area Developer of any other act, matter or thing pursuant to the provisions of the Development Agreement.

D. Franchisor shall not be obligated to proceed against Area Developer or exhaust any security from Area Developer or pursue or exhaust any remedy, including any legal or equitable relief against Area Developer, before proceeding to enforce the obligations of Guarantors under this Guarantee, and the enforcement of such obligations may take place before, after, or contemporaneously with, enforcement of any debt or obligation of Area Developer under the Development Agreement.

E. Without affecting Guarantors' obligations under this Guarantee, Franchisor, without notice to the Guarantor, may extend, modify or release any indebtedness or obligation of Area Developer, or settle, adjust or compromise any claims against Area Developer. Guarantors waive notice of amendment of the Development Agreement and notice of demand for payment or performance by Area Developer.

F. Guarantors' obligations under this Guarantee shall remain in full force and effect, and shall be unaffected by: (i) the unenforceability of the Franchise Agreement against Area Developer; (ii) the termination of any obligations of Area Developer under the Development Agreement by operation of law or otherwise; (iii) the bankruptcy, insolvency, dissolution or other liquidation of Area Developer, including, without limitation, any surrender or disclaimer of the Development Agreement by the trustee in bankruptcy of Area Developer; (iv) Franchisor's consent or acquiescence to any bankruptcy, receivership, insolvency or any other creditor's proceedings of or against Area Developer, or by the winding-up or dissolution of Area Developer, or any other event or occurrence which would have the effect at law of terminating the existence of Area Developer's obligations prior to the termination of the Development Agreement; or (v) by any other agreements or other dealings between Franchisor and Area Developer having the effect of amending or altering the Development Agreement or Area Developer's obligations under this Guarantee, or by any want of notice by Franchisor to Area Developer of any default of Area Developer or by any other matter, thing, act or omission of Franchisor whatsoever.

G. This Guarantee may be executed in any number of counterparts, each of which shall be deemed to be an original and all of which together shall be deemed to be one and the same instrument. Copies of this Guarantee with signatures that have been transmitted by email or by facsimile shall constitute and be deemed original copies of this Guarantee for all purposes, provided that the copies are fully executed, dated and identical in form to the original hard copy version of this Guarantee. In addition, this Guarantee may be signed electronically by Guarantors and electronic signatures appearing on this Guarantee shall be deemed to be the same as handwritten signatures for the purposes of the validity, enforceability and admissibility of this Guarantee.

H. The provisions of Article 10 of the Development Agreement shall apply as to any interpretation or enforcement of this Guarantee, and the provisions of Section 10.13 of the Development Agreement shall apply to any notice to either party, except that notice to Guarantors shall be as follows:

Names and Addresses

____
____
____

____
____
____

IN WITNESS WHEREOF, each of the undersigned has signed this Guarantee as of the day and year set forth below.

GUARANTOR:

________________________________ Date: _________________________

________________________________ Date: _________________________

EXHIBIT C-1
THE CHEESE STEAK SHOP
DISCLOSURE DOCUMENT

CONFIDENTIALITY AND NONCOMPETITION AGREEMENT

As partial, essential consideration for ONE CHEESE STEAK FRANCHISING, LLC to enter into a franchise agreement with ________________________, a ____________________________ ("Franchisee") for THE CHEESE STEAK SHOP restaurant (the "Restaurant") located at ____ ____ (the "Franchise Agreement") the undersigned represents and agrees as follows:

1. The covenants contained herein shall be construed as severable and independent, and shall be interpreted and applied consistently with the requirements of reasonableness and equity. The period, the geographic area and the scope of the restrictions on the undersigned's activities are divisible so that if any provisions invalid, that provision shall be automatically modified to the extent necessary to make it valid.

2. The undersigned acknowledges that by reason of the undersigned's affiliation with Franchisee, the undersigned may have access to trade secrets and confidential information concerning THE CHEESE STEAK SHOP Franchising Co., its products, customers, and its methods of doing business. The undersigned, therefore, agrees that during the term of the Franchise Agreement, he or she shall not engage in, either as a principal, agent, employee, officer or director, or be financially interested in or associated with any business that has as its primary objective the sale American diner style food in the county in which the Restaurant, which is the subject of the Franchise Agreement, is located.

3. The undersigned agrees not to divulge, communicate, use to the detriment of THE CHEESE STEAK SHOP Franchising Co. or for the benefit of any other person or persons, or misuse in any way, any confidential information or trade secrets of THE CHEESE STEAK SHOP Franchising Co. or Franchisee, including, without limitation, the contents of any manuals, business methods and processes, know-how, lists, recipes, ingredient lists, formulas, financial information, cost and expense information, product information, food cost analyses, pricing and discount information, product data, marketing and customer data, business plans or other technical data. The undersigned acknowledges and agrees that any information or data it has acquired or may hereafter acquire by reason of its affiliation with Franchisee and/or THE CHEESE STEAK SHOP Franchising Co., whether or not designated as confidential, is the property of THE CHEESE STEAK SHOP Franchising Co., was received in confidence and that such confidentiality shall be absolutely maintained.

4. The undersigned acknowledges that the Franchise Agreement may affect his or her right to sell, assign, pledge, encumber or otherwise transfer, voluntarily or by operation of law, the undersigned's interest in Franchisee. If franchisee is a corporation, the undersigned acknowledges that the bylaws of Franchisee shall include or otherwise incorporate the following provision:

   "Legending of Certificates'. Every certificate representing shares of the corporation {i.e., Franchisee} shall contain the following legend conspicuously on its face:

   "The transfer of the shares represent by this certificate is subject to the terms and conditions of a Franchise Agreement with ONE CHEESE STEAK FRANCHISING, LLC dated __________________, a copy of which is on file with the Secretary of this Corporation."

5. The undersigned agrees and acknowledges that THE CHEESE STEAK SHOP Franchising Co. is a third-party beneficiary of the covenants set forth in this Agreement with the independent right to enforce them. The undersigned shall provide THE CHEESE STEAK SHOP Franchising Co., upon request, with written evidence of compliance with the terms of this Agreement and of the undersigned's position and ownership interest in Franchisee.

IN WITNESS WHEREOF, the undersigned has executed this Agreement as of the __________ day of _____________, _______.

(SIGNATURE)	Position with Franchisee
(SIGNATURE)	Percentage Ownership of Franchisee

CERTIFICATION OF EQUITY HOLDER

In connection with the execution of that certain Franchise Agreement between ONE CHEESE STEAK FRANCHISING, LLC("CHEESE STEAK SHOP Franchising Co.") and ____, a(n) ______________________________ ("Franchisee") for THE CHEESE STEAK SHOP restaurant (the "Restaurant") located at _____________________________ (the "Franchise Agreement"), the undersigned jointly attests and certifies as follows:

The undersigned, an equity holder of Franchisee, does not have access to trade secrets or proprietary or confidential information concerning THE CHEESE STEAK Franchising Co., its Products, customers, or its methods of doing business, and is not active in the Franchisee's business or the operation of the restaurant.

IN WITNESS WHEREOF, the undersigned have executed this Certificate as of the _________day of__________________, _________.

Equity Holder:

(Signature)	Position with Franchisee
(Print Name)	Percentage Ownership of Franchise

Jointly certified by:

____
(Name of Franchisee)

By: _________________________________
Name:_____________________________
Title:______________________________

EXHIBIT C-2
THE CHEESE STEAK SHOP
DISCLOSURE DOCUMENT

GUARANTY OF FRANCHISE AGREEMENT

THIS GUARANTY is effective as of the _____day of ______________, _____ (the "Effective Date"), by ____________________________ (jointly and severally, "Guarantor") in favor of THE CHEESE STEAK SHOP Franchising Co, a California limited liability company ("THE CHEESE STEAK SHOP Franchising Co.") and is entered into in consideration of a franchise agreement for the operation of a THE CHEESE STEAK SHOP restaurant located at ____ (the "franchise Agreement") ____ ("Franchisee"). As follows:

1. Guarantor unconditionally guarantees to THE CHEESE STEAK SHOP Franchising Co. the full payment of all monies owed and the full performance of Franchisee's obligations under the Franchise Agreement and any undertakings or agreements entered in connection therewith, as the same may be modified, renewed or amended from time to time, and the costs (including attorney's fees) incurred by THE CHEESE STEAK SHOP Franchising Co. to collect and enforce them under such agreement or hereunder (the "Obligations").

2. Guarantor agrees that Guarantor's liability hereunder shall not be released, reduced or in any way affected by (a) the taking of any guaranty for the Obligations; (b) any release, waiver, exchange, substitution, subordination or other modification of any guaranty relating to the Obligations; (c) any partial release of Guarantor's liability hereunder or under any other instrument held as security for the Obligations; or (d) any assignment by THE CHEESE STEAK SHOP Franchising Co., in whole or in part, of this Guaranty. In addition, if and to the extent that THE CHEESE STEAK SHOP Franchising Co. is required, in connection with any bankruptcy proceeding affecting Franchisee, to return any amounts paid THE CHEESE STEAK SHOP Franchising Co. by franchisee, Guarantor guarantees repayments to THE CHEESE STEAK SHOP Franchising Co. of any amounts so required to be returned.

3. Guarantor waives (a) presentment, demand, protest and notice of any kind; (b) all statutes of limitations as a defense to any action brought against Guarantor by THE CHEESE STEAK SHOP Franchising Co. to the fullest extent permitted by law; (c) any defense based upon any legal disability of Franchisee or any discharge or limitation of the liability of Franchisee to THE CHEESE STEAK SHOP Franchising Co., whether consensual or arising by operation of law or any bankruptcy, insolvency, or debtor-relief proceeding, or from any other cause; and (d) all rights of subrogation, all rights to enforce any remedy that THE CHEESE STEAK SHOP Franchising Co. may have against Franchisee and all rights to participate in any security held by THE CHEESE STEAK SHOP Franchising Co. for the Obligations, until the Obligations have been paid and performed in full. THE CHEESE STEAK SHOP Franchising Co. may bring an action against Guarantor in his capacity as guarantor without first proceeding against Franchisee or any other person or security held by THE CHEESE STEAK SHOP Franchising Co. and without pursuing any other remedy. Upon a default by Franchisee, THE CHEESE STEAK SHOP Franchising Co. may nonjudicially or judicially foreclose against any real or personal property security it holds for the Obligations or exercise any other remedy against Franchisee.

4. Any indebtedness of Franchisee now or hereafter held by Guarantor is hereby subordinated to the Obligations. No delay or failure by THE CHEESE STEAK SHOP Franchising Co. to exercise any right or remedy against Franchisee or Guarantor shall be construed as a waiver of such right or remedy. All remedies of THE CHEESE STEAK SHOP Franchising Co. against Franchisee and guarantor are cumulative.

5. If any provision of this Guaranty is held to be unenforceable, such unenforceability will not affect any other provisions hereof. The provisions of this Guaranty shall benefit and bind Guarantor and THE CHEESE STEAK SHOP Franchising Co. and their respective heirs, administrators, legal representatives, successors and permitted assigns. This Guaranty shall be governed by the laws of the State of California and may be amended only by a written instrument signed by Guarantor and THE CHEESE STEAK SHOP Franchising Co.

THE CHEESE STEAK SHOP Franchising Co. "Guarantor"

By: ______________________________
Its: ______________________________

EXHIBIT D
THE CHEESE STEAK SHOP
DISCLOSURE DOCUMENT

STATE ADDENDA

CALIFORNIA APPENDIX

1. The California Franchise Investment Law requires that a copy of all proposed agreements relating to the sale of the franchise be delivered together with the disclosure document.

2. California Business and Professions Code Section 20000 through 20043 provide rights to the franchisee concerning termination, transfer or nonrenewal of a franchise. If the Franchise Agreement contains a provision that is inconsistent with the law, the law will control.

3. The Franchise Agreement and Area Development Agreement each requires binding arbitration. The arbitration will occur in or near Sacramento, California with the costs being borne by both parties, but with the arbitrator permitted to award fees and costs to the prevailing party. Prospective franchisees are encouraged to consult private legal counsel to determine the applicability of California and federal laws (such as Business and Professions Code Section 20040.5, Code of Civil Procedure Section 1281, and the Federal Arbitration Act) to any provisions of a franchise agreement restricting venue to a forum outside the State of California.

4. The Franchise Agreement provides for termination upon bankruptcy. This provision may not be enforceable under federal bankruptcy law (11 USCA § 101 *et seq*.).

5. The Franchise Agreement contains a covenant not to compete that extends beyond the termination of the franchise. This provision may not be enforceable under California law.

6. Neither the franchisor nor any person described in Item 2 of the disclosure document is subject to any currently effective order of any national securities exchange as defined in the Securities Exchange Act of 1934, 15 USCA 78a *et seq*., suspending or expelling such persons from membership in such association or exchange.

7. Our url is www.cheesesteakshop.com. Our website has not been reviewed or approved by the California Department of Business Oversight. Any complaints concerning the content of this website may be directed to the California Department of Business Oversight at www.dbo.ca.gov.

8. You must sign a general release if you renew or transfer your franchise. California Corporations Code §31512 voids a waiver of your rights under the Franchise Investment Law (California Corporations Code §§31000 through 31516). Business and Professions Code §20010 voids a waiver of your rights under the Franchise Relations Act (Business and professions Code §§20000 through 20043).

9. Section 31125 of the California Corporations Code requires us to give you a disclosure document, in a form containing the information that the commissioner may be rule or order require, before a solicitation of a proposed material modification of an existing franchise.

10. As required by the California Department of Business Oversight, ONE Cheese Steak Franchising has agreed to defer the collection of all initial fees in California under we have performed all of our pre-opening obligations to the Franchisee, and the Franchisee has commenced doing business. Therefore, you would instead pay the Initial Franchise Fee to us when your restaurant opens. However, you would still be required to enter into a Franchise Agreement in order to be granted a franchise. In the future, should this fee deferral requirement be lifted by the State of California, the collection of fees from you would occur as and when described in Item 5. For area development agreements, the payment of the development and initial fees attributable to a specific unit is deferred until that unit is open.

The franchise agreement requires binding arbitration. The arbitration will occur in Sacramento, California with the costs being borne equally by both parties. Prospective franchisees are encouraged to consult private legal counsel to determine the applicability of California and federal laws (such as Business and Professions Code Section 20040.5, Code of Civil Procedure Section 1281, and the Federal Arbitration Act) to any provisions of a franchise agreement restricting venue to a forum outside the State of California.

EXHIBIT E
THE CHEESE STEAK SHOP
DISCLOSURE DOCUMENT

FINANCIAL STATEMENTS

ONE CHEESE STEAK FRANCHISING, LLC

FINANCIAL STATEMENTS
For the Years Ended December 31, 2019 and 2018

ONE CHEESE STEAK FRANCHISING, LLC

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INDEPENDENT AUDITOR'S REPORT

To the Members
ONE Cheese Steak Franchising, LLC
El Dorado Hills, California

We have audited the accompanying financial statements of ONE Cheese Steak Franchising, LLC, which comprise the balance sheets as of December 31, 2019 and 2018, and the related statements of operations and members' equity and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of ONE Cheese Steak Franchising, LLC as of December 31, 2019 and 2018, and the results of their operations and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Propp Christensen Caniglia LLP

June 8, 2020
Roseville, California

ONE CHEESE STEAK FRANCHISING, LLC

BALANCE SHEETS
December 31, 2019 and 2018

ASSETS

	2019	2018
Current assets:		
Cash and cash equivalents	$ 89,931	$ 35,925
Receivables	28,400	33,567
Total current assets	118,331	69,492
Due from affiliate	60,000	-
Property and equipment, net	3,831	4,626
Funds and receivables held for advertising	14,275	31,512
Goodwill	50,000	50,000
Other intangible assets	350,000	350,000
Total assets	$ 596,437	$ 505,630

LIABILITIES AND MEMBERS' EQUITY

	2019	2018
Current liabilities:		
Accounts payable	$ -	$ 3,346
Due to affiliate	197,631	182,566
Accrued income taxes	-	900
Current portion of long-term debt	66,147	62,924
Total current liabilities	263,778	249,736
Non-current liabilities:		
Funds and receivables held for advertising	14,275	31,512
Long-tem debt, net of current portion	99,488	165,636
Total non-current liabilities	113,763	197,148
Total liabilities	377,541	446,884
Members' equity	218,896	58,746
Total stockholders' equity	218,896	58,746
Total liabilities and members' equity	$ 596,437	$ 505,630

ONE CHEESE STEAK FRANCHISING, LLC

STATEMENTS OF OPERATIONS AND MEMBERS' EQUITY
For the Years Ended December 31, 2019 and 2018

	2019	2018
Royalty revenue	$ 392,044	$ 292,309
Expenses:		
Management fees	198,086	186,877
Administrative	360	1,881
Professional fees	15,014	26,668
Tax, licenses and fees	364	1,015
Webpage	-	1,263
Office supplies	319	1,706
Auto	2,404	2,057
Miscellaneous	2,777	2,021
Operating income (loss)	172,720	68,821
Other income (expense):		
Other income	-	1,456
Depreciation	(795)	(458)
Interest expense	(10,075)	(7,243)
Total other income (expense)	(10,870)	(6,245)
Income (loss) before income taxes	161,850	62,576
Income taxes	1,700	1,700
Net income	160,150	60,876
Members' equity, beginning of period	58,746	(2,130)
Members' equity, end of period	$ 218,896	$ 58,746

ONE CHEESE STEAK FRANCHISING, LLC

STATEMENTS OF CASH FLOWS
For the Years Ended December 31, 2019 and 2018

	2019	2018
Cash flows from operating activities:		
Net income	$ 160,150	$ 60,876
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	795	458
Changes in operating assets and liabilities:		
Receivables	5,167	(33,567)
Accounts payable	(3,346)	2,016
Accrued interest due to affiliate	-	7,243
Accrued income taxes	(900)	100
Due to affiliate	15,065	-
Net cash provided by operating activities	176,931	37,126
Cash flows from investing activities:		
Loan to related party	(60,000)	-
Purchases of property and equipment	-	(1,201)
Net cash used in investing activities	(60,000)	(1,201)
Cash flows from financing activities:		
Repayments on debt	(62,925)	-
Net increase in cash	54,006	35,925
Cash, beginning of period	35,925	-
Cash, end of period	$ 89,931	$ 35,925
Supplemental disclosure of cash flow information:		
Cash paid for income taxes	$ 1,700	$ 800
Supplemental schedule of non-cash investing and financing transactions:		
Assets acquired through issuance of long-term debt:		
Goodwill	$ -	$ 50,000
Other intangible assets	$ -	$ 350,000
Office equipment	$ -	$ 3,883
Principal payments on long-term debt due to affiliate	$ -	$ 35,340

NOTE 1: NATURE OF BUSINESS

ONE Cheese Steak Franchising, LLC (the "Company") is a California Limited Liability Company which was organized on December 11, 2017. The Company was formed for the purpose of marketing and franchising the right to open, operate, and promote *The Cheese Steak Shop* casual restaurants offering specialty fresh to order Philly-style cheese steak sandwiches.

In December 2017, the members of the Company and its common ownership affiliate, ONE The Cheese Steak Shop, LLC (the "Affiliate"), entered into an asset purchase agreement through which the Affiliate will purchase and operate nine *The Cheese Steak Shop* restaurants and the Company will acquire the rights to market and sell additional franchises for future restaurant locations. The agreement was executed and the purchase was completed in May 2018. The acquisition was financed with a $1.82 million loan signed by the Company as co-borrower with the Affiliate.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting
The financial statements are prepared on a going concern basis using the accrual method of accounting.

Cash and Cash Equivalents
The Company considers all highly liquid investments with an original maturity date of three months or less to be cash equivalents.

Receivables
Management believes that all royalties receivable as of December 31, 2019, are fully collectible. Accordingly, no allowance for uncollectible amounts is deemed necessary.

Property and Equipment
Property and equipment are stated at cost. The cost of furniture and equipment are depreciated using the straight-line method over the estimated useful lives of the assets that range from 5 to 7 years. Maintenance and repairs which do not extend the useful life of the respective assets are expensed as incurred. Renewals and betterments which extend the useful lives of assets are capitalized.

Funds and Receivables Held for Advertising
Franchisees make periodic contributions to an advertising fund, which exists for the primary purpose of promotion through advertising and promotional programs and materials. The Company administers the advertising fund on behalf of the franchisees, and accounts for the fund separately from operating funds.

Goodwill
The Company has accounted for its business acquisitions under the purchase method, resulting in the acquired assets being stepped-up to their fair market value at the date of purchase. The excess of the purchase cost over the fair value of the net assets acquired is reported as goodwill.

Goodwill is reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of the asset may not be recoverable. There was no impairment of goodwill during the years ended December 31, 2019 and 2018.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Other Intangible Assets
Included in other intangible assets are covenants not to compete and intellectual property. Other intangible assets not subject to amortization are evaluated for impairment when indicators of impairment are present. If the determined fair values of these assets are less than the related carrying amounts, an impairment loss is recognized.

Revenue Recognition for Franchise, Royalty, and Other Fees
The Company recognizes revenue from contracts in accordance with the provisions of Financial Accounting Standards Board Accounting Standards Codification Topic 606, Revenue from Contracts with Customers (FASB ASC 606), which was retrospectively adopted with no change to income or members' equity. The guidelines for recognizing and measuring revenue consist of identifying the contracted services, identifying and separating performance obligations in the contract, determining the transaction price, allocating the transaction price to the separate performance obligations, and recognizing revenue when (or as) each distinct performance obligation is satisfied. The completion of a franchise contract includes the following performance obligations: pre-opening assistance, post-opening assistance and marketing/advertising.

As the initial franchise fee and ongoing royalty fees provide primarily the same benefit (license to intellectual property), the payments are not considered distinct and are recognized, with an appropriate provision for estimated uncollectible amounts, when all material services or conditions relating to the sale have been substantially performed or satisfied by the franchisor. Royalty and other fees are recognized periodically, as the fees become earned and are receivable from the franchisee. Recognizing revenue as performance obligations are satisfied utilizes the output method of accounting. The Company does not have obligations for returns, refunds, or warranties. Judgements that could significantly affect the determination of the amount and timing of revenue from contracts are stipulated in the individual contracts. No revenue will be recognized in situations where it is probable that a significant reversal will occur.

Advertising
The Company expenses advertising costs as they are incurred. No advertising expense was incurred for the years ended December 31, 2019 and 2018.

Income Taxes
The Company has been organized as a limited liability company in the State of California. For federal and state income tax purposes, the Company is treated as partnership and all items of income and expense flow through to the individual members. The Company is, however, subject to a California minimum state franchise tax and a graduated tax on gross receipts.

Fair Value Measurements
The Company has adopted the provisions of Financial Accounting Standards Board Accounting Standards Codification Topic 820, Subtopic 10, *Fair Value Measurements and Disclosures* (FASB ASC 820-10), which defines fair value, establishes a framework for measuring fair value, and expands disclosure requirements for fair value measurements. FASB ASC 820-10 defines fair value as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. The Company determines the fair values of its assets and liabilities based on the fair value hierarchy established in FASB ASC 820-10.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fair Value Measurements (Continued)
The standard describes three levels of inputs that may be used to measure fair value (Level 1, Level 2 and Level 3). Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the Company has the ability to access at the measurement date. An active market is a market in which transactions occur with sufficient frequency and volume to provide pricing information on an on-going basis. Level 2 inputs are inputs other than quoted prices that are observable for the asset or liability, either directly or indirectly. Level 3 inputs are unobservable inputs for the asset or liability. Unobservable inputs reflect the Company's own assumptions about the assumptions market participants would use in pricing the asset or liability (including assumptions about risk). Unobservable inputs are developed based on the best information available in the circumstances and may include the Company's own data.

Management's Use of Estimates
The presentation 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 date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Reclassifications
Certain amounts in the 2018 financial statements have been reclassified, with no effect to change in members' equity, to conform to the 2019 financial statement presentation.

Subsequent Events
Events and transactions have been evaluated for potential recognition or disclosure through June 8, 2020, the date that the financial statements were available to be issued. As a result of the spread of the COVID-19 coronavirus, economic uncertainties have arisen. The disruption is currently expected to be temporary, but there is considerable uncertainty around the duration. The Company expects this matter will negatively impact its operating environment, however, the related financial impact and duration cannot be reasonably estimated at this time.

NOTE 3: CONCENTRATION OF CREDIT RISK

The Company maintains its cash accounts in various commercial banks which are insured by the Federal Deposit Insurance Corporation (FDIC) up to $250,000 per depositor, per financial institution. Cash and cash equivalents did not exceed federally insured limits at December 31, 2019 and 2018. The Company has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash and cash equivalents.

NOTE 4: FUNDS AND RECEIVABLES HELD FOR ADVERTISING

Assets held for the advertising fund at December 31, 2019 and 2018, and transactions for the years then ended, were as follows:

	2019	2018
Beginning balance of cash and receivables	$ 31,512	$ -
Advertising fees billed	155,358	120,601
Vendor rebates received	34,413	22,487
Advertising expenditures		
Television and radio advertising	(171,775)	(59,780)
Printed materials and graphic design	(23,886)	(23,513)
Gift cards	(5,809)	(7,633)
Other	(5,538)	(20,650)
Ending balance of cash and receivables	$ 14,275	$ 31,512

NOTE 5: PROPERTY AND EQUIPMENT

Property and equipment consist of the following as of December 31, 2019 and 2018:

	2019	2018
Furniture and equipment	$ 5,084	$ 5,084
Less accumulated depreciation	(1,253)	(458)
Total property and equipment, net	$ 3,831	$ 4,626

Total depreciation expense for the years ended December 31, 2019 and 2018 was $795 and $458, respectively.

NOTE 6: LONG-TERM DEBT

On May 1, 2018, the Company and its common owner Affiliate, ONE The Cheese Steak Shop, LLC, jointly and severally executed a promissory note in the original principal amount of $1,820,000. The note bears interest at 5.039%. Monthly principal and interest payments of $41,953.75 began on June 1, 2018 and continue until maturity on April 1, 2022. The Company has been allocated 14.5% of the principal and monthly payment obligation. At December 31, 2019 and 2018, the outstanding balance allocated to the Company was $165,635 and $228,560, respectively.

The annual principal payments allocated to the Company are as follows:

Year Ending December 31:	
2020	$ 66,147
2021	69,581
2022	29,907
Total	$ 165,635

NOTE 7: RELATED PARTY TRANSACTIONS

The Company has entered into a verbal agreement with the Affiliate for management services. The total amount paid to the Affiliate under this agreement during the years ended December 31, 2019 and 2018, was $183,021 and $186,877, respectively. As of December 31, 2019, $15,065 remains payable and is included in due to affiliate.

In connection with the purchase as described in Note 1, the Affiliate paid for a portion of the costs that were allocated to the Company. As of December 31, 2019, $139,983 and $42,583, was due to the Affiliate for acquisition and loan payments, respectively, and is included in due to affiliate.

During 2019, the Company entered into a verbal agreement to loan funds to the Affiliate. The verbal agreement did not specify any terms or due date. As of December 31, 2019, $60,000 remains receivable and is included in due from affiliate.

NOTE 8: FAIR VALUE MEASUREMENTS

Fair values of assets measured on a nonrecurring basis at December 31, 2019 and 2018 are as follows:

	Level 1	Level 2	Level 3	Total
Goodwill	$ -	$ -	$ 50,000	$ 50,000
Other intangible assets	-	-	350,000	350,000
	$ -	$ -	$ 400,000	$ 400,000

The following table sets forth a summary of changes in the fair value of the Company's Level 3 assets for the years ended December 31, 2019 and 2018:

	2019	2018
Balance, beginning of year	$ 400,000	$ -
Assets purchased in business acquisition	-	400,000
Balance, end of year	$ 400,000	$ 400,000

Significant Unobservable Inputs Used in Level 3 Fair Value Measurements
The fair value of goodwill and other intangible assets has been estimated based on acquisition cost and is believed to provide a reasonable approximation of the fair market value of the assets as of December 31, 2019 and 2018.

ONE CHEESE STEAK FRANCHISING, LLC

FINANCIAL STATEMENTS
For the Periods Ended December 31, 2018 and 2017

ONE CHEESE STEAK FRANCHISING, LLC

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INDEPENDENT AUDITOR'S REPORT

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To the Members
ONE Cheese Steak Franchising, LLC
El Dorado Hills, California

We have audited the accompanying financial statements of ONE Cheese Steak Franchising, LLC, which comprise the balance sheets as of December 31, 2018 and 2017, and the related statements of operations and members' equity and cash flows for the year ended December 31, 2018 and the period from inception (December 11, 2017) through December 31, 2017 ("periods"), and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the 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 ONE Cheese Steak Franchising, LLC as of December 31, 2018 and 2017, and the results of their operations and their cash flows for the periods then ended in accordance with accounting principles generally accepted in the United States of America.

Propp Christensen Caniglia LLP

March 19, 2019
Roseville, California

ONE CHEESE STEAK FRANCHISING, LLC

BALANCE SHEETS
December 31, 2018 and 2017

ASSETS

	2018	2017
Current assets:		
Cash and cash equivalents	$ 35,925	$ -
Receivables	33,567	-
Total current assets	69,492	-
Property and equipment, net	4,626	-
Funds and receivables held for advertising	31,512	-
Goodwill	50,000	-
Other intangible assets	350,000	-
Total assets	$ 505,630	$ -

LIABILITIES AND MEMBERS' EQUITY

	2018	2017
Current liabilities:		
Accounts payable	$ 3,346	$ 1,330
Due to affiliate	182,566	-
Accrued income taxes	900	800
Current portion of long-term debt	5,105	-
Total current liabilities	191,917	2,130
Non-current liabilities:		
Funds and receivables held for advertising	31,512	-
Long-tem debt, net of current portion	223,455	-
Total non-current liabilities	254,967	-
Total liabilities	446,884	2,130
Members' equity	58,746	(2,130)
Total liabilities and members' equity	$ 505,630	$ -

ONE CHEESE STEAK FRANCHISING, LLC

STATEMENTS OF OPERATIONS AND MEMBERS' EQUITY
For the Periods Ended December 31, 2018 and 2017

	2018	2017
Royalty revenue	$ 292,309	$ -
Expenses:		
Management fees	186,877	-
Administrative	1,881	-
Startup and organization costs	-	1,330
Professional fees	26,668	-
Tax, licenses and fees	1,015	-
Webpage	1,263	-
Office supplies	1,706	-
Auto	2,057	-
Miscellaneous	2,021	-
Operating income (loss)	68,821	(1,330)
Other income (expense):		
Other income	1,456	-
Depreciation	(458)	-
Interest expense	(7,243)	-
Total other income (expense)	(6,245)	-
Income (loss) before income taxes	62,576	(1,330)
Income taxes	1,700	800
Net income (loss)	60,876	(2,130)
Members' equity, beginning of period	(2,130)	-
Members' equity, end of period	$ 58,746	$ (2,130)

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

ONE CHEESE STEAK FRANCHISING, LLC

STATEMENTS OF CASH FLOWS
For the Periods Ended December 31, 2018 and 2017

	2018	2017
Cash flows from operating activities:		
Net income (loss)	$ 60,876	$ (2,130)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Depreciation	458	-
Changes in operating assets and liabilities:		
Receivables	(33,567)	-
Accounts payable	2,016	1,330
Accrued interest due to affiliate	7,243	-
Accrued income taxes	100	800
Net cash provided by operating activities	37,126	-
Cash flows from investing activities:		
Purchases of property and equipment	(1,201)	-
Net increase in cash	35,925	-
Cash, beginning of period	-	-
Cash, end of period	$ 35,925	$ -
Supplemental disclosure of cash flow information:		
Cash paid for income taxes	$ 800	$ -
Supplemental schedule of non-cash investing and financing transactions:		
Assets acquired through issuance of long-term debt:		
Goodwill	$ 50,000	$ -
Other intangible assets	$ 350,000	$ -
Office equipment	$ 3,883	$ -
Principal payments on long-term debt due to affiliate	$ 35,340	$ -

NOTE 1: NATURE OF BUSINESS

ONE Cheese Steak Franchising, LLC (the "Company") is a California Limited Liability Company which was organized on December 11, 2017. The Company was formed for the purpose of marketing and franchising the right to open, operate, and promote *The Cheese Steak Shop* casual restaurants offering specialty fresh to order Philly-style cheese steak sandwiches.

In December 2017, the members of the Company and its common ownership affiliate, ONE The Cheese Steak Shop, LLC (the "Affiliate"), entered into an asset purchase agreement through which the Affiliate will purchase and operate nine *The Cheese Steak Shop* restaurants and the Company will acquire the rights to market and sell additional franchises for future restaurant locations. The agreement was executed and the purchase was completed in May 2018. The acquisition was financed with a $1.82 million loan signed by the Company as co-borrower with the Affiliate.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting
The financial statements are prepared on a going concern basis using the accrual method of accounting.

Cash and Cash Equivalents
The Company considers all highly liquid investments with an original maturity date of three months or less to be cash equivalents.

Receivables
Management believes that all royalties receivable as of December 31, 2018, are fully collectible. Accordingly, no allowance for uncollectible amounts is deemed necessary.

Property and Equipment
Property and equipment are stated at cost. The cost of furniture and equipment are depreciated using the straight-line method over the estimated useful lives of the assets that range from 5 to 7 years. Maintenance and repairs which do not extend the useful life of the respective assets are expensed as incurred. Renewals and betterments which extend the useful lives of assets are capitalized.

Revenue Recognition
The Company recognizes franchise fee revenue only when all material services or conditions relating to a sale of a franchise have been substantially performed or satisfied. The Company recognizes royalty revenue, calculated as a percentage of monthly sales at participating locations, upon receipt of monthly sales figures after the close of the period.

Funds Held for Advertising
Franchisees make periodic contributions to an advertising fund, which exists for the primary purpose of promotion through advertising and promotional programs and materials. The Company administers the advertising fund on behalf of the franchisees, and accounts for the fund separately from operating funds.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Goodwill
The Company has accounted for its business acquisitions under the purchase method, resulting in the acquired assets being stepped-up to their fair market value at the date of purchase. The excess of the purchase cost over the fair value of the net assets acquired is reported as goodwill.

Goodwill is reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of the asset may not be recoverable. There was no impairment of goodwill during the year ended December 31, 2018.

Other Intangible Assets
Included in other intangible assets are covenants not to compete and intellectual property. Other intangible assets not subject to amortization are evaluated for impairment when indicators of impairment are present. If the determined fair values of these assets are less than the related carrying amounts, an impairment loss is recognized.

Advertising
The Company expenses advertising costs as they are incurred. No advertising expense was incurred for the periods ended December 31, 2018 and 2017.

Income Taxes
The Company has been organized a limited liability company in the State of California. For federal and state income tax purposes, the Company is treated as partnership and all items of income and expense flow through to the individual members. The Company is, however, subject to a California minimum state franchise tax and a graduated tax on gross receipts.

Fair Value Measurements
The Company has adopted the provisions of Financial Accounting Standards Board Accounting Standards Codification Topic 820, Subtopic 10, *Fair Value Measurements and Disclosures* (FASB ASC 820-10), which defines fair value, establishes a framework for measuring fair value, and expands disclosure requirements for fair value measurements. FASB ASC 820-10 defines fair value as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. The Company determines the fair values of its assets and liabilities based on the fair value hierarchy established in FASB ASC 820-10. The standard describes three levels of inputs that may be used to measure fair value (Level 1, Level 2 and Level 3). Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the Company has the ability to access at the measurement date. An active market is a market in which transactions occur with sufficient frequency and volume to provide pricing information on an on-going basis. Level 2 inputs are inputs other than quoted prices that are observable for the asset or liability, either directly or indirectly. Level 3 inputs are unobservable inputs for the asset or liability. Unobservable inputs reflect the Company's own assumptions about the assumptions market participants would use in pricing the asset or liability (including assumptions about risk). Unobservable inputs are developed based on the best information available in the circumstances and may include the Company's own data.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Management's Use of Estimates
The presentation 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 date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Subsequent Events
Events and transactions have been evaluated for potential recognition or disclosure through March 19, 2019, the date that the financial statements were available to be issued.

NOTE 3: CONCENTRATION OF CREDIT RISK

The Company maintains its cash accounts in various commercial banks which are insured by the Federal Deposit Insurance Corporation (FDIC) up to $250,000 per depositor, per financial institution. Cash and cash equivalents did not exceed federally insured limits at December 31, 2018. The Company has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash and cash equivalents.

NOTE 4: FUNDS HELD FOR ADVERTISING

Assets held for the advertising fund at December 31, 2018, and transactions for the year then ended, were as follows:

Beginning balance of cash and receivables	$	-
Advertising fees billed		120,601
Vendor rebates received		22,487
Advertising expenditures		(111,576)
Ending balance of cash and receivables	$	31,512

NOTE 5: PROPERTY AND EQUIPMENT

Property and equipment consist of the following as of December 31, 2018:

Furniture and equipment	$	5,084
Less accumulated depreciation		(458)
Total property and equipment, net	$	4,626

Total depreciation expense for the year ended December 31, 2018 was $458.

NOTE 6: LONG-TERM DEBT

On May 1, 2018, the Company and its common owner Affiliate, ONE The Cheese Steak Shop, LLC, jointly and severally executed a promissory note in the original principal amount of $1,820,000. The note bears interest at 5.039%. Monthly principal and interest payments of $41,953.75 began on June 1, 2018 and continue until maturity on April 1, 2022. The Company has been allocated 14.5% of the principal and monthly payment obligation. At December 31, 2018, the outstanding balance allocated to the Company was $228,560.

The annual principal payments allocated to the Company are as follows:

Year Ending December 31:		
2019	$	62,924
2020		66,147
2021		69,581
2022		29,908
Total	$	228,560

NOTE 7: RELATED PARTY TRANSACTIONS

The Company has entered into a verbal agreement with the Affiliate for management services. The total amount paid to the Affiliate under this agreement during 2018 was $186,877. In connection with the purchase as described in Note 1, the Affiliate paid for a portion of the costs that were allocated to the Company. As of December 31, 2018, $139,983 and $42,583, was due to the Affiliate for acquisition and loan payments, respectively.

NOTE 8: FAIR VALUE MEASUREMENTS

Fair values of assets measured on a nonrecurring basis at December 31, 2018 are as follows:

	Level 1	Level 2	Level 3	Total
Goodwill	$ -	$ -	$ 50,000	$ 50,000
Other intangible assets	-	-	350,000	350,000
	$ -	$ -	$ 400,000	$ 400,000

The following table sets forth a summary of changes in the fair value of the Company's Level 3 assets for the year ended December 31, 2018:

Balance, beginning of year	$	-
Assets purchased in business acquisition		400,000
Balance, end of year	$	400,000

Significant Unobservable Inputs Used in Level 3 Fair Value Measurements

The fair value of goodwill and other intangible assets has been estimated based on acquisition cost and is believed to provide a reasonable approximation of the fair market value of the assets as of December 31, 2018.

EXHIBIT F-1
THE CHEESE STEAK SHOP
DISCLOSURE DOCUMENT

CURRENT U.S. FRANCHISEES

Name	Address	City	State	Zip	Phone Number
Gary Hunt and Gerry Henkel	2671 Blanding Ave #C	Alameda	CA	94501	510-522-5555
Gene Hrubi	995 Nord Ave., Ste.110	Chico	CA	95926	530-345-2565
Mikail & Ayesha Haniff	19631 Hesparian Blvd.	Hayward	CA	94541	510-786-9124
Frank, Linda and Kevin Pauls	596 Magnolia Ave.	Larkspur	CA	94939	415-924-9000
Ben Dosanjh	2150 Portola Ave., Ste. G	Livermore	CA	94550	925-960-9338
Rani Mashraki	136 N. Milpitas Blvd.	Milpitas	CA	95035	408-935-3161
Ben Dosanjh	1563 Eureka Rd. #3	Roseville	CA	95661	916-780-5500
Alma Alvarez, Alma Ramirez, Jaime Miguel	5524 Monterey Rd.	San Jose	CA	95138	408-972-0271
Paul Williams	284-a Sunset Ave	Suisun City	CA	94585	707-437-3020
Henry Wong and Evan Tung	832 W. El Camino Real	Sunnyvale	CA	94087	408-530-8159
Joel Johnson, Josh Johnson and Jitest Narayanan	1798 Whipple Rd.	Union City	CA	94587	510-431-3878
Paul Williams	1661 East Monte Vista Ave, Ste. 101	Vacaville	CA	95688	707-447-5111
Paul Williams	764-A Admiral Callaghan Ln.	Vallejo	CA	94991	707-552-5500

CURRENT NON-U.S. FRANCHISEES

None.

EXHIBIT F-2
THE CHEESE STEAK SHOP
DISCLOSURE DOCUMENT

FORMER FRANCHISEES

Name	Address	City	State	Zip	Phone Number
GH Squared, Inc.	3455 Mount Diablo Blvd.	Lafayette	CA	94549	925-283-1234

EXHIBIT F-3
THE CHEESE STEAK SHOP
DISCLOSURE DOCUMENT

COMPANY UNITS

LIST OF ONE CHEESE STEAK SHOP,LLC. RESTAURANTS

Name	Address	City	State	Zip	Phone Number
One Cheese Steak Shop, LLC	1054 University Ave.	Berkeley	CA	94710	510-845-8689
One Cheese Steak Shop, LLC	3422 Village Dr.	Castro Valley	CA	94546	510-581-6793
One Cheese Steak Shop, LLC	3478 Clayton Rd.	Concord	CA	94519	925-687-6116
One Cheese Steak Shop, LLC	3308 Lakeshore Ave.	Oakland	CA	94610	510-832-6717
One Cheese Steak Shop, LLC	401 Kenilworth Dr., Ste. 930	Petaluma	CA	94952	707-763-4900
One Cheese Steak Shop, LLC	1394 Fitzgerald Dr.	Pinole	CA	94564	510-223-7232
One Cheese Steak Shop, LLC	4581 Century Blvd.	Pittsburg	CA	94565	925-706-0625
One Cheese Steak Shop, LLC	4825 Hopyard Rd.	Pleasanton	CA	94588	925-734-0293
One Cheese Steak Shop, LLC	1716 Divisadero St.	San Francisco	CA	94115	415-346-3712
One Cheese Steak Shop, LLC	3110 Crow Canyon Pl.	San Ramon	CA	94583	925-242-1112
One Cheese Steak Shop, LLC	1626 Cypress St.	Walnut Creek	CA	94596	925-934-7017

EXHIBIT G
THE CHEESE STEAK SHOP
DISCLOSURE DOCUMENT

LIST OF STATE FRANCHISE ADMININISTRATORS

We intend to register this Disclosure Document as a "franchise" in some or all of the following states, in accordance with the applicable state laws. If and when we pursue franchise registration (or otherwise comply with the franchise investment laws) in these states, the following are the state administrators responsible for the review, registration, and oversight of franchises in these states:

CALIFORNIA Commissioner of Business Oversight Department of Business Oversight 320 West Fourth Street, Suite 750 Los Angeles, California 90013–2344 (213) 876–7500 Toll free: (866) 275-2677	MICHIGAN Consumer Protection Div., Franchise Section Attn: Kathryn A. Barron 670 G. Mennen Williams Building Lansing, Michigan 48913 (517) 373–7117
HAWAII Commissioner of Securities of the State of Hawaii Department of Commerce & Consumer Affairs Business Registration Division Securities Compliance Branch 335 Merchant Street, Room 203 Honolulu, Hawaii 96813 (808) 586-2722	MINNESOTA Commissioner of Commerce Department of Commerce 85 7th Place East, Suite 500 St. Paul, Minnesota 55101 (651) 296–4026
ILLINOIS Office of the Attorney General Franchise Division 500 South Second Street Springfield, Illinois 62706 (217) 782–4465	NEW YORK Bureau of Investor Protection and Securities New York State Department of Law 120 Broadway, 23rd Floor New York, New York 10271 (212) 416–8211
INDIANA Secretary of State Franchise Section 302 West Washington, Room E–111 Indianapolis, Indiana 46204 (317) 232–6681	NORTH DAKOTA North Dakota Securities Department 600 Boulevard Avenue, State Capitol Fifth Floor, Dept. 414 Bismarck, North Dakota 58505-0510 (701) 328-4712
MARYLAND Office of the Attorney General Securities Division 200 St. Paul Place Baltimore, Maryland 21202–2020 (410) 576–6360	RHODE ISLAND Securities Division Department of Business Regulation John O. Pastore Center Bldg. 69, First Floor 1511 Pontiac Avenue Cranston, RI 02920 (401) 277–3048
SOUTH DAKOTA Director of Division of Securities 445 E. Capitol Avenue Pierre, South Dakota 57501–2017 (605) 773–4013	WASHINGTON Department of Financial Institutions General Administration Building Securities Division – 3rd Floor West 150 Israel Road S.W. Tumwater, Washington 98501 (360) 902–8760

VIRGINIA Director, Securities and Retail Franchising Div. State Corporation Commission 1300 East Main Street Richmond, Virginia 23219 (804) 371–9051	WISCONSIN Office of the Commissioner of Securities 345 West Washington Avenue, Fourth Floor Madison, Wisconsin 53703 (608) 261–9555

EXHIBIT H
THE CHEESE STEAK SHOP
DISCLOSURE DOCUMENT

LIST OF AGENTS FOR SERVICE OF PROCESS

California Business Oversight Commissioner Department of Business Oversight 320 West 4th Street, Suite 750 Los Angeles, California 90013-2344 (231) 576-7500 / Toll Free: 1-866-275-2677	Florida Department of Agricultural & Consumer Services Division of Consumer Services P.O. Box 6700 Tallahassee, Florida 32314-6700 (850) 922-2966
Commissioner of Securities of the State of Hawaii Department of Commerce and Consumer Affairs Business Registration Division Securities Compliance Branch 335 Merchant Street, Room 203 Honolulu, Hawaii 96813 (808) 586-2722	Office of Illinois Attorney General Franchise Division 500 South Second Street Springfield, Illinois 62706 (217) 782-4465
Indiana Securities Division (Administrator) 302 West Washington Street, Room E-111 Indianapolis, Indiana 46204 (317) 232-6681	Indiana Secretary of State (Agent for Service) 201 State House 200 West Washington Street Indianapolis, Indiana 46204
Office of Kentucky Attorney General Consumer Protection Division 1024 Capital Center Drive Frankfort, Kentucky 40601-8204 (502) 696-5389	Office of Maryland Attorney General (Administrator) Securities Division 200 St. Paul Place Baltimore, Maryland 21202-2020 (410) 576-6360
Maryland Securities Commissioner (Agent for Service) 200 St. Paul Place Baltimore, Maryland 21202-2020	Michigan Attorney General's Office Consumer Protection Division, Franchise Unit P.O. Box 30213 Lansing, Michigan 48909 (517) 373-7117
Minnesota Department of Commerce 85 - 7th Place East, Suite 500 St. Paul, Minnesota 55101 (651) 296-6328	Nebraska Department of Banking and Finance Bureau of Securities/Financial Institutions Division Commerce Court 1230 "O" Street, Suite 400 Lincoln, Nebraska 68508
New York State Department of Law Bureau of Investor Protection and Securities 120 Broadway, 23rd Floor New York, New York 10271 (212) 416-8211	North Dakota Securities Department 600 East Boulevard Avenue Capitol Building, 5th Floor Bismarck, North Dakota 58505 (701) 328-2910
Oregon Department of Consumer and Business Services Division of Finance and Corporate Securities 350 Winter Street NE, Room 410 Salem, Oregon 97301 (503) 378-4387	Rhode Island Department of Business Regulation Securities Division 1511 Pontiac Avenue John O. Pastore Complex- Building 69-1 Cranston, Rhode Island 02920 (401) 462-9585
South Dakota Department of Labor and Regulation Division of Securities 445 East Capitol Pierre, South Dakota 57501-3185 (605) 773-4823	Statutory Document Section Texas Secretary of State P.O. Box 12887 Austin, Texas 78711-2877 (512) 463-5705
State of Utah Division of Consumer Protection 160 East 300 South, SM Box 146704 Salt Lake City, Utah 84144-6704 (801) 530-6601	State Corporation Commission (Administrator) Division of Securities and Retail Franchising 1300 East Main Street, 9th Floor Richmond, Virginia 23219 (804) 371-9051

Washington Department of Financial Institutions Securities Division 150 Israel Road SW Tumwater, WA 98501 (360) 902-8760	Wisconsin Department of Financial Institutions Division of Securities P. O. Box 1768 Madison, Wisconsin 53701-1768 (608) 266-8557

EXHIBIT I
THE CHEESE STEAK SHOP
DISCLOSURE DOCUMENT

OPERATIONS MANUAL TABLE OF CONTENTS

THE CHEESE STEAK SHOP OPERATIONS MANUAL

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Revised 1/2003

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EXHIBIT J
STATE EFFECTIVE DATES

State Effective Dates

The following states have franchise laws that require that the Franchise Disclosure Document be registered or filed with the states, or be exempt from registration:

California, Hawaii. Illinois, Maryland, Michigan, Minnesota, New York, North Dakota, Rhode Island, South Dakota, Virginia, Washington, and Wisconsin.

This document is effective and may be used in the following states, where the document is filed, registered, or exempt from registration, as of the Effective Date stated below:

State	Effective Date
California	

Other states may require registration, filing, or exemption of a franchise under other laws, such as those that regulate the offer and sale of business opportunities or seller-assisted marketing plans.

EXHIBIT K
TO THE CHEESE STEAK SHOP
DISCLOSURE DOCUMENT

RECEIPTS

RECEIPT
(YOUR COPY)

This disclosure document summarizes certain provisions of the franchise agreement and other information in plain English. Read this disclosure document and all agreements carefully.

If ONE CHEESE STEAK FRANCHISING, LLC offers you a franchise, we must provide this disclosure document to you fourteen (14) calendar days before you sign a binding agreement or make a payment to us or an affiliate in connection with the proposed franchise sale except:

If we offer you a franchise subject to the franchise laws of Indiana or Michigan, we must provide this disclosure document to you by the earliest of:

1. Ten business days before signing of a binding agreement; or
2. Ten business days before payment to us; or
3. Fourteen calendar days before signing a binding agreement or making a payment to us.

If we offer you a franchise subject to the franchise laws of New York or Oklahoma, we must provide this disclosure document to you by the earliest of:

1. The first personal meeting to discuss our franchise; or
2. Ten business days before signing of a binding agreement; or
3. Ten business days before payment to us; or
4. Fourteen calendar days before signing a binding agreement or making a payment to us.

If ONE CHEESE STEAK FRANCHISING, LLC does not deliver this disclosure document on time or if it contains a false or misleading statement, or a material omission, a violation of federal and state law may have occurred and should be reported to the Federal Trade Commission, Washington, D.C. 20580 and your state agency.

The name, principal address and telephone number of each franchise seller offering the franchise: Dana Huie, 182 Creek Drive, Aptos, California, 95003, 510-724-7100, Tony Bendana, 3333 Vincent Road, Ste 205, Pleasant Hill, California 94523, 510-724-7100 and the following:

Name	Name
Address	Address
Address	Address
Phone	Phone

FTC	Issuance Date:	Effectiveness Date:
California	Issuance Date:	Effectiveness Date:

Our agents for service of process are listed in Exhibit H of the Disclosure Document.

This Disclosure Document includes the following exhibits:

EXHIBITS

Exhibit A	Franchise Agreement
Exhibit B	Area Development Agreement
Exhibit C-1	Confidentiality and Noncompetiton Agreement
Exhibit C-2	Guaranty of Franchise Agreement
Exhibit D	State Addenda
Exhibit E	Financial Statements
Exhibit F-1	Current Franchisees
Exhibit F-2	Company Units
Exhibit F-3	Former Franchisees
Exhibit G	List of State Franchise Administrators
Exhibit H	List of Agents for Service of Process
Exhibit I	Operations Manual Table of Contents
Exhibit J	State Effective Dates
Exhibit K	Receipts

Date: ______________ Signature: ___________________________ Printed Name:________________

Date: ______________ Signature: ___________________________ Printed Name:________________

KEEP THIS COPY FOR YOUR RECORDS

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1. Ten business days before signing of a binding agreement; or
2. Ten business days before payment to us; or
3. Fourteen calendar days before signing a binding agreement or making a payment to us.

If we offer you a franchise subject to the franchise laws of New York or Oklahoma, we must provide this disclosure document to you by the earliest of:

1. The first personal meeting to discuss our franchise; or
2. Ten business days before signing of a binding agreement; or
3. Ten business days before payment to us; or
4. Fourteen calendar days before signing a binding agreement or making a payment to us.

If ONE CHEESE STEAK FRANCHISING, LLC does not deliver this disclosure document on time or if it contains a false or misleading statement, or a material omission, a violation of federal and state law may have occurred and should be reported to the Federal Trade Commission, Washington, D.C. 20580 and your state agency.

The name, principal address and telephone number of each franchise seller offering the franchise: Dana Huie, 182 Creek Drive, Aptos, California, 95003, 510-724-7100, Tony Bendana, 3333 Vincent Road, Ste 205, Pleasant Hill, California 94523, 510-724-7100 and the following:

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Exhibit J	State Effective Dates
Exhibit K	Receipts

Date: ______________ Signature: __________________________ Printed Name:_______________

Date: ______________ Signature: __________________________ Printed Name:_______________

Please sign this copy of the receipt, date your signature, and return it to: ONE CHEESE STEAK FRANCHISING, LLC, ____