



FRANCHISE DISCLOSURE DOCUMENT

AMERICAN DELI FRANCHISING, INC.

a Delaware corporation

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Riverdale, Georgia 30274

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www.iloveamericandeli.com

The franchises offered are for the establishment and operation of quick service restaurants that feature chicken wings, Philly cheese steak and other sandwiches, other freshly prepared, grilled or fried items, beverage items and promotional items (“Restaurants”).

The total investment necessary to begin operation of an American Deli franchise is \$230,000 to \$295,000. This includes \$10,000 that must be paid to the franchisor or affiliate. In addition, if you purchase a turnkey Restaurant, the cost of the Restaurant must be paid to the franchisor or affiliate.

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 or grant. **Note, however, that no governmental agency has verified the information contained in this document.**

You may wish to receive your Disclosure Document in another format that is more convenient for you. To discuss the availability of disclosures in different formats, contact Eunki Han, 6401 Highway 85, Riverdale, Georgia 30274 (770) 991-2200.

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

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

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

Date of Issuance: January 1, 2009

STATE COVER PAGE

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

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

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

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

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

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

STATE EFFECTIVE DATES

The following states require that this Disclosure Document be registered or filed with the state, or be exempt from registration: California, Hawaii, Illinois, Indiana, Maryland, Michigan, Minnesota, New York, North Dakota, Rhode Island, South Dakota, Virginia, Washington and Wisconsin.

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

California -	Not Registered
Hawaii -	Not Registered
Illinois -	Not Registered
Indiana -	Not Registered
Maryland -	Not Registered
Michigan -	Not Registered
Minnesota -	Not Registered
New York -	Not Registered
North Dakota -	Not Registered
Rhode Island -	Not Registered
South Dakota -	Not Registered
Virginia -	Not Registered
Washington -	Not Registered
Wisconsin -	Not Registered

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

Connecticut -	Not Registered
Florida -	April 13, 2009
Georgia -	Not Registered
Kentucky -	Not Registered
Louisiana -	Not Registered
Maine -	Not Registered
Nebraska -	Not Registered
North Carolina -	April 16, 2009
South Carolina -	May 5, 2009
Texas -	Not Registered
Utah -	Not Registered

This Disclosure Document is not required to be registered and an exemption is not required to be filed in the following states and the Disclosure Document is effective as of the Date of Issuance: Alabama, Alaska, Arizona, Arkansas, Colorado, Delaware, Idaho, Iowa, Kansas, Massachusetts, Mississippi, Missouri, Montana, Nevada, New Hampshire, New Jersey, New Mexico, Ohio, Oklahoma, Oregon, Pennsylvania, Tennessee, Vermont, West Virginia and Wyoming

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ITEM 1
THE FRANCHISOR AND ANY PARENTS, PREDECESSORS AND AFFILIATES

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

Franchisor

We were incorporated as a Delaware corporation in December 2008. Our principal place of business is 6401 Highway 85, Riverdale, Georgia 30274, and we do business under our corporate name and the Marks as described below.

Since January, 2009, we have franchised quick service retail outlets that feature chicken wings, Philly cheese steak and other sandwiches, other freshly prepared, grilled or fried items, beverage items and promotional items (“Restaurants”). The Restaurants are generally located within large shopping centers, enclosed shopping malls, large strip shopping centers and other similar facilities. The Restaurants will feature the mark “American Deli.” The Restaurants will also feature the additional principal service marks, trademarks, trade names, logos, emblems and indicia of origin identified in Item 13. These principal marks and all other marks which may be designated by us in the future in writing for use with the System (defined below) are referred to in this Disclosure Document as the “Marks.” As of the date of this Disclosure Document, we have not owned or operated any Restaurant. We have not offered franchises in any other line of business and we do not engage in any other business activity.

We do not currently operate any business substantially similar to the business that you will operate.

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

Our Parents, Predecessors and Affiliates

Our founder, Mr. Kim Chong Chon, opened the first American Deli in February 1989, and offered American Deli oral franchises from 1993 until June 2006. Our founder has owned and operated Restaurants since February 1989. Our founder has not offered franchises in any other line of business and does not engage in any other business activity.

Our affiliate, American Deli, Inc. (“ADI”), is a Georgia corporation incorporated on June 16, 2006 with a principal business address the same as ours. ADI, offered American Deli oral franchises from June, 2006 until December 2008. ADI has owned and operated Restaurants since January 2007. ADI has not offered franchises in any other line of business and does not engage in any other business activity.

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

Agents for Service of Process

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



Description of Franchises

We franchise the right to establish and operate a Restaurant that is typically located in large shopping centers under the Marks and the System under the terms of the Franchise Agreement. We may, however, consider alternative sites such as enclosed shopping malls, large strip shopping centers and other similar locations, on a case-by-case basis. Each Restaurant will typically offer a menu specializing in chicken wings, Philly cheese steak and other sandwiches, other freshly prepared, grilled or fried items, beverage items and promotional items. The Restaurants will typically range in size from 1,100 to 1,500 square feet.

The Restaurants are established and operated under a comprehensive and unique system (the “System”) that includes distinctive exterior and interior design, decor, color scheme, and furnishings; proprietary products and ingredients; proprietary recipes and special menu items, uniform standards, specifications, and procedures for operations; quality and uniformity of products and services offered; procedures for inventory, management and financial control (including point of sale and tracking systems); training and assistance; and advertising and promotional programs; all of which we may change, improve, and further develop, in our discretion. Certain aspects of the System are more fully described in this Disclosure Document and the Franchise Manuals that are provided to you (described in Item 11).

We offer the right to establish and operate a Restaurant under the terms of a single unit franchise agreement (the “Franchise Agreement”). The Franchise Agreement that you must sign is attached as **Exhibit B** to this Disclosure Document. You may be an individual or legal entity. Under the Franchise Agreement, certain parties are characterized as your Principals (referred to in this Disclosure Document as “your Principals”). The Franchise Agreement is signed by us, by you, and by those of your Principals whom we designate as Controlling Principals. In most instances, we will designate your principal equity owners and executive officers, and certain affiliated entities as Controlling Principals. By signing the Franchise Agreement, your Controlling Principals agree to be individually bound by certain obligations in the Franchise Agreement, including covenants concerning confidentiality and noncompetition, and to personally guarantee your performance under the Franchise Agreement (See Item 15). Depending on the type of business activities in which you or your Principals may be involved, we may require you or your Principals to sign additional confidentiality and noncompetition agreements.

You must also designate an “Operating Principal” who will be the main individual responsible for your business. If you are an individual, you will be the Operating Principal. If you are not an individual, the person you designate as your Operating Principal must maintain an equity interest in you. The Operating Principal must sign the Franchise Agreement as the Operating Principal and as one of your Controlling Principals (See Item 15). The Operating Principal must individually make certain covenants in the Franchise Agreement and must personally guarantee your performance under the Franchise Agreement.

General Description of the Market and Competition

The market for the food products and services offered by the Restaurants is developed and highly competitive, as is the market for obtaining locations in qualified shopping centers and malls or other similar buildings. You will compete against local and national branded quick service food and beverage establishments. We plan controlled expansion into areas that we determine can support the Restaurants to improve name recognition and the reputation of the System through franchised businesses. We believe that our competitive position will be improved based on that expansion, and that our concept will be able to attract customers consistently in those markets. (See Item 20).

Regulations Specific to the Industry

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

ITEM 2 BUSINESS EXPERIENCE

Director, CEO and President: Chongchoon Kim

Mr. Kim has served as Director, CEO and President since our inception. He has served as President of ADI from its inception to present. Mr. Kim has owned and operated American Deli restaurants since 1989.

Director, Vice President and Treasurer: Eunki Han

Mr. Han has served as Director, Vice President and Treasurer since our inception. He has served as Vice President of ADI since April 2008. From August 1996 to April 2008, he was self-employed providing food services to American Deli restaurants in Atlanta and Jonesboro, Georgia.

Director of Training: Kwanghyun Hwang

Mr. Hwang has served in his position since our inception. He has served as Director of Training of ADI since April 2008. From July 2002 to April 2008, he was employed by Mr Kim as a training instructor and field manager for American Deli restaurants.

ITEM 3 LITIGATION

No litigation is required to be disclosed in this Disclosure Document.

ITEM 4 BANKRUPTCY

No person previously identified in Items 1 or 2 of this Disclosure Document has been involved as a debtor in proceedings under the U.S. Bankruptcy Code or comparable foreign law required to be disclosed in this Item.

ITEM 5 INITIAL FEES

Initial Franchise Fee

You must pay us an initial franchise fee of \$10,000 for the right to establish a single Restaurant under a Franchise Agreement. You must pay the initial franchise fee in full when you sign the Franchise Agreement and the initial franchise fee is the same for all franchisees under this offering. The initial franchise fee is not refundable.

In certain circumstances, we may discount the initial franchise fee for existing franchisees who wish to open additional Restaurants.

Purchase Price

If you purchase a turnkey Restaurant from us, you must pay us the purchase price for the Restaurant, which will include our costs in designing, constructing and equipping the Restaurant and reasonable administrative costs and overhead. You must pay the purchase price when you sign the Franchise Agreement. The purchase price is non refundable and is charged uniformly to all franchisees under this Disclosure Document who purchase a turnkey Restaurant, although actual dollar amounts may vary depending on the actual costs to design, construct and equip the Restaurant.

**ITEM 6
OTHER FEES**

Type of Fee (1)	Amount	Due Date	Remarks
Royalty Fee	3% of Gross Sales. (2)	Weekly on Wednesday.	Amounts due will be withdrawn by EFT from your designated bank account (3).
Marketing Fund	Currently 1% of Gross Sales. Maximum of 2% of Gross Sales. (4)	Weekly on Wednesday.	We have the right to require you to contribute up to a maximum of 2% of Gross Sales. Amounts due will be withdrawn by EFT from your designated bank account. (3)
Local Advertising	Currently 1/2% of Gross Sales. Maximum of 1% of Gross Sales. (4)	As incurred by you.	We have the right to require you to spend up to 1% of Gross Sales on local advertising. Your contributions to an Advertising Cooperative are credited against your local advertising obligation.
Cooperative Advertising	Currently 0% of Gross Sales. Maximum of 1% of Gross Sales. (4)	As determined by Cooperative.	No Cooperatives have been established as of the date of this Disclosure Document. Cooperatives will be comprised of all franchised and company-owned Restaurants located in designated geographic areas. Each Restaurant will have 1 vote in the cooperative. We may allocate your Cooperative contribution to the Fund.
Advertising & Promotional Materials	Varies, depending on your advertising needs.	When billed.	See Items 7 and 11.
Interest	18% or highest rate allowed by applicable law.	On demand.	Interest may be charged on all overdue amounts.
Initial Training of additional or replacement and successor personnel	\$1,500 per person	Before Training	No charge for initial training for initial General Manager and Operating Principal (see Item 11).
Additional Assistance	If you request additional assistance, you must pay the current per diem charge for our employees used to provide the assistance and our associated costs. Current per diem \$500.	When billed.	We provide opening assistance without additional charge (see Item 11). Any additional assistance you requested is billed at the current per diem rate.
Transfer Fee	\$10,000 plus our reasonable costs and expenses associated with the transfer, including training costs, legal and accounting fees and costs, and referral fees paid to franchise brokers.	Before transfer.	Only our costs and expenses are charged if you transfer your rights to an entity controlled by you.
Public Offering	\$10,000 or any greater amount necessary to reimburse us for our reasonable costs and expenses in reviewing the proposed securities offering.	When billed.	This covers our cost to review the proposed offering of your securities.

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Type of Fee (1)	Amount	Due Date	Remarks
Renewal Fee	25% of then current initial franchise fee.	On signing renewal franchise agreement.	You must give us at least 6 months notice; remodel to current standards; sign then current agreement.
Additional or Remedial Training	Our cost in providing the training.	Before additional training.	We reserve the right to charge a fee for additional or remedial training that is not mandatory. We do not charge for mandatory training. Cost will vary based on the staff, location, and type of training being offered.
Annual and Other Mandatory Meetings	The registration fee for the annual or other mandatory meetings. You must pay this fee even if your Operating Principal fails to attend any mandatory meeting.	At the time you register for the meeting or, if you fail to register, when we invoice you.	Your Operating Principal must attend each annual or other meeting we designate as mandatory. The registration fee may be withdrawn by EFT from your designated bank account.
Support Fee	\$100 per week	Weekly	If you fail to have a replacement General Manager trained or certified as meeting our standards after a General Manager leaves, we may charge you this fee until your replacement manager is trained or certified, as applicable
Evaluation	\$500 per visit, plus expenses.	15 days after billing.	See Items 5 & 11.
Inspection and Testing	Cost of inspection or testing.	When billed.	We may require you to pay us or an independent laboratory for the cost of inspection or testing if you purchase or lease items used in the Restaurant from sources we have not previously approved (see Item 8).
Indemnification	Varies according to loss.	On demand.	You must indemnify us when certain of your actions result in loss to us under the Agreements (see Item 9).
Audit Fee	Cost of audit.	When billed.	Payable only if we find, after an audit, that you have understated any amount you owe to us by more than 2%.
Royalty Payment or Reporting Fee	\$50 per day you are late	Daily	If you fail to pay royalties when due or fail to submit royalty reports weekly as required, we may charge you \$50 per day until the payment or report is received.
Manual Replacement Fee	\$1,000	When billed.	If you request additional or replacement copies of the Franchise Manual (see Item 11).

Notes:

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

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

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

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

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

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

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



ITEM 7
ESTIMATED INITIAL INVESTMENT
YOUR ESTIMATED INITIAL INVESTMENT

Type of expenditure (1)	Amount (Low)	Amount (High)	Method of payment	When due	To whom payment is to be made
Initial franchise fee (2)	\$10,000	\$10,000	Lump Sum	On signing Franchise Agreement.	Us
Build out (3)	\$118,000	\$130,000	As Invoiced	As Arranged	Building Contractors
Architectural engineering (4)	\$10,000	\$10,000	As Invoiced	As Arranged	Architect
Legal fees (5)	\$3,000	\$3,000	As Invoiced	As Arranged	Attorney
Lease payments and other rental expenses (6)	\$3,000	\$6,000	Per Lease	Monthly	Lessor
Equipment and furniture (7)	\$30,000	\$35,000	As Invoiced	As Arranged	Suppliers
Signage (8)	\$5,000	\$10,000	As Invoiced	As Arranged	Suppliers
Initial inventory (9)	\$10,000	\$10,000	As Invoiced	As Arranged	Suppliers
Electronic point of sale (POS system), monitoring software and required hardware (10)	\$3,500	\$7,000	As Invoiced	Lump Sum	Suppliers
Phone and Internet service (11)	\$400	\$400	As Invoiced	Lump Sum	Suppliers
Travel, lodging and meals for initial training (12)	\$600	\$1,000	As Incurred	As Incurred	Suppliers
Business supplies (stationery, business cards, brochures, presentation folders, paper and other materials) (13)	\$500	\$1,000	As Invoiced	Lump Sum	Suppliers
Business licenses, permits, etc. (for first year) (14)	\$5,000	\$20,000	As Incurred	As Arranged	Local Government
Insurance deposits and premiums (for first year) (15)	\$1,000	\$1,600	As Invoiced	As Arranged	Insurance company
Additional funds (16)	\$30,000	\$50,000	As Incurred	As Arranged	
Total	\$230,000	\$295,000			

Notes:

(1) The amounts you pay are typically non-refundable. If you purchase a turn-key Restaurant, you will pay us or an affiliate the purchase price for the Restaurant, which will include the build out, architectural engineering, equipment, signage, POS system, and reasonable administrative costs and overhead, and we will finance up to \$50,000 of the purchase price.

(2) You must pay an initial franchise fee of \$10,000. The initial franchise fee is nonrefundable under the terms of the Franchise Agreement.

(3) The cost of build out will vary depending on (i) the size and configuration of the premises; (ii) pre-construction costs (e.g., demolition of existing walls and removal existing

improvements and fixtures); and (iii) cost or materials and labor which may vary based on geography and location. You must adapt our prototypical plans and specifications for the construction and finish-out of the Restaurant. These figures are our best estimate based on construction/finish-out rates and conditions in Atlanta, Georgia. Those amounts may vary substantially based on local conditions, including the availability and prices of labor and materials. These costs may also vary depending on whether certain of these costs will be incurred by the landlord and allocated over the term of the lease.

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

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

(6) The figures are for the first month's rent and assume that the premises of the Restaurant will be a large shopping center ranging from 1,100 to 1,500 square feet, and that no security deposit is required. Further, the figures assume base annual rental rates ranging from \$20 to \$25 per square foot. Landlords may also vary the base rental rate and charge rent based on a percentage of gross sales. In addition to base rent, the lease may require you to pay common area maintenance charges ("CAM Charges") for the shopping center, your pro rata share of the real estate taxes and insurance for the shopping center, and your pro rata share of HVAC and trash removal. The actual amount you pay under the lease will vary depending on the size of the Restaurant, the types of changes that are allocated to tenants under the lease, your ability to negotiate with landlords and the prevailing rental rates in the geographic region.

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

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

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

(10) Typically, you will use 1 or 2 terminals per Restaurant. Our approved supplier will make available to you certain customized data base configurations and upgrades specific for the Restaurant to be loaded on to your system. We have the right, as described in Item 11, to access this information through file transfer protocol or polling through the Internet at our discretion. This total also includes the various software and hardware necessary to complete back office reporting, polling, credit card and gift card transactions.

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

(12) We provide initial training to your initial Operating Principal and General Manager at no charge. These estimates include only your out-of-pocket costs associated with the training of the Operating Principal and General Manager (including travel, room, and board). These amounts do not include any fees or expenses for training any other personnel. Training is for a 7-day period. These costs will vary depending on your selection of lodging and dining facilities and mode and distance of transportation.

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

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

(15) These figures are estimates of the cost of the annual premiums for the insurance you must obtain and maintain for the franchised business as described in Item 8.

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

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

ITEM 8 RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES

Franchise Agreement

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

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

any items. We can, and expect to, modify our standards and specifications as we deem necessary. We will provide you notice of any changes in the Franchise Manuals.

You must permit us or our agents, at any reasonable time, to remove a reasonable number of samples of food or non-food items from your inventory or from the Restaurant free of charge for testing by us or by an independent laboratory, to determine whether the samples meet our then-current standards and specifications. Besides any other remedies we may have, we may require you to pay for the testing if we have not previously approved the supplier of the item or if the sample fails to conform to our specifications (see Item 6).

Except for proprietary products, promotional materials, gift certificates and software configurations provided by us or our designated suppliers (or delivery vehicles that you may use in the operation of the Restaurant), you must obtain all food and beverage items, ingredients, supplies, materials, fixtures, furnishings, equipment (including point of sale systems and computer systems), and other products used or offered for sale at the Restaurant solely from suppliers who demonstrate, to our continuing reasonable satisfaction, the ability to meet our then-current standards or in accordance with our standards and specifications. Our criteria for supplier approval may be found in the Franchise Manuals. Among other things, the suppliers must have adequate quality controls and the capacity to supply your needs promptly and reliably. If you wish to purchase, lease or use any products or other items from an unapproved supplier, you must submit a written request for approval, or must request the supplier to do so. We have to approve any supplier in writing before you make any purchases from that supplier. We can require that our representatives be permitted to inspect the supplier's facilities, and that samples from the supplier be delivered, either to us or to an independent laboratory for testing. You must pay the cost of the inspection, and the actual cost of the test must be paid by you or the supplier (see Item 6). We reserve the right to re-inspect the facilities and products of any approved supplier and to revoke our approval if the supplier fails to continue to meet any of our then-current standards. Our supplier approval procedure does not obligate us to approve any particular supplier. However, we will notify you within 30 days after we complete the inspection and evaluation process of our approval or disapproval of any proposed supplier.

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

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

All advertising and promotional materials, signs, decorations, paper goods (including menus and all forms and stationery used in the Restaurant) and other items we designate must bear the Marks (see

Item 13) in the form, color, location and manner we prescribe. In addition, all your advertising and promotion in any medium must be conducted in a dignified manner and must conform to the standards and requirements in the Franchise Manuals or other written materials. You must submit to us for approval samples of all advertising and promotional plans and materials and public relations programs that you desire to use, including any materials in digital, electronic or computerized form, or in any form of media now existing or that may be developed in the future, that we have not either provided or previously approved. You also must participate in all advertising and promotional campaigns according to the terms and conditions we establish for these campaigns. We will approve or disapprove your proposed advertising plans and materials within 15 business days after receipt of these plans and materials.

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

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

You must obtain our consent to the architectural design firm hired to provide any architectural, engineering and design services necessary for the construction of the Restaurant.

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

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

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

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

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

In our fiscal year ended December 31, 2007, neither we nor ADI received any rebates.

You must purchase or lease virtually all goods and services necessary to establish and operate the Restaurants from us or our designees, from suppliers approved by us, or in accordance with our

specifications. We estimate that these purchases and leases will be approximately 70% to 80% of your costs to establish and operate the franchised business. Neither we nor our affiliates are currently approved suppliers of goods or services necessary to establish or operate the Restaurants. As of the date of this Disclosure Document, we did not have any revenue.

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

ITEM 9 FRANCHISEE'S OBLIGATIONS

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

Obligation	Section in Franchise Agreement	Disclosure Document Item
a. Site selection and acquisition/lease	Article II	Items 8 and 11
b. Pre-opening purchases/leases	Articles VI, VII and VIII	Items 5, 6, 7, 8 and 11
c. Site development and other pre-opening requirements	Article II	Items 1, 8 and 11
d. Initial and ongoing training	Article VI	Items 5, 6 and 11
e. Opening	Article VI	Items 7 and 11
f. Fees	Articles IV and VIII	Items 5 and 6
g. Compliance with standards and policies/Manuals	Articles II, III, VI VII, VIII, IX, X, XI and XII	Items 11 and 14
h. Trademarks and proprietary information	Articles IX and X and Attachment C	Items 11, 13 and 14
i. Restrictions on products/services offered	Article VII	Items 8 and 16
j. Warranty and customer service requirements	Article VII	Item 8
k. Territorial development and sales quotas	Article III	Item 12
l. Ongoing product/service purchases	Article VII	Items 6 and 8
m. Maintenance, appearance and remodeling requirements	Articles II, VII and XIV	Items 8 and 11
n. Insurance	Article XII	Items 7 and 8
o. Advertising	Article XIII	Items 6, 8 and 11
p. Indemnification	Article XV	Item 6
q. Owner's participation/management/staffing	Articles VI, XIV, XV and XVIII	Items 1, 11 and 15
r. Records and reports	Articles IV, VII and XI	Item 6
s. Inspections and audits	Articles II, VII and XI	Items 6, 8 and 11
t. Transfer	Article XIV	Items 6 and 17
u. Renewal	Article III	Items 6 and 17
v. Post-termination obligations	Article XVII	Items 6 and 17
w. Non-competition covenants	Article X and Attachment C	Item 17
x. Dispute resolution	Article XVIII	Item 17

ITEM 10 FINANCING

Item Financed (Source)	Amount Financed	Maximum Term (years)	Annual Percentage Rate of Interest	Monthly Payment	Prepayment Penalty	Security Required	Liability upon Default	Loss of Legal Right on Default
Purchase of Restaurant (See Note)	Maximum Amount of \$50,000.	2	Prime Rate plus 1%	Principal and interest payable in equal installments sufficient to amortize loan in 24 installments	None	Personal guarantee	Call loan; Termination of franchise agreement	Waive demand, presentment for payment protest, notice of intent to accelerate, notice of acceleration

Note – In our sole discretion, if you meet our credit standards, we may finance up to \$50,000 of the purchase price of a turnkey Restaurant for a maximum period of 2 years at an interest rate of the prime interest rate plus 1%. If we agree to provide financing, you must sign the Promissory Note attached as Exhibit K. The Promissory Note is payable in up to 24 monthly installments. The first 23 (assuming a 2-year term) monthly installments will be equal payments of principal and accrued interest and the 24th and final installment will be for all outstanding principal and unpaid accrued interest. The Promissory Note can be prepaid without penalty at any time during its term. If you do not pay on time, we can call the loan and demand immediate payment of the full outstanding balance and obtain court costs and attorneys' fees if a collection action is necessary. We also may terminate your franchise if you do not make your payments on time. You waive your rights to notice of a collection action and to assert any defenses to collection against us. We may discount these notes to a third party who may be immune under the law to any defenses to payment you may have against us. We may require the Promissory Note to be guaranteed by one or more of your owners and we may require them to sign the Controlling Principals Guaranty and Covenant attached as Attachment A to the Franchise Agreement. To ensure timely payments of interest and principal, you must sign and deliver to us an automatic bank withdrawal form for automatic withdrawals on your bank account.

Except as described above, we do not offer, either directly or indirectly, any financing arrangements to you. We do not guarantee your notes, leases or other obligations, except as described below.

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

Except as listed below, American Deli Franchising, Inc. is not required to provide you with any assistance.

Pre-Opening Obligations

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

1. Our written site selection guidelines and the site selection assistance we deem advisable. (Franchise Agreement, Section 5.1(a)).
2. On-site evaluations as we deem necessary or in response to your reasonable request for site approval. (Franchise Agreement, Section 5.1(b)).

3. On loan, 1 set of prototypical architectural and design plans and specifications for a Restaurant for adaptation by you, at your expense. (Franchise Agreement, Section 5.1(c)).

4. On loan, 1 set of the Franchise Manuals (as described below) which we may revise. (Franchise Agreement, Section 5.1(d)).

5. A list of our approved suppliers. (Franchise Agreement, Section 5.1(i)).

6. An initial training program for your initial Operating Principal and General Manager at no charge to you. If you wish to have additional personnel trained we charge \$1,500 per person. (See Item 6). (Franchise Agreement, Section 5.1(j)).

7. 2 or 3 days of on-site pre-opening assistance at the Restaurant. (Franchise Agreement, Sections 5.1(k) and 6.5(d)).

8. Samples or camera-ready artwork of certain advertising and promotional materials and information we may develop for use in the pre-opening promotion of the Restaurant. (Franchise Agreement, Section 5.1(f)).

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

Post-Opening Obligations

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

1. As we reasonably determine necessary, visits to, and evaluations of, the Restaurant and the products and services provided there to ensure that the high standards of quality, appearance and service of the System are maintained. (Franchise Agreement, Section 5.1(e)).

2. Samples or camera-ready artwork of certain advertising and promotional materials we may develop for in-store marketing and Local Advertising for the Restaurant. (Franchise Agreement, Section 5.1(f)).

3. Advice and written materials (including updates to the Franchise Manuals) concerning techniques of managing and operating the Restaurant, including new developments and improvements in equipment, food products, packaging and preparation. (Franchise Agreement, Section 5.1(g)).

4. Certain merchandise, including prepackaged food products and promotional products and memorabilia, for use in the Restaurant and for resale to your customers, in quantities sufficient to meet your customer demand, at a reasonable cost may be made available to franchisees in the System. We also may, at our option, make available to you certain other equipment, inventory and decor items at a reasonable cost. (Franchise Agreement, Section 5.1(h)).

5. On-site post-opening assistance at the Restaurant as we find appropriate. (Franchise Agreement, Sections 5.1(k) and 6.5(d)).

6. Training programs and other related activities regarding the operation of the Restaurant as we may conduct for you, or Restaurant personnel generally, which your Operating Principal, General Manager and other Restaurant personnel may be required to attend. (Franchise Agreement, Section 6.5(c)).

7. Certain on-site remedial training for your Restaurant personnel when you reasonably request it or as we find appropriate. If you request the remedial training, we may require you to pay the per diem of the employees providing the training and our expenses in providing the training (See Item 6). (Franchise Agreement, Section 6.5(e)).

8. Administration of the advertising fund and cooperatives, if established. (Franchise Agreement, Sections 8.3 and 8.4).

9. Indemnification against and reimbursement for all damages for which you are held liable in any proceeding arising out of your use of any of the Marks (including settlement amounts), provided that you and your Controlling Principals have fully complied with the terms of the Franchise Agreement. (Franchise Agreement, Section 9.4).

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

Advertising

Franchise Agreement: If we request, you must spend annually throughout the term of the Franchise Agreement, 1% of the Gross Sales of the Restaurant on advertising for the Restaurant in your Assigned Area for Local Advertising. We currently impose a Local Advertising requirement on ½% of the Gross Sales. This amount is not paid to us, but rather is spent by you. If your landlord requires you to participate in any marketing or promotion fund, the amounts you pay may be applied towards satisfying your Local Advertising obligations. We must approve all advertising before you use it. You must not advertise or use the Marks in any fashion on the Internet, World Wide Web or via other means of advertising through telecommunication without our express written consent. You must provide us with an advertising expenditure report to show that you have complied with the Local Advertising requirement on or before the 1st day of February following the end of each calendar year; provided that day is a business day. If it is not a business day, then the report is due on the next business day. Costs and expenditures you incur with any of the following are not to be included in your expenditures on Local Advertising unless we approve in advance in writing:

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

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

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

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

We will prepare an annual statement of the operations of the Fund that will be made available to you if you request it. We are not required to have the Fund statements audited. Although the Fund is intended to be perpetual, we may terminate the Fund at any time. The Fund will not be terminated, however, until all monies in the Fund have been spent for advertising or promotional purposes or returned to contributors on the basis described above. During our 2007 fiscal year, the Fund had contributions of \$0. Of the amounts expended, \$0 or 0% was spent on production, \$0 or 0% was spent on media placement, \$0 or 0% was reimbursement to us for administrative expenses, and \$0 or 0% was spent on other expenses (public relations and franchisee convention). At the end of our fiscal year 2007 the Fund had a balance of \$0, which is carried over for expenditures for our fiscal year 2008. We presently do not have a National Advertising Council.

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

We may designate any geographic area in which 2 or more Restaurants are located as a region to establish an advertising Cooperative. The members of the Cooperative for any area will consist of all Restaurants, whether operated by us, our affiliates or franchised. We will determine in advance how each Cooperative will be organized and governed and when it must start operation. We have the right to form, dissolve, merge or change the structure of the Cooperatives. Each Cooperative will be organized for the exclusive purposes of administering advertising programs and developing, subject to our approval, promotional materials for use by the members in Local Advertising. If a Cooperative has been

established for a geographic area where your Restaurant is located when the Franchise Agreement is signed, or if any Cooperative is established during the term of the Franchise Agreement, you must sign all documents we request and become a member of the Cooperative according to the terms of the documents. A copy of the Cooperative documents applicable to the geographic area in which your Restaurant will be located will be provided to you if you request it.

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

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

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

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

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

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

Training

Franchise Agreement: No later than 30 days before the date the Restaurant begins operation, your Operating Principal and General Manager must attend and complete, to our satisfaction, our initial training program for Restaurants. We will conduct this training at our corporate headquarters and/or a Restaurant operated by us or a franchisee in Riverdale, Georgia, or at another location we designate. Initial training programs will be offered at various times during the year depending on the number of new franchisees entering the System, replacement operating principals and general managers and other personnel needing training, the number of new Restaurants being opened and the timing of the scheduled openings of these Restaurants. It is anticipated that the initial training program will be offered approximately 10 times a year. The initial training program will generally last 7 days. We will provide instructors and training materials for the initial training of your initial Operating Principal and General Manager at no charge to you. You may also have additional personnel trained by us for the Restaurant, although we may charge \$1,500 per person for that training. We will determine whether the Operating

Principal and any General Manager have satisfactorily completed initial training. If the Operating Principal or General Manager does not satisfactorily complete the initial training program or if we determine that these persons cannot satisfactorily complete the training program, you must designate a replacement to satisfactorily complete the training. Any Operating Principal or General Manager subsequently designated by you must also receive and complete the initial training. We reserve the right to charge a reasonable fee for the initial training we provide to a replacement or successor Operating Principal or General Manager. If you fail to have a replacement manager attend training and be certified as meeting our requirements, we may charge you a support fee of \$100 per week until a replacement General Manager is trained or certified. We currently charge \$1,500 per person for initial training. You must pay for all expenses you and your Operating Principal, General Manager and other personnel incur for any training program, including costs of travel, lodging, meals and wages (see Item 6).

The Operating Principal, General Manager and other personnel must attend the additional training programs and seminars we offer if required to do so. For all of these programs and seminars, we will provide the instructors and training materials. If the training is mandatory, we will not charge you a fee for attending the training. We reserve the right to charge a reasonable fee for the additional training programs and seminars that we provide on an optional basis. Your Operating Principal must attend our annual meeting and any other meetings we determine to be mandatory. We reserve the right to charge a reasonable fee for the annual meeting and each other mandatory meeting. You must also pay for all expenses you or your Operating Principal, General Manager and other personnel incur in participating in any additional training or meetings, including costs of travel, lodging, meals, and wages (see Item 6).

For the opening of the Restaurant, we will provide you with 1 of our trained representatives. The trained representative will provide on-site pre-opening and opening training, supervision, and assistance to you for up to 5 days. This training and assistance will be provided to you at no additional expense. For any additional assistance requested by you and any similar assistance that we provide to a replacement Restaurant, if the premises are destroyed or the Restaurant is required to be closed for any other reason, we reserve the right to require you to pay us the per diem fee then being charged to franchisees generally for trained representative assistance, including payment of any expenses the trained representative incurs, such as costs of travel, lodging, meals and wages (see Item 6).

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

TRAINING PROGRAM

Subject	Hours of Classroom Training	Hours of On-The Job Training	Location
Orientation	2	0	Riverdale, Georgia
Understanding Menu	4	0	Riverdale, Georgia
Preparation	1	15	Riverdale, Georgia
Cooking	1	39	Riverdale, Georgia
Adel (POS) System	4	4	Riverdale, Georgia
Management	8	2	Riverdale, Georgia

The entire training program may be changed due to updates in materials, methods, manuals and personnel without notice to you. We do not currently maintain a formal training staff to conduct the opening training described below. Mr Hwang (see Item 2) will oversee training. Mr. Hwang has over 5 years of experience in the restaurant industry and has conducted training and overseen the operation of Restaurants in our System for over 5 years. We anticipate also using personnel from our training

Restaurant in conducting Restaurant operations training. The instructional materials used in the initial training consist of our Operations Manual, Training Manual, marketing and promotion materials, programs related to the operation of the point of purchase system, and other written directives related to the operation of the Restaurant (collectively, the “Manuals”). The subjects and time periods allocated to the subjects actually taught to you and your personnel may vary based on the experience of those persons being trained.

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

The Table of Contents for our Franchise Manual is attached as Exhibit F to this Disclosure Document.

Site Selection and Territory

Franchise Agreement: You must assume all costs, liabilities, expenses and responsibility for locating, obtaining and developing a site for the Restaurant and for constructing and equipping the Restaurant at the accepted site. You and we will agree on either the site or a geographical area in which you must obtain a site before you sign the Franchise Agreement. You will select the site for the Restaurant subject to our consent. The Restaurant may not be relocated without first obtaining our written consent. Before you lease or purchase the site for the Restaurant, you must locate a site that satisfies our site selection guidelines. You must submit to us in the form we specify a description of the site, including evidence that the site satisfies our site selection guidelines, together with other information and materials that we may reasonably require, including a letter of intent or other evidence that confirms your favorable prospects for obtaining the site. You must submit information and materials for the proposed site to us for consent no later than 30 days after you have signed the Franchise Agreement. We will have 15 days after we receive this information and materials from you to consent to the proposed site as the location for the Restaurant. You must purchase or lease, at your expense, the site for the Restaurant within 45 days after we consent to it. You must obtain our consent of any sale or lease contract before you sign it (see Item 8).

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

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

We estimate that the time from the signing of the Franchise Agreement to the commencement of operations of the Restaurant will be approximately 4 to 6 months. This time may be shorter or longer depending on the time necessary to obtain an accepted site, to obtain financing, to obtain the permits and licenses for the construction and operation of the Restaurant, to complete construction or remodeling as it may be affected by weather conditions, shortages, delivery schedules and other similar factors, to complete the interior and exterior of the Restaurant, including decorating, purchasing and installing fixtures, equipment and signs, and to complete preparation for operating the Restaurant, including purchasing inventory and supplies. You must open the Restaurant and begin business within 90 days after you obtain possession of the accepted location, unless you obtain a written extension of this time period from us. If you do not obtain a site that we accept, and construct the store within the time periods required in Section 2 of the Franchise Agreement, we may terminate the Franchise Agreement.

Computer and Electronic Point of sale Systems

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

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

The fully integrated point of sale system we prescribe consist of a desktop computer, tough screen monitor, printer, Adel POS Software, online information tracking system and is the only approved electronic point of sale system. The cost of purchasing this system is approximately \$1,800 per station. Neither we, nor our affiliates or any third party is required to provide ongoing maintenance, repairs, upgrades or updates. We may revise our specifications for the hardware and software as we determine necessary to meet the needs of the System. There is no contractual limitation on our ability to require the hardware and/or software be changed, improved, updated or upgraded. The annual cost of any optional or required maintenance, updating, upgrading or support contracts is approximately \$1,200 per year.

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

You must, at our option, sign the forms and documents that we deem necessary to appoint us your true and lawful attorney-in-fact with full power and authority for the sole purpose of assigning to us

upon the termination or expiration of the Franchise Agreement: (i) all rights to the telephone numbers of the Restaurant and any related and other business listings; and (ii) Internet listings, domain names, Internet Accounts, advertising on the Internet or World Wide Web, websites, listings with search engines, e-mail addresses or any other similar listing or usages related to the Restaurant. You have no authority to and may not establish any website or listing on the Internet or World Wide Web without our express written consent.

Area Representatives

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

ITEM 12 TERRITORY

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

During the term of the Franchise Agreement, if you are in compliance with the Franchise Agreement, we and our affiliates will not establish a Restaurant or authorize any other person or entity to establish a Restaurant within the Assigned Area. The Assigned Area will be described on the cover page of the Franchise Agreement. It will generally consist of a two to three mile radius around your Restaurant. We will determine the Assigned Area at the time the Restaurant location is accepted based on various market and economic factors such as an evaluation of market demographics, the market penetration of the System and similar businesses, the availability of appropriate sites and the growth trends in the market. We, our affiliates, and any other authorized person or entity may, at any time, advertise and promote the Restaurant, and fill customer orders by providing catering and delivery services in the Assigned Area. We and our affiliates may also offer and sell and authorize others to offer and sell: (i) collateral products under the Marks, at or from any location, such as pre-packaged food products and Restaurant memorabilia, (ii) food and beverage services under the Marks at or through any other distribution system or food service facility (other than a Restaurant) and (iii) any products or food and beverage services under any other names and marks. You must conduct Local Advertising activities and use all commercially reasonable efforts to advertise and promote the Restaurant in the Assigned Area.

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

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

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

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

We do not grant any right of first refusal to obtain additional Restaurant locations.

Neither we nor our affiliates currently operate, franchise, or conduct business through alternative channels of distribution offering products or services similar to those offered by the Restaurant under different marks. There are, however, no restrictions in the Agreements that would restrict our ability to do so.

ITEM 13 TRADEMARKS

The Franchise Agreement grants you the right to use certain trademarks, trade names, service marks, symbols, emblems, logos and indicia of origin designated by us, including the Marks described in Item 1. These Marks may be used only in the manner we authorize and only for the operation of your Restaurant at the location specified in the Franchise Agreement.

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

Our affiliate, American Deli Plus, Inc. (“ADP”) owns the Marks and has applied for registration of the following principal Marks with the U.S. Patent and Trademark Office on the Principal Register and have filed all required affidavits:

<u>Description</u>	<u>Federal Registration Number</u>	<u>Registration Date</u>
American Deli	Applied For (Serial No. 77640096)	
American Deli (stylized)	Applied For (Serial No. 77638385)	

By not having registration on the Principal Register for the preceding Marks, we do not have certain presumptive legal rights granted by the registration.

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

ADP owns the “American Deli” and “American Deli stylized” Marks and has granted us a worldwide, non-exclusive, royalty-free right and license to use these Marks on or in connection with the marketing, promotion, sale and providing of any goods or services. The license will continue until terminated by either party. Notwithstanding the termination of this license, you will continue to have the right to use these Marks until the termination of and in accordance with your Franchise Agreement,

including any renewal thereof, provided you comply with all of the terms and conditions of the Franchise Agreement and the license granted by ADP to us to use these Marks

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

On November 16, 2005, Young Lee and Alexander Lee, d/b/a Clean Pass of Atlanta, filed a trademark application (serial no. 78755527) for “American Deli” with the U.S. Patent and Trademark Office. ADP has filed an Opposition to Registration with the Trademark Trial and Appeal Board. ADP asserts that it and its predecessor had prior use of the mark and therefore the registration should not be granted, and ADP intends to vigorously pursue its opposition to the registration. ADP further otherwise dispute the factual assertions claimed by Messrs. Lee in their application.

Except as described above, we know of no superior prior rights or infringing uses of any Mark that could materially affect your use of the Marks in this or any other state.

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

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

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

We may require you, at your expense, to discontinue or modify your use of any of the Marks or to use one or more additional or substitute trade names, service marks, trademarks, symbols, logos, emblems and indicia of origin if we determine that an addition or substitution will benefit the System.

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

1. To grant other licenses for the use of the Marks in addition to those licenses already granted to existing franchisees;
2. To develop and establish other systems using the Marks or other names or marks, and to grant licenses or franchises in those systems without providing any rights to you; and
3. To engage, directly or indirectly, at wholesale, retail or otherwise, in (a) the production, distribution, license and sale of products and services and (b) the use of the Marks and any



and all trademarks, trade names, service marks, logos, insignia, slogans, emblems, symbols, designs and other identifying characteristics we may develop for that purpose.

ITEM 14 PATENTS, COPYRIGHTS AND PROPRIETARY INFORMATION

Patents and Copyrights

We have no patents or registered copyrights that are material to the franchised business.

Confidential Manuals

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

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

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

Confidential Information

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

If we ask, you must have your General Manager and any of your management personnel who have received or will have access to confidential information, sign similar covenants. (See Item 17). The covenants will be substantially as set forth in Attachment C to the Franchise Agreement. Your Principals also must sign these covenants.

If you or your Controlling Principals develop any new concept, process or improvement in the operation or promotion of the Restaurant, you must promptly notify us and give us all necessary

information, free of charge. You and your Controlling Principals must acknowledge that any of these concepts, processes or improvements will become our property and we may give the information to other franchisees.

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

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

The Operating Principal may, at his option, and subject to our approval, designate an individual to perform the duties and obligations of the Operating Principal described in the Agreements and in this Disclosure Document. The Operating Principal must take all necessary action to ensure that the designee conducts and fulfills all of the Operating Principal’s obligations and will remain fully responsible for his performance. The Operating Principal (or his designee, if applicable) must devote substantial full time and best efforts to the supervision and performance of the Restaurant. The Operating Principal must sign the Agreements as one of your Controlling Principals, and will individually guarantee all of your obligations, and will be jointly and severally bound by all of your obligations and the obligations of the Operating Principal and your Controlling Principals under the Agreements.

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

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

As described in Item 1, we have identified certain persons under the Agreements that we refer to in this Disclosure Document as your Principals. Your Principals include your spouse, if you are a married individual, your Principals also include those of your business entity’s officers and directors (including the officers and directors of your general partner, if applicable) whom we designate as your Principals and all holders of an ownership interest in you and in any entity that directly or indirectly controls you, and any other person or entity controlling, controlled by, or under common control with you.

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

Under the Franchise Agreement, you must retain at all times a General Manager and the other personnel that are needed to operate and manage the Restaurant. The General Manager must satisfy our educational and business criteria as provided to you in the Manuals or other written instructions, and must

be acceptable to us. In addition, the General Manager must be responsible for the supervision and management of the Restaurant, and must devote full time and best efforts to this activity. The General Manager also must satisfy the applicable training requirements in the Franchise Agreement. If the General Manager cannot serve in the position or does not meet the requirements, he must be replaced within the same time period and under the same conditions stated above for the Operating Principal.

You must also obtain covenants not to compete, including covenants applicable on the termination of the person's relationship with you, from your General Manager and any of your other management personnel who have received or will have access to our training before employment, and any holder of a beneficial interest in you (except for any limited partners) who is not designated as a Controlling Principal and does not sign the Franchise Agreement as a Controlling Principal. You must require all of your management personnel to sign covenants that they will maintain the confidentiality of information they receive or have access to based on their relationship with you (see Item 14). These covenants will be in substantially the same form attached to the Franchise Agreement as Attachment C. We reserve the right, in our discretion, to decrease the period of time or geographic scope of the noncompetition covenants contained in the attachments or eliminate the noncompetition covenants altogether for any party that is required to sign an agreement as described in this paragraph. (See Item 17).

ITEM 16 RESTRICTIONS ON WHAT THE FRANCHISEE MAY SELL

Franchise Agreement

You must comply with all of our standards and specifications relating to the purchase of all food, food products and beverage items, ingredients, supplies, materials, fixtures, furnishings, equipment (including point of sale systems and computer systems), utensils and other kitchen items and products used or sold at the Restaurant (see Item 8).

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

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

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

We and our affiliates have developed certain products for use in the System that are prepared from proprietary recipes and certain products that bear the Marks. Because of the importance of quality and uniformity of production and the significance of the proprietary recipe and trademarked products in the System, it is to our and your benefit that we closely control the production and distribution of these products. You must use our recipes and certain products manufactured by or on behalf of us. You must purchase all of your requirements for these products only from us or from sources designated by us or, with respect to products manufactured by or on our behalf, from a seller of these products.

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

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

We impose no other restrictions in the Franchise Agreement as to the goods or services that you may offer or sell or as to the customers to whom you may offer or sell (see Item 8).

ITEM 17 RENEWAL, TERMINATION, TRANSFER AND DISPUTE RESOLUTION

THE FRANCHISE RELATIONSHIP

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

Provision	Section in franchise or other agreement	Summary
a. Length of the term of the franchise	Section 3.1	Term continues for 10 years from the date the Restaurant opens unless terminated earlier.
b. Renewal or extension of the term	Section 3.2	Franchise Agreement may be renewed at your option for two additional 5 year terms.
c. Requirements for franchisee to renew or extend	Section 3.2	To renew you must give at least 6 months notice, repair and update equipment and Restaurant premises, not be in breach of any agreement with us or our affiliates, have the right to remain in possession of Restaurant premises, pay renewal fee, sign our then-current franchise agreement (which may contain materially different terms and conditions than your franchise agreement) and general release, and comply with current qualification and training requirements (see State Addendums to Disclosure Document and State Amendments to Franchise Agreement).
d. Termination by franchisee	Not Applicable	Not Applicable
e. Termination by franchisor without cause	Not Applicable	Not Applicable
f. Termination by franchisor with cause	Sections 16.1, 16.2 and 16.3	Each of your obligations under the Franchise Agreement is a material and essential obligation, the breach of which may result in termination.
g. "Cause" defined – curable defaults	Sections 16.2 and 16.3	We may terminate you for cause if you fail to cure certain defaults, including: If you or any of your affiliates fail to pay any monies owed to us, or our affiliates or vendors, and do not cure within 5 days after notice (or longer period required), fail to have signed the Confidentiality and Noncompetition Covenants contained in the Franchise Agreement within 5 days after a request, fail to procure and maintain required insurance within 7 days after notice, use the Marks in an unauthorized manner and fail to cure within 24 hours after notice, fail to cure any other default that is susceptible of cure within 30 days after notice.

Provision	Section in franchise or other agreement	Summary
h. "Cause" defined – non-curable defaults	Sections 16.1 and 16.2	We may terminate you for cause if you fail to cure certain defaults, including: If you become insolvent, make a general assignment for benefit of creditors, file a petition or have a petition initiated against you under federal bankruptcy laws, have outstanding judgments against you for over 30 days, sell unauthorized products or services, fail to acquire an accepted location within time required, fail to remodel when required, fail to open Restaurant when required, abandon or lose right to the Restaurant premises, are convicted of a felony or other crime that may have an adverse affect on the System or Marks, transfer any interest without our consent or maintain false books or records.
i. Franchisee's obligations on termination/non-renewal	Section 17	Obligations include: you must cease operating the Restaurant and using the Marks and System and completely deidentify the business, pay all amounts due to us or our affiliates, return all Franchise Manuals and other proprietary materials, comply with confidentiality requirements, and at our option, sell or assign to us your rights in the Restaurant premises and the equipment and fixtures used in the business.
Assignment of contract by franchisor	Section 14.1	We have the right to transfer or assign the Franchise Agreement to any person or entity without restriction.
"Transfer" by franchisee – defined	Section 14.2(a)	Includes sale, assignment, conveyance, pledge, mortgage or other encumbrance of any interest in the Franchise Agreement, the Restaurant or you (if you are not a natural person).
Franchisor approval of transfer by franchisee	Section 14.2(b)	You must obtain our consent before transferring any interest. We will not unreasonably withhold our consent.
m. Conditions for franchisor approval of transfer	Section 14.2(b)	Conditions include: you must pay all amounts due us or our affiliates, not otherwise be in default, sign a general release, and pay a transfer fee. Transferee must meet our criteria, attend training and sign current Franchise Agreement (see State Addendums to Disclosure Document and State Amendments to Franchise Agreement).
n. Franchisor's right of first refusal to acquire franchisee's business	Section 14.4	Within 30 days after notice, we have the option to purchase the transferred interest on the same terms and conditions.
o. Franchisor's option to purchase franchisee's business	Sections 17.12 and 14.4	Other than assets on termination, nonrenewal or right of first refusal, we have no right or obligation to purchase your business.
p. Death or disability of franchisee	Section 14.5	If you or a Controlling Principal are a natural person, on death or permanent disability, we must approve your successor, or franchise must be transferred to someone approved by us within 6 months after death or notice of permanent disability.
q. Non-competition covenants during the term of the franchise	Section 10.3(a)	You are prohibited from operating or having an interest in a similar business.
r. Non-competition covenants after the franchise is terminated or expires	Section 10.3(b)	You and your Controlling Principals are prohibited from operating or having an interest in a similar business which is located, or is intended to be located within a 10-mile radius of any Restaurant in existence or under construction as of the earlier of (i) the expiration or termination of, or the transfer of all of your interest in, the Franchise Agreement or (ii) the time a Controlling Principal ceases to satisfy the definition of a Controlling Principal, as applicable.
s. Modification of the agreement	Sections 10.1(e), 10.3(e) and 18.3	Franchise Agreement may not be modified unless mutually agreed to in writing. You must comply with Franchise Manuals as amended.
t. Integration/merger clause	Section 18.2	Only the terms of the Franchise Agreement and other related written agreements are binding (subject to applicable state law). No other representations or promises will be binding.

Provision	Section in franchise or other agreement	Summary
u. Dispute resolution by arbitration or mediation	Sections 18.8 and 18.9	Except for actions brought by us for monies owed, injunctive or extraordinary relief, or actions involving real estate, all disputes must be mediated at our headquarters or arbitrated in Riverdale, Georgia.
v. Choice of forum	Section 18.10	The venue for all proceedings related to or arising out of the Franchise Agreement is Clayton County, Georgia, unless otherwise brought by us (see State Addendums to Disclosure Document and State Amendments to Franchise Agreement).
w. Choice of law	Section 18.10	The Franchise Agreement is to be interpreted, governed and construed under Georgia law (except for Georgia choice of law rules) (see State Addendums to Disclosure Document and State Amendments to Franchise Agreement).

The provision in the Agreements that terminates the agreement upon your bankruptcy may not be enforceable under Title 11, United States Code Section 101.

ITEM 18 PUBLIC FIGURES

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

ITEM 19 FINANCIAL PERFORMANCE REPRESENTATIONS

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

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 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 Eunki Han, 6401 Highway 85, Riverdale, Georgia 30274, Tel: 770-991-2220, the Federal Trade Commission, and the appropriate state regulatory agency.

**ITEM 20
OUTLETS AND FRANCHISEE INFORMATION**

SYSTEMWIDE OUTLET SUMMARY FOR YEARS 2006 TO 2008				
Outlet Type	Year	Outlets at the Start of the Year	Outlets at the End of the Year	Net Change
Franchised	2006	12	22	10
	2007	22	34	12
	2008	34	42	8
Company-Owned	2006	3	3	0
	2007	3	4	1
	2008	4	5	1
Total Outlets	2006	15	25	10
	2007	25	38	13
	2008	38	47	9

TRANSFERS OF OUTLETS FROM FRANCHISEES TO NEW OWNERS (OTHER THAN THE FRANCHISOR) FOR YEARS 2006 TO 2008		
State	Year	Number of Transfers
Alabama	2006	0
	2007	0
	2008	0
Georgia	2006	1
	2007	2
	2008	0
Mississippi	2006	0
	2007	1
	2008	0
Total	2006	1
	2007	3
	2008	0

STATUS OF FRANCHISE OUTLETS FOR YEARS 2006 TO 2008								
State	Year	Outlets at Start of Year	Outlets Opened	Terminations	Non-Renewals	Reacquired by Franchisor	Ceased Operations – Other Reasons	Outlets at End of the Year
Alabama	2006	0	2	0	0	0	0	2
	2007	2	0	0	0	0	0	2
	2008	2	0	0	0	0	0	2
Georgia	2006	11	7	0	0	0	0	18
	2007	18	12	0	0	0	0	30
	2008	30	8	0	0	0	0	38
Mississippi	2006	1	1	0	0	0	0	2
	2007	2	0	0	0	0	0	2
	2008	2	0	0	0	0	0	2
Total	2006	12	10	0	0	0	0	22
	2007	22	12	0	0	0	0	34
	2008	34	8	0	0	0	0	42

STATUS OF COMPANY-OWNED OUTLETS FOR YEARS 2006 TO 2008							
State	Year	Outlets at Start of Year	Outlets Opened	Outlets Reacquired From Franchisee	Outlets Closed	Outlets Sold to Franchisee	Outlets at End of the Year
Total	2006	3	0	0	0	0	3
	2007	3	1	0	0	0	4
	2008	4	1	0	0	0	5

We do not operate any Restaurants. The Restaurants listed above are owned by our founder Mr. Kim Chong Chon or ADI.

PROJECTED OPENINGS AS OF DECEMBER 31, 2008			
State	Franchise Agreements Signed But Outlet Not Opened	Projected New Franchised Outlets In The Next Fiscal Year	Projected New Company-Owned Outlets In The Next Fiscal Year
Alabama	1	5	1
Georgia	2	10	2
Total	3	15	3

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

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

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

We do not have a franchise advisory board.

ITEM 21 FINANCIAL STATEMENTS

Attached as Exhibit A is our unaudited balance sheet as of January 1, 2009. We were just recently formed and did not commence business until January 1, 2009, and therefore there are no statements of operation, stockholders equity and cash flows for any period prior to January 1, 2009.

ITEM 22 CONTRACTS

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

- | | | |
|----|-----------------------------------------|------------------|
| 1. | Franchise Agreement | <u>Exhibit B</u> |
| 2. | Electronic Funds Transfer Authorization | <u>Exhibit C</u> |
| 3. | Power of Attorney (Telecommunications) | <u>Exhibit D</u> |
| 4. | Power of Attorney (Tax) | <u>Exhibit E</u> |
| 5. | Form of General Release | <u>Exhibit J</u> |
| 5. | Form of Promissory Note | <u>Exhibit K</u> |

**ITEM 23
RECEIPTS**

When you receive this Disclosure Document, please have all applicants sign and return Copy 2 of the appropriate Receipt page attached at the back of this Disclosure Document to American Deli Franchising, Inc., 6401 Highway 85, Riverdale, Georgia 30274, acknowledging your receipt of the Disclosure Document. Please keep Copy 1 for your records.



**STATE ADDENDUMS TO AMERICAN DELI, INC.
FRANCHISE DISCLOSURE DOCUMENT**

CALIFORNIA

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

THE CALIFORNIA FRANCHISE INVESTMENT LAW REQUIRES THAT A COPY OF ALL PROPOSED AGREEMENTS RELATING TO THE SALE OF THE FRANCHISE BE DELIVERED TOGETHER WITH THE DISCLOSURE DOCUMENT.

Neither the Franchisor, any person or franchise broker in item 2 of the Disclosure Document is subject to any currently effective order of any national securities association or national securities exchange, as defined in the securities exchange act of 1934, 15 U.S.C.A. 78a et seq., suspending or expelling such persons from membership in such association or exchange.

Enforceability of termination upon bankruptcy is a matter governed by federal bankruptcy law, and enforceability or nonenforceability is subject to that law and rulings or to a court of competent jurisdiction.

California Franchise Investment Law and California Franchise Relationship Act provide rights to the Franchisee concerning termination, nonrenewal and other aspects of the Agreement and the Franchise relationship.

The Agreement requires binding arbitration. The arbitration will occur at Riverdale, Georgia, with the costs being borne as the arbitrator determines. Prospective franchisees are encouraged to consult private legal counsel to determine the applicability of California and federal laws (such as Business and Professions Code Section 2004.5, Code of Civil Procedure Section 1281, and the Federal Arbitration Act) to any provisions of a franchise agreement restriction venue to a forum outside the State of California.

ILLINOIS

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

THE CONDITIONS UNDER WHICH YOUR FRANCHISE CAN BE TERMINATED AND YOUR RIGHTS UPON NONRENEWAL MAY BE AFFECTED BY ILLINOIS LAW, 815 ILCS 705/19 AND 705/20.

If any of the provisions of this Disclosure Document (including Risk Factors 1. and 2., Cover Page, and Items 17(v) and (w)) are inconsistent with Section 4. of the Illinois Franchise Disclosure Act, which states that any provision in a franchise agreement that designates jurisdiction or venue in a forum outside of Illinois, except for arbitration, is void, or Illinois Regulation Section 200.608, which states that a franchise agreement shall not require a franchisee to litigate any cause of action, with the exception of arbitration proceedings, arising under the franchise agreement or the Illinois Franchise Disclosure Act outside of Illinois, nor shall a franchise agreement provide for a choice of law provision for any state other than Illinois, then said Illinois law shall apply to the extent such law is constitutional and valid as applied.



The second paragraph of the Receipt attached to the end of this Disclosure Document is amended to read as follows:

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

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

INDIANA

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

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

MARYLAND

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

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

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

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

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

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

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

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

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

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

MICHIGAN

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

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

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

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

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

IF WE DO NOT DELIVER THIS DISCLOSURE DOCUMENT ON TIME OR IF IT CONTAINS A FALSE OR MISLEADING STATEMENT, OR A MATERIAL OMISSION, A VIOLATION OF FEDERAL AND STATE LAW MAY HAVE OCCURRED AND SHOULD BE REPORTED TO THE FEDERAL TRADE COMMISSION, WASHINGTON, D.C. 20580 AND THE OFFICE OF THE ATTORNEY GENERAL, CONSUMER PROTECTION DIVISION, 670 LAW BLDG., LANSING, MICHIGAN 48913.

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

- (A) A PROHIBITION ON THE RIGHT OF A FRANCHISEE TO JOIN AN ASSOCIATION OF FRANCHISEES.
- (B) A REQUIREMENT THAT A FRANCHISEE ASSENT TO A RELEASE, ASSIGNMENT, NOVATION, WAIVER, OR ESTOPPEL WHICH DEPRIVES A FRANCHISEE OF RIGHTS AND PROTECTIONS PROVIDED IN THIS ACT. THIS SHALL NOT PRECLUDE A FRANCHISEE, AFTER ENTERING INTO A FRANCHISE AGREEMENT, FROM SETTLING ANY AND ALL CLAIMS.
- (C) A PROVISION THAT PERMITS A FRANCHISOR TO TERMINATE A FRANCHISE PRIOR TO THE EXPIRATION OF ITS TERM EXCEPT FOR GOOD CAUSE. GOOD CAUSE SHALL INCLUDE THE FAILURE OF THE FRANCHISEE TO COMPLY WITH ANY LAWFUL PROVISION OF THE FRANCHISE AGREEMENT AND TO CURE SUCH FAILURE AFTER BEING GIVEN WRITTEN NOTICE THEREOF AND A REASONABLE OPPORTUNITY, WHICH IN NO EVENT NEED BE MORE THAN 30 DAYS, TO CURE SUCH FAILURE.
- (D) A PROVISION THAT PERMITS A FRANCHISOR TO REFUSE TO RENEW A FRANCHISE WITHOUT FAIRLY COMPENSATING THE FRANCHISEE BY REPURCHASE OR OTHER

MEANS FOR THE FAIR MARKET VALUE, AT THE TIME OF EXPIRATION, OF THE FRANCHISEE'S INVENTORY, SUPPLIES, EQUIPMENT, FIXTURES, AND FURNISHINGS. PERSONALIZED MATERIALS WHICH HAVE NO VALUE TO THE FRANCHISOR AND INVENTORY, SUPPLIES, EQUIPMENT, FIXTURES, AND FURNISHINGS NOT REASONABLY REQUIRED IN THE CONDUCT OF THE FRANCHISE BUSINESS ARE NOT SUBJECT TO COMPENSATION. THIS SUBSECTION APPLIES ONLY IF: (i) THE TERM OF THE FRANCHISE IS LESS THAN 5 YEARS; AND (ii) THE FRANCHISEE IS PROHIBITED BY THE FRANCHISE OR OTHER AGREEMENT FROM CONTINUING TO CONDUCT SUBSTANTIALLY THE SAME BUSINESS UNDER ANOTHER TRADEMARK, SERVICE MARK, TRADE NAME, LOGOTYPE, ADVERTISING, OR OTHER COMMERCIAL SYMBOL IN THE SAME AREA SUBSEQUENT TO THE EXPIRATION OF THE FRANCHISE OR THE FRANCHISEE DOES NOT RECEIVE AT LEAST 6 MONTHS ADVANCE NOTICE OF FRANCHISOR'S INTENT NOT TO RENEW THE FRANCHISE.

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

FRANCHISEE HAS BREACHED THE LAWFUL PROVISIONS OF THE FRANCHISE AGREEMENT AND HAS FAILED TO CURE THE BREACH IN THE MANNER PROVIDED IN SUBDIVISION (C).

- (I) A PROVISION WHICH PERMITS THE FRANCHISOR TO DIRECTLY OR INDIRECTLY CONVEY, ASSIGN, OR OTHERWISE TRANSFER ITS OBLIGATIONS TO FULFILL CONTRACTUAL OBLIGATIONS TO THE FRANCHISEE UNLESS PROVISION HAS BEEN MADE FOR PROVIDING THE REQUIRED CONTRACTUAL SERVICES.

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

* * * *

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

MINNESOTA

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

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

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

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

Item 17.m. is amended to reflect that the general release language is deleted in the Agreements issued to Minnesota franchisees.

NEW YORK

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

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



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

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

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

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

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

“To the extent required by the New York General Business Law, you may terminate the Agreement on any grounds available by law.”

(b) By adding the following in the “Summary” column opposite category w., “Choice of law”:

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

NORTH CAROLINA

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

The State of North Carolina has not reviewed and does not approve, recommend, endorse or sponsor any business opportunity. The information contained in this disclosure document has not been verified by the State. If you have any questions about this investment, see an attorney before you sign a contract or agreement.

Item 8 shall be supplemented with the following pursuant to §66-95(9) of the North Carolina Business Opportunity Sales Act:

If the seller fails to deliver the product(s), equipment or supplies necessary to begin substantial operation of the business within 45 days of the delivery date stated in your contract, you may notify the seller in writing and demand that the contract be cancelled.

NORTH DAKOTA

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

Applicable law provisions of the Agreement are amended as to North Dakota franchises.

The provisions of Section 18.14 of the Franchise Agreement are amended with respect to North Dakota franchisees.

RHODE ISLAND

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

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

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

SOUTH CAROLINA

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

The State of South Carolina has not reviewed and does not approve, recommend, endorse or sponsor any business opportunity. The information contained in this disclosure document has not been verified by the State. If you have any questions about this investment, see an attorney before you sign a contract or agreement.

Item 8 shall be supplemented with the following pursuant to §39-57-30(9) of the South Carolina Business Opportunity Sales Act:

If the seller fails to deliver the product, equipment or supplies necessary to begin substantial operation of the business within forty-five days of the delivery date stated in your contract, you may notify the seller in writing and demand that the contract be cancelled.

VIRGINIA

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

Virginia Administrative Code, Title 21, Chapter 110, Sections 5-110-10 through 5-110-90 (the “Act”) provides rights to the franchisee concerning termination or nonrenewal of a franchise. If the Act applies and the Agreement is inconsistent with the Act, the Act will control.

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

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

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

WASHINGTON

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

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

Provisions of the Agreement contract may be inconsistent with the provisions of the Washington Franchise Investment Protection Act, RCW Chapter 19.100 (“the Act”).

In any arbitration involving a franchise purchased in Washington, the arbitration site shall be either in the State of Washington, or in a place mutually agreed upon at the time of arbitration, or as determined by the arbitrator.

Transfer fees are collectible to the extent that they reflect the Franchisor's reasonable estimated or actual costs in effecting a transfer.

The provisions of Washington statute RCW 19.100.180 and/or certain court decisions may supersede the provisions in the Agreement relating to Franchisee's relationship with Franchisor, including provisions relating to renewal and termination of the franchise.

A release or waiver of rights executed by Franchisee shall not include rights under the Act except when executed pursuant to a negotiated settlement after the agreement is in effect and where the parties are represented by independent counsel. Provisions such as those which unreasonably restrict or limit the statute of limitations period for claims under the Act and rights or remedies under the Act such as a right to a jury trial may not be enforceable.

WISCONSIN

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

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

The Wisconsin Fair Dealership Act, Wisconsin Statutes, Chapter 135, may apply to and govern the provisions of franchise Disclosure Documents issued in Wisconsin.

The Act's requirements, including the requirements that, in certain circumstances, a franchisee receives ninety (90) days notice of termination, cancellation, nonrenewal or substantial change in competitive circumstances, and sixty (60) days to remedy claimed deficiencies, may supersede the requirements of the Agreement, to the extent that they may be inconsistent with the Act's requirements.

EXHIBIT A

FINANCIAL STATEMENTS

**AMERICAN DELI, INC.
Balance Sheet
As of January 1, 2009**

Cash Basis

Jan. 1, 2009

ASSETS

Current Assets

Checking/Savings

Cash

\$1,000.00

Total Checking/Savings

\$1,000.00

Accounts Receivable

Accounts Receivable

Total Accounts Receivable

\$0

Other Current Assets

Deposits

Products Inventory

Intellectual Property Assets

Total Other Current Assets

\$1.00.00

\$1.00.00

Total Current Assets

\$1,001.00

Fixed Assets

Property and Equipment

Total Fixed Assets

\$0

Other Assets

Total Other Assets

\$1.00.00

TOTAL ASSETS

\$1,001.00



LIABILITIES AND EQUITY

Liabilities

Current Liabilities

Other Current Liabilities

Total Other Current Liabilities

\$0

Total Current Liabilities

\$0

Long Term Liabilities

Notes Payable

Total Long Term Liabilities

\$0

Total Liabilities

\$0

Equity

Capital Stock

\$1,001.00

Net Income

Total Equity

\$1,001.00

TOTAL LIABILITIES & EQUITY

\$1,001.00



EXHIBIT B

FRANCHISE AGREEMENT



Hosted by www.educatedfranchisee.com
A Free, Community-Based Project

AMERICAN DELI FRANCHISING, INC. FRANCHISE AGREEMENT

Franchisee: _____

Controlling Principal(s): _____

Date: _____, 2009

Notice Address: _____

Fax: _____

Email: _____

Initial Franchise Fee: \$ _____

Location: _____

Assigned Area: _____

Site Selection Area: _____

Opening Date: _____

Statement of Ownership Interests:

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

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

Franchise Type:	<input checked="" type="checkbox"/> New	<input type="checkbox"/> Renewal	<input type="checkbox"/> Transfer
------------------------	------------------------------------------------	-----------------------------------------	------------------------------------------



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ATTACHMENT A - CONTROLLING PRINCIPALS GUARANTY AND COVENANT

ATTACHMENT B - COLLATERAL ASSIGNMENT OF LEASE

ATTACHMENT C - CONFIDENTIALITY AGREEMENT AND ANCILLARY COVENANTS NOT TO COMPETE



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**AMERICAN DELI FRANCHISING, INC.
FRANCHISE AGREEMENT**

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

WITNESSETH:

Franchisor, as the result of the expenditure of time, skill, effort and money, has developed and owns a unique and distinctive system ("System") relating to the establishment and operation of quick service restaurants ("Restaurants") that feature chicken wings, philly cheese steak and other sandwiches, other freshly prepared, grilled or fried items, beverage items and promotional items;

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

Franchisor identifies the System by means of certain trade names, service marks, trademarks, logos, emblems and indicia of origin, including, but not limited to, the mark "American Deli" and such other trade names, service marks, and trademarks as are now designated (and may hereafter be designated by Franchisor in writing) for use in connection with the System (hereinafter referred to as "Marks");

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

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

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

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

ARTICLE I. GRANT

1.1 Grant. Franchisor hereby grants to Franchisee, upon the terms and conditions in this Agreement, the right and license, and Franchisee hereby accepts the right and obligation, to operate a Restaurant under the Marks and the System in accordance with this Agreement (the "franchised business"). Franchisee and the Controlling Principals (as defined in Section 18.21) have represented to Franchisor that they have entered this Agreement with the intention to comply fully with the obligations to construct a Restaurant hereunder and not for the purpose of reselling the rights to develop the Restaurant hereunder. Franchisee and the Controlling Principals understand and acknowledge that Franchisor has granted such rights in reliance on the business skill, financial capacity, personal character



of, and expectations of performance hereunder by Franchisee and the Controlling Principals and that this Agreement and the rights and obligations hereunder may not be transferred until after the Restaurant is open for business to the public and in accordance with Section 2.6.

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

1.3 Assigned Area. After determination of the Location for the Restaurant, Franchisee will be assigned a primary area of operation (“Assigned Area”) that will also be set forth on the cover page of this Agreement. Franchisee shall make all commercially reasonable efforts to advertise and promote the franchised business in the Assigned Area in accordance with Article VIII. Except as provided in this Agreement, and subject to Franchisee’s and the Controlling Principals’ full compliance with this Agreement, any other agreement among Franchisee or any of its affiliates (defined as any entity that is controlled by, controlling or under common control with such other entity) and Franchisor or any of its affiliates, neither Franchisor nor any affiliate shall establish or authorize any other person or entity, other than Franchisee, to establish a Restaurant in the Assigned Area during the term of this Agreement. Franchisee acknowledges and understands that the rights granted hereunder pertain only to the establishment of a Restaurant. Notwithstanding the above, Franchisor, any franchisee and any other authorized person or entity shall have the right, at any time, to advertise and promote the System, and fill customer orders by providing catering and delivery services in the Assigned Area. Franchisee acknowledges and agrees that Franchisor operates Restaurants under the Marks, and further agrees and acknowledges that the license granted hereby is only for the operation of one Restaurant. Accordingly, in the Assigned Area, Franchisor and its affiliates may also offer and sell (and may authorize others to offer and sell): (i) collateral products under the Marks, at or from any location, such as pre-packaged food products and memorabilia; (ii) food and beverage services under the Marks at or through any other distribution system or food service facility (other than a Restaurant); and (iii) any products or food and beverage services under any other names and marks.

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

ARTICLE II. SITE SELECTION, PLANS AND CONSTRUCTION

2.1 Franchisee’s Responsibility. Franchisee assumes all cost, liability, expense and responsibility for locating, obtaining and developing a site for the Restaurant and for constructing and equipping the Restaurant at such site. Franchisee shall not make any binding commitment to a

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

2.2 Site Selection.

(a) Consent to Site. Prior to acquiring by lease or purchase a site for the Restaurant, Franchisee shall locate a site for the Restaurant that satisfies the site selection guidelines provided to Franchisee by Franchisor pursuant to Section 5.1 and shall submit to Franchisor in the form specified by Franchisor a description of the site, including evidence satisfactory to Franchisor demonstrating that the site satisfies Franchisor's site selection guidelines, together with such other information and materials as Franchisor may reasonably require, including, but not limited to, a letter of intent or other evidence satisfactory to Franchisor that confirms Franchisee's favorable prospects for obtaining the site. Recognizing that time is of the essence, Franchisee shall submit such information and materials for the proposed site to Franchisor for its consent no later than one hundred eighty (180) days after the execution of this Agreement. Franchisor shall have thirty (30) days after receipt of this information and materials to consent, in its sole discretion, to the proposed site as the location for the Restaurant. No site may be used for the location of the Restaurant unless it is consented to in writing by Franchisor.

(b) Acquisition of Site. If Franchisee will purchase the premises for the Restaurant, Franchisee shall submit a copy of the proposed contract of sale to Franchisor for its written consent prior to its execution and shall furnish to Franchisor a copy of the executed contract of sale within ten (10) days after execution. If Franchisee will occupy the premises of the Restaurant under a lease, Franchisee shall submit a copy of the lease to Franchisor for written consent prior to its execution and shall furnish to Franchisor a copy of the executed lease within ten (10) days after execution. No lease for the Restaurant premises shall be consented to by Franchisor unless a collateral assignment of lease, in substantially the form attached as Attachment B, is executed by Franchisee and delivered to Franchisor. Franchisor shall have fifteen (15) days after receipt of the lease or the proposed contract of sale to consent to such documentation prior to its execution. Within forty-five (45) days after Franchisor has consented to the site for the Restaurant (or such longer period as Franchisor consents to in writing), Franchisee shall acquire such site by purchase or lease. Failure by Franchisee to acquire the site for the Restaurant within the time and in the manner required herein shall constitute a material event of default under this Agreement.

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

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

request, Franchisee shall provide to Franchisor additional copies of Franchisee's insurance policies or certificates of insurance and copies of all such approvals, clearances, permits and certifications.

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

2.5 Construction.

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

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

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

2.6 Opening. Franchisee acknowledges that time is of the essence. Subject to Franchisee's compliance with the conditions stated below, Franchisee shall open the Restaurant and commence business within ninety (90) days after Franchisee has obtained possession of the Location, unless

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

ARTICLE III. TERM AND RENEWAL

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

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

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

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

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

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

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

(f) Renewal Franchise Agreement. Franchisee and/or Controlling Principals, as applicable, shall execute Franchisor’s then-current form of renewal franchise agreement, including attachments, which agreement shall supersede this Agreement in all respects, and the terms of which may differ from the terms of this Agreement, including, without limitation, a higher percentage royalty fee,

advertising contribution or expenditure requirement; provided, however, that Franchisee shall pay to Franchisor, in lieu of an initial franchise fee, a renewal fee representing twenty-five percent (25%) of Franchisor's then-current initial franchise fee;

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

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

ARTICLE IV. FEES

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

4.2 Royalty.

(a) Royalty Fee. Franchisee shall pay to Franchisor, in partial consideration for the rights herein granted, a continuing royalty fee of three percent (3%) of Gross Sales. Such royalty fee shall be due and payable each week ("Accounting Period") based on the Gross Sales for the preceding week (the first such Accounting Period beginning on the Opening Date and ending on the Sunday that corresponds to the end of the then-current Accounting Period as determined in accordance with Franchisor's manuals) so that it is received by Franchisor by electronic fund transfer ("EFT") on or before the Wednesday following the end of each Accounting Period (or next business day if the Wednesday is not a business day). A business day for the purpose of this Agreement means any day other than Saturday, Sunday or a national holiday.

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

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

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

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

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

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

(a) Sums representing sales taxes collected directly from customers, based upon present or future laws of federal, state or local governments, collected by Franchisee in the operation of the Restaurant, and any other tax, excise or duty that is levied or assessed against Franchisee by any



federal, state, municipal or local authority, based on sales of specific merchandise sold at or from the Restaurant, provided that such taxes are actually transmitted to the appropriate taxing authority;

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

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

ARTICLE V. FRANCHISOR'S OBLIGATIONS

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

(j) Execution of Documents. Franchisee's Principals shall each execute and bind themselves to the confidentiality and noncompetition covenants set forth in the Confidentiality Agreement and Ancillary Covenants Not to Compete in the form of Attachment C to this Agreement (see Sections

10.2(b) and 10.3(g). The Controlling Principals shall, jointly and severally, guarantee Franchisee's performance of all of Franchisee's obligations, covenants and agreements hereunder, and shall otherwise bind themselves to the terms of this Agreement as stated herein, pursuant to the terms and conditions of the Controlling Principals Guaranty and Covenant in the form of Attachment A to this Agreement, and shall otherwise bind themselves to the terms of this Agreement as stated herein and in the Controlling Principals Guaranty and Covenant; and

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

6.3 Operating Principal.

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

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

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

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

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

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

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

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

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

6.4 General Manager.

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

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

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

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

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

(c) Replacement. If the General Manager is not able to continue to serve in such capacity or no longer qualifies to act as such in accordance with this Section, Franchisee shall promptly notify Franchisor and designate a replacement within thirty (30) days after the General Manager ceases to serve, such replacement being subject to the same qualifications listed above (including completing all training and obtaining all certifications required by Franchisor). Franchisee shall provide for interim management of the Restaurant until such replacement is so designated, such interim management to be conducted in accordance with the terms of this Agreement. Any failure to comply with the requirements of this Section shall be deemed a material event of default under this Agreement. If Franchisee fails to have a replacement General Manager satisfactorily complete Franchisor’s training or certified as meeting such requirements, in lieu of termination, Franchisor may charge Franchisee an additional support fee until such General Manager is properly trained or certified in accordance with Franchisor’s requirements. Such support fee shall be in the amount of one hundred dollars (\$100) per week, and shall be withdrawn from Franchisee’s designated bank account in accordance with Section 4.2(c) at the same time Franchisor withdraws the royalty fee.

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

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

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

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

(d) Opening Assistance. In connection with the opening of the Restaurant, Franchisor shall provide Franchisee with opening assistance by a trained representative of Franchisor. The trainer will provide on-site pre-opening and opening training, supervision, and assistance to Franchisee for a period of approximately five (5) days. With respect to the opening assistance described above and any such assistance provided to a replacement Restaurant established by Franchisee pursuant to Section 1.2, Franchisee shall pay to Franchisor the per diem fee then being charged to franchisees generally for opening assistance, including payment of any expenses incurred by such trainer(s), such as costs of travel, lodging, meals and wages; provided, that if the Restaurant is the first Restaurant developed by Franchisee, Franchisee shall not be required to pay such per diem fee.

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

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

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

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

6.8 Power-of-Attorney.

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

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

ARTICLE VII. FRANCHISE OPERATIONS

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

7.2 Maintenance of Restaurant. Franchisee shall maintain the Restaurant in a high degree of sanitation, repair and condition, and shall make such additions, alterations, repairs and replacements as may be required for that purpose, including, without limitation, such periodic repainting or replacement of signs, furnishings, decor, and equipment (including, but not limited to, point of sale systems and computer systems) as Franchisor may reasonably direct. Franchisee shall also obtain, at Franchisee's cost and expense, any new or additional equipment, fixtures, supplies and other products and materials that Franchisor may reasonably require for Franchisee to offer and sell new menu items from the Restaurant or

to provide the Restaurant services by alternative means. Except as may be expressly provided in the Manuals, no alterations or improvements or changes of any kind in design, equipment, signs, interior or exterior decor items, fixtures or furnishings shall be made in or about the Restaurant or its premises without Franchisor's prior written approval.

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

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

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

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

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

(c) Inventory. To maintain in sufficient supply and to use and sell at all times only such food and beverage items, ingredients, products, materials, supplies and paper goods that conform to Franchisor's standards and specifications; to prepare all menu items in accordance with the recipes and procedures for preparation contained in the Manuals or other written directives, including, but not limited to, using the brand and/or type of ingredients required by Franchisor and the prescribed measurements of ingredients; and to refrain from deviating from Franchisor's standards and specifications by the use or offer of non-conforming items or differing amounts of any items.

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

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

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

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

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

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

without limitation, information concerning Restaurant Gross Sales, at the times and in the manner that Franchisor may specify from time to time. Upon Franchisor's request, Franchisee shall execute such documents as Franchisor deems necessary to permit Franchisor or its representative to access and retrieve electronically all information stored on any point of sale system or computer system used in connection with the Restaurant. Franchisor also may require Franchisee to enter into software license agreements in the form that Franchisor requires for software Franchisor develops or acquires for use in the System. All information contained in and collected by any such computer program shall be the sole and exclusive property of Franchisor.

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

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

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

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

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

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

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

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

ARTICLE VIII. ADVERTISING AND RELATED FEES

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

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

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

(a) Incentive programs for employees or agents of Franchisee, including the cost of honoring any coupons distributed in connection with such programs;

(b) Research expenditures;

- (c) Salaries and expenses of any employees of Franchisee, including salaries or expenses for attendance at advertising meetings or activities;
- (d) Charitable, political or other contributions or donations;
- (e) In-store materials consisting of fixtures or equipment; and
- (f) Seminar and educational costs and expenses of employees of Franchisee.

8.3 Marketing Fund.

(a) Establishment. Franchisor has established a marketing fund (the “Fund”) on behalf of the System for advertising and marketing. Franchisor will, from time to time, designate a percentage of the Gross Sales of the Restaurant to be contributed to the Fund and Franchisee agrees to contribute that amount at the same time and in the same manner as the corresponding royalty fee is paid; provided that Franchisee will not be required to contribute to the Fund more than two percent (2%) of the Gross Sales of the Restaurant. Franchisor may require Franchisee to allocate to the Fund, all or any portion of Franchisee’s required contributions to a Cooperative as described in Section 8.4 or expenditures for Local Advertising as described in Section 8.2. In reviewing and establishing or modifying the marketing fee, Franchisor shall consider the level of advertising and marketing expenditures by Restaurants operated by Franchisor and by competitors of the System, media costs, available marketing resources, population changes, changes in market conditions, the degree of market penetration of the System, and such other factors as Franchisor deems relevant to the operation of the Fund. Franchisee shall be provided with thirty (30) days prior written notice of any such change in the marketing fee.

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

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

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

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

(iv) The Fund will be operated solely as a conduit for collecting and expending the advertising contributions for the System. The Fund will not be used to defray any of Franchisor’s general operating expenses, except for reasonable administrative costs and overhead that Franchisor may incur in activities related to the administration and direction of the

Fund, generally not to exceed 20% per year. The Fund and its earnings shall not otherwise inure to Franchisor's benefit.

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

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

8.4 Advertising Cooperative.

(a) Establishment. Franchisee agrees that Franchisor shall have the right, in its sole discretion, to designate any geographic area in which two (2) or more Restaurants are located as a region for purposes of establishing an advertising cooperative ("Cooperative"). The members of the Cooperative for any area shall, at a minimum, consist of all Restaurants located in such area. Each Cooperative shall be organized and governed in a form and manner, and shall commence operation on a date, determined in advance by Franchisor in its sole discretion. Each Cooperative shall be organized for the exclusive purposes of administering advertising programs and developing, subject to Franchisor's approval pursuant to Section 8.7, promotional materials for use by the members in Local Advertising. If at the time of the execution of this Agreement a Cooperative has been established for a geographic area that encompasses the Restaurant, or if any such Cooperative is established during the term of this Agreement, Franchisee shall execute such documents as are required by Franchisor immediately upon the request of Franchisor and shall become a member of the Cooperative pursuant to the terms of those documents.

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

(i) Subject to any allocation of Franchisee's contribution to a Cooperative to the Fund as described in Section 8.3, Franchisee shall contribute to the Cooperative such amounts required by the documents governing the Cooperative; provided, however, Franchisee will not be required to contribute more than one percent (1%) of Franchisee's Gross Sales during each Accounting Period to the Cooperative unless, subject to Franchisor's approval, the members of the Cooperative agree to the payment of a larger fee. Notwithstanding the above, the payment of any such Cooperative fee shall be applied toward satisfaction of the Franchisee's Local Advertising requirement set forth in Section 8.2;

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

(iii) No advertising or promotional plans or materials may be used by the Cooperative or furnished to its members without the prior consent of Franchisor or its representative. All such plans and materials shall be submitted to Franchisor in accordance with the procedure set forth in Section 8.7.

8.5 Total Advertising Contribution. Regardless of whether Franchisor establishes a Fund under Section 8.3 applicable to the Restaurant, or a Cooperative is established under Section 8.4 applicable to the Restaurant, the total required advertising contributions or payments by Franchisee under this Article (i) to a Fund, (ii) to a Cooperative, and (iii) for Local Advertising, shall not exceed two percent (2%) of Franchisee's Gross Sales.

8.6 Yellow Pages. Franchisee shall also place and pay the cost of a Yellow Pages trademark or other business listings in the local market area. Any amount paid by Franchisee for such Yellow Pages trademark or other business listings may not be applied by Franchisee toward satisfaction of its Local Advertising requirement.

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

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

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

ARTICLE IX. MARKS

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

9.2 Acknowledgements. Franchisee expressly understands and acknowledges that:

(a) Ownership. Franchisor is the record owner of the Mark “American Deli.” As between Franchisor and Franchisee, Franchisor is the owner of all right, title and interest in and to the Marks and the goodwill associated with and symbolized by them.

(b) No Interference. Neither Franchisee nor any Controlling Principal shall take any action that would prejudice or interfere with the validity of Franchisor’s rights with respect to the Marks. Nothing in this Agreement shall give the Franchisee any right, title, or interest in or to any of the Marks or any of Franchisor’s service marks, trademarks, trade names, trade dress, logos, copyrights or proprietary materials, except the right to use the Marks and the System in accordance with the terms and conditions of this Agreement for the operation of the Restaurant and only at or from its Location or in approved advertising related to the Restaurant.

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

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

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

(f) Substitution. Franchisor reserves the right to substitute different Marks for use in identifying the System and the Restaurant if the current Marks no longer can be used by Franchisor, or if Franchisor, in its sole discretion, determines that substitution of different Marks will be beneficial to the System. In such event, Franchisor may require Franchisee, at Franchisee’s expense, to discontinue or modify Franchisee’s use of any of the Marks or to use one or more additional or substitute Marks.

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

(a) Exact Use. Unless otherwise authorized or required by Franchisor, Franchisee shall advertise the Restaurant only under the Mark “American Deli,” without prefix or suffix. Franchisee shall not use the Marks as part of its corporate or other legal name, and shall obtain the Franchisor’s approval of such corporate or other legal name prior to filing it with the applicable state authority.

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

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

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

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

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

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

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

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

ARTICLE X. CONFIDENTIALITY AND NONCOMPETITION COVENANTS

10.1 Manuals.

(a) Restaurantvery. Franchisor has provided to Franchisee on loan a current copy of the Manuals. The Manuals may be in hard copy or they may be made available to Franchisee in digital, electronic or computerized form or in some other form now existing or hereafter developed that would allow Franchisee to view the contents thereof. If the Manuals (or any changes thereto) are provided in a form other than paper copy, Franchisee shall pay any and all costs to retrieve, review, use or access the Manuals. To protect the reputation and goodwill of Franchisor and to maintain high standards of operation under Franchisor's Marks, Franchisee shall conduct its business in accordance with the Manuals as they may from time to time be modified by Franchisor, other written directives that Franchisor may

issue to Franchisee from time to time whether or not such directives are included in the Manuals, and any other manuals and materials created or approved for use in the operation of the franchised business.

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

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

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

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

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

10.2 Confidential Information.

(a) Confidential. Neither Franchisee nor any Controlling Principal shall, during the term of this Agreement and thereafter, communicate or divulge to, or use for the benefit of, any other person or entity, and, following the expiration or termination of this Agreement, they shall not use for their own benefit, any confidential information, knowledge or know-how concerning the methods of operation of the franchised business that may be communicated to them or of which they may be apprised in connection with the operation of the Restaurant under the terms of this Agreement ("Confidential Information"). Franchisee and the Controlling Principals shall divulge such Confidential Information only to Franchisee's employees who must have access to it in order to operate the Restaurant. Any and all information, knowledge, know-how, techniques and any materials used in or related to the System that Franchisor provides to Franchisee in connection with this Agreement shall be deemed Confidential Information for purposes of this Agreement. Neither Franchisee nor the Controlling Principals shall at any time, without Franchisor's prior written consent, copy, duplicate, record or otherwise reproduce such

Confidential Information, in whole or in part, nor otherwise make the same available to any unauthorized person. The covenant in this Section shall survive the expiration, termination or transfer of this Agreement or any interest herein and shall be perpetually binding upon Franchisee and each of the Controlling Principals.

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

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

10.3 Noncompetition Covenants.

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

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

(ii) Own, maintain, operate, engage in, or have any financial or beneficial interest in (including any interest in a legal entity), advise, assist or make loans to, any business located within the United States, its territories or commonwealths, or any other country, province, state or geographic area in which Franchisor has used, sought registration of or registered the same or similar Marks or operates or licenses others to operate a business under the same or similar Marks, which business is of a character and concept similar to the Restaurant, including a business that offers and sells as a primary menu item any one or more of chicken wings or Philly cheese steak sandwiches.

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

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

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

(iii) Own, maintain, operate, engage in, or have any financial or beneficial interest in (including any interest in a legal entity), advise, assist or make loans to, any business that is of a character and concept similar to the Restaurant, including a business that offers and sells as a primary menu item any one or more of chicken wings or Philly cheese steak sandwiches and salads, which business is, or is intended to be, located within the Assigned Area or within a ten (10)-mile radius of the location of any Restaurant in existence or under construction as of the date (as applicable) of expiration or termination of, or transfer of all of Franchisee's interest in, this Agreement or the time such individual or entity ceases to satisfy the definition of Controlling Principals.

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

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

(e) Reduction of Scope. Franchisee and the Controlling Principals understand and acknowledge that Franchisor shall have the right, in its sole discretion, to reduce the scope of any covenant set forth in this Section, or any portion thereof, without their consent, effective immediately upon notice to Franchisee; and Franchisee and the Controlling Principals agree that they shall comply

forthwith with any covenant as so modified, which shall be fully enforceable notwithstanding the provisions of Section 18.3.

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

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

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

ARTICLE XI. BOOKS AND RECORDS

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

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

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

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

fiscal year; Franchisor reserves the right to require the financial statements described above to be audited by an independent Certified Public Accountant; and

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

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

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

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

11.6 Power-of-Attorney. Notwithstanding any forms and documents that may have been executed by Franchisee under Section 6.8, Franchisee hereby appoints Franchisor its true and lawful attorney-in-fact with full power and authority, for the sole purpose of obtaining any and all returns and reports filed by Franchisee with any state and/or federal taxing authority. This power of attorney shall survive the expiration or termination of this Agreement.

ARTICLE XII. INSURANCE

12.1 Insurance Policy. Franchisee shall procure, upon execution of this Agreement, and shall maintain in full force and effect at all times at Franchisee's expense, an insurance policy or policies protecting Franchisee and Franchisor and its affiliates, successors and assigns, and the officers, directors, shareholders, partners, agents, representatives, independent contractors, servants and employees of each of them against any demand or claim with respect to personal injury, death or property damage, or any loss, liability or expense whatsoever arising or occurring upon or in connection with the Restaurant.

12.2 Coverage. Such policy or policies shall be written by a responsible carrier or carriers reasonably acceptable to Franchisor and shall include, at a minimum (except as additional coverages and

higher policy limits may reasonably be specified by Franchisor from time to time), in accordance with standards and specifications set forth in writing, the following:

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

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

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

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

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

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

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

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

12.6 Additional Insured. All required insurance policies shall name Franchisor and its affiliates and the officers, directors, shareholders, partners, agents, representatives, independent contractors, servants and employees of each of them, as additional insureds, and shall include a waiver of subrogation in favor of the additional insureds. All such insurance policies shall provide that any interest of the additional insureds therein shall not be affected by any breach by Franchisee of any policy provisions. All public liability and property damage policies shall contain a provision that the additional insureds, although named as insureds, shall nevertheless be entitled to recover under such policies on any loss occasioned to them by reason of the negligence of Franchisee or its servants, agents or employees.

12.7 Certificates of Insurance. Upon execution of this Agreement, and thereafter in accordance with Article II and thirty (30) days prior to the expiration of any such policy, Franchisee shall deliver to Franchisor Certificates of Insurance evidencing the existence and continuation of proper coverage with limits not less than those required hereunder. In addition, if requested by Franchisor, Franchisee shall deliver to Franchisor a copy of the insurance policy or policies required hereunder.

Further, all insurance policies required hereunder shall expressly provide that no less than thirty (30) days' prior written notice shall be given to Franchisor in the event of a material alteration to or cancellation of the policies.

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

ARTICLE XIII. DEBTS AND TAXES

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

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

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



ARTICLE XIV. TRANSFER OF INTEREST

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

14.2 Transfer by Franchisee.

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

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

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

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

(iii) Release. The transferor and its principals (if applicable) shall have executed a general release, in a form satisfactory to Franchisor, of any and all claims against Franchisor, its affiliates, their respective partners and the officers, directors, shareholders, partners, agents, representatives, independent contractors, servants and employees of each of

them, in their corporate and individual capacities, including, without limitation, claims arising under this Agreement and federal, state and local laws, rules and regulations;

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

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

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

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

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

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

(x) Transfer Fee. The transferee shall pay to Franchisor a transfer fee of Ten Thousand Dollars (\$10,000) and shall reimburse Franchisor for its reasonable costs and expenses associated with the transfer, including, without limitation, training costs and legal and accounting fees and costs; and

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

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

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

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

14.4 Right of First Refusal.

(a) Notice of Offer. If Franchisee wishes to transfer all or part of its interest in the Restaurant or this Agreement or if a Controlling Principal wishes to transfer any ownership interest in Franchisee, pursuant to any bona fide offer received from a third party to purchase such interest, then such proposed seller shall promptly notify Franchisor in writing of each such offer, and shall provide such information and documentation relating to the offer as Franchisor may require. Franchisor shall have the right and option, exercisable within thirty (30) days after receipt of such written notification and copies of all documentation required by Franchisor describing such offer, to send written notice to the seller that Franchisor intends to purchase the seller's interest on the same terms and conditions offered by the third party. If Franchisor elects to purchase the seller's interest, closing on such purchase must occur within the later of sixty (60) days from the date of notice to the seller of the election to purchase by Franchisor, sixty (60) days from the date Franchisor receives or obtains all necessary documentation, permits and approvals, or such other date as the parties agree upon in writing. Any material change in the terms of any offer prior to closing shall constitute a new offer subject to the same right of first refusal by Franchisor as in the case of an initial offer. Failure of Franchisor to exercise the option afforded by this Section shall not constitute a waiver of any other provision of this Agreement, including all of the requirements of Section 14.2, with respect to a proposed transfer.

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

herein provided, it shall have the right to set off against any payment therefor (i) all fees for any such independent appraiser due from Franchisee hereunder and (ii) all amounts due from Franchisee to Franchisor or any of its affiliates.

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

14.5 Death and Permanent Disability.

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

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

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

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

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

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

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

ARTICLE XV. RELATIONSHIP OF THE PARTIES AND INDEMNIFICATION

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

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

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

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

15.5 Indemnification. Franchisee shall and hereby does indemnify and shall defend at its own cost and save harmless Franchisor, its affiliates, their officers and employees, and their respective successors and assigns, from and against all losses, costs, liabilities, damages, claims and expenses, of every kind and description, however caused, including allegations of negligence by Franchisor or its employees and agents, whether such negligence be sole, joint or concurrent, or active or passive, and including reasonable attorneys' fees, directly or indirectly arising out of or resulting from the construction, operation, alteration, repair or use of the franchised business or the Restaurant premises, including the sale of any food or beverage products, service or merchandise by the franchised business or the operation of any motor vehicle, or of any other business conducted on or in connection with the franchised business by the Franchisee, or because of any act or omission of the Franchisee or anyone associated with, employed by, or affiliated with Franchisee. Franchisee shall promptly give written notice to Franchisor of any action, suit, proceeding, claim, demand, inquiry, or investigation related to the foregoing. Franchisor shall in any event have the right, through counsel of its choice at Franchisee's expense, to control the defense or response to any such action if it could affect the interests of Franchisor, and such undertaking by Franchisor shall not, in any manner or form, diminish Franchisee's obligations to Franchisor hereunder. Under no circumstances shall Franchisor be required or obligated to seek recovery from third parties or otherwise mitigate its losses in order to maintain a claim under this indemnification and against Franchisee, and the failure of Franchisor to pursue such recovery or mitigate loss will in no way reduce the amounts recoverable by Franchisor from Franchisee. The obligations of Franchisee under this Section shall survive the termination, expiration or transfer of this Agreement, or any interest herein.

ARTICLE XVI. DEFAULT AND TERMINATION

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

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

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

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

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

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

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

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

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

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

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

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

(k) Noncompetition. If Franchisee or any of the Controlling Principals fails to comply with the in-term covenants in Section 10.3 or Franchisee fails to obtain execution of the



covenants and related agreements required under Section 10.3(g) within thirty (30) days after being requested to do so by Franchisor.

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

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

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

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

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

(q) Fraud or Conduct Affecting the Marks. If Franchisee or any of the Controlling Principals commits fraud in connection with the purchase or operation of the Restaurant or otherwise engages in conduct that, in the sole judgment of Franchisor, materially impairs the goodwill association with the Marks.

(r) Misuse of Marks. If Franchisee misuses or makes any unauthorized use of the Marks, fails to follow Franchisor's directions and guidelines concerning use of the Marks, or otherwise materially impairs the goodwill associated therewith or with the System or Franchisor's rights therein; and does not cure such default within twenty-four (24) hours following notice from Franchisor.

(s) Default Under Lease. If Franchisee fails to comply with any of the requirements imposed by the lease for the Restaurant premises or the related collateral assignment of lease in favor of Franchisor, and does not cure such default within the cure period, if any, specified in the lease or assignment.

(t) Cross Default. If Franchisee or any of its affiliates are in default under any Franchise Agreement with Franchisor or any of its affiliates and does not cure such default within the time period provided in such Franchise Agreement.

(u) Multiple Defaults. If Franchisee and/or the Controlling Principals commit three (3) or more events of default under this Agreement in any 24 month period, whether or not such defaults are of the same or different nature and whether or not such defaults have been cured by Franchisee after notice by Franchisor.

16.3 Default and Right to Cure. Except as provided in Sections 16.1 and 16.2 of this Agreement, upon any default by Franchisee that is susceptible of being cured, Franchisor may terminate this Agreement by giving written notice of termination stating the nature of such default to Franchisee at least thirty (30) days prior to the effective date of termination. However, Franchisee may avoid

termination by immediately initiating a remedy to cure such default and curing it to Franchisor's satisfaction within the thirty (30)-day period and by promptly providing proof thereof to Franchisor. If any such default is not cured within the specified time, or such longer period as applicable law may require, this Agreement shall terminate without further notice to Franchisee effective immediately upon the expiration of the thirty (30)-day period or such longer period as applicable law may require. Defaults that are susceptible of cure hereunder may include, but are not limited to, the following illustrative events:

(a) If Franchisee fails to comply with any of the requirements imposed by this Agreement, as it may from time to time be amended or reasonably be supplemented by Franchisor, or fails to carry out the terms of this Agreement in good faith.

(b) If Franchisee fails to maintain or observe any of the standards, specifications or procedures prescribed by Franchisor in this Agreement or otherwise in writing.

(c) If Franchisee fails, refuses, or neglects to obtain Franchisor's prior written approval or consent as required by this Agreement.

16.4 Additional Remedies. If Franchisee is in default of this Agreement, Franchisor may, in addition to any other remedies it may have, suspend Franchisee's participation in any advertising or other program Franchisor offers, including any web page for the Restaurant maintained on Franchisor's web site, for so long as Franchisee remains in default.

ARTICLE XVII. POST-TERMINATION

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

17.1 Cease Operation. Franchisee shall immediately cease to operate the Restaurant under this Agreement, and shall not thereafter, directly or indirectly, represent to the public or hold itself out as a present or former franchisee of Franchisor.

17.2 Cease Use of Marks. Franchisee shall immediately and permanently cease to use, in any manner whatsoever, any confidential methods, computer software, procedures, and techniques associated with the System; the mark "American Deli"; and all other Marks and distinctive forms, slogans, signs, symbols, and devices associated with the System. In particular, Franchisee shall cease to use, without limitation, all signs, advertising materials, displays, stationery, forms and any other articles, which display the Marks.

17.3 Cancel Assumed Names. Franchisee shall take such action as may be necessary to cancel any assumed name or equivalent registration that contains the mark "American Deli" or any other service mark or trademark of Franchisor, and Franchisee shall furnish Franchisor with evidence satisfactory to Franchisor of compliance with this obligation within five (5) days after termination or expiration of this Agreement.

17.4 No Imitation. Franchisee agrees, if it continues to operate or subsequently begins to operate any other business, not to use any reproduction, counterfeit, copy or colorable imitation of the Marks, either in connection with such other business or the promotion thereof, that is likely to cause confusion, mistake, or deception, or that is likely to dilute Franchisor's rights in and to the Marks, and further agrees not to utilize any designation of origin or description or representation that falsely suggests or represents an association or connection with Franchisor constituting unfair competition.

17.5 Payment of Monetary Obligations. Franchisee and its Controlling Principals shall promptly pay all sums owing to Franchisor and its affiliates. Such sums shall include all damages, costs and expenses, including reasonable attorneys' fees, incurred by Franchisor as a result of any default by Franchisee, which obligation shall give rise to and remain, until paid in full, a lien in favor of Franchisor against any and all of the personal property, furnishings, equipment, fixtures, and inventory owned by Franchisee and on the premises operated hereunder at the time of default.

17.6 Payment of Damages. Franchisee and the Controlling Principals shall pay to Franchisor all damages, costs and expenses, including reasonable attorneys' fees, incurred by Franchisor in connection with obtaining any remedy available to Franchisor for any violation of this Agreement and, subsequent to the termination or expiration of this Agreement, in obtaining injunctive or other relief for the enforcement of any provisions of this Article.

17.7 Return of Manuals. Franchisee shall immediately deliver to Franchisor all Manuals, records, files, instructions, correspondence, all materials related to operating the Restaurant, including, without limitation, agreements, invoices, and any and all other materials relating to the operation of the Restaurant in Franchisee's possession or control, and all copies thereof (all of which are acknowledged to be Franchisor's property), and shall retain no copy or record of any of the foregoing, except Franchisee's copy of this Agreement and of any correspondence between the parties and any other documents that Franchisee reasonably needs for compliance with any provision of law.

17.8 Confidentiality and Noncompetition. Franchisee and the Controlling Principals shall comply with the restrictions on Confidential Information contained in Article X and shall also comply with the non-competition covenants contained in Article X. Any other person required to execute similar covenants pursuant to Article X shall also comply with such covenants.

17.9 Advertising Materials. Franchisee shall also immediately furnish Franchisor an itemized list of all advertising and sales promotion materials bearing the Marks or any of Franchisor's distinctive markings, designs, labels, or other marks thereon, whether located on Franchisee's premises or under Franchisee's control at any other location. Franchisor shall have the right to inspect these materials. Franchisor shall have the option, exercisable within thirty (30) days after such inspection, to purchase any or all of the materials at Franchisee's cost, or to require Franchisee to destroy and properly dispose of such materials. Materials not purchased by Franchisor shall not be utilized by Franchisee or any other party for any purpose unless authorized in writing by Franchisor.

17.10 Signs and Menu Boards. Upon execution of this Agreement, in partial consideration of the rights granted hereunder, Franchisee acknowledges and agrees that all right, title and interest in the signs and menu boards used at the Restaurant are hereby assigned to Franchisor, and that upon termination or expiration of this Agreement, neither Franchisee nor any lien holder of Franchisee shall have any further interest therein.

17.11 Assignment of Leases. If Franchisee operates the Restaurant under a lease for the Restaurant premises with a third party or, with respect to any lease for equipment used in the operation of the franchised business, then, Franchisee shall, at Franchisor's option, assign to Franchisor any interest that Franchisee has in any lease for the premises of the Restaurant or any equipment related thereto. Franchisor may exercise such option at or within thirty (30) days after either termination or (subject to any existing right to renew) expiration of this Agreement. If Franchisor does not elect to exercise its option to acquire the lease for the Restaurant premises or does not have such option, Franchisee shall make such modifications or alterations to the Restaurant premises as are necessary to distinguish the appearance of the Restaurant from that of other Restaurants operating under the System and shall make such specific additional changes as Franchisor may reasonably request. If Franchisee fails or refuses to comply with the requirements of this Section, Franchisor shall have the right to enter upon the premises

of the franchised business, without being guilty of trespass or any other crime or tort, to make or cause to be made such changes as may be required, at the expense of Franchisee, which expense Franchisee agrees to pay upon demand.

17.12 Right to Purchase.

(a) Personal Property. Except as provided in Section 17.9, 17.10 and 17.11, Franchisor shall have the option, to be exercised within thirty (30) days after termination or expiration of this Agreement, to purchase from Franchisee any or all of the furnishings, equipment (including any point of sale system or computer systems), signs, fixtures, motor vehicles, supplies, and inventory of Franchisee related to the operation of the Restaurant, at Franchisee's cost or fair market value, whichever is less. Franchisor shall be purchasing Franchisee's assets free and clear of any liens, charges, encumbrances or security interests and shall be assuming no liabilities whatsoever, unless otherwise agreed to in writing by the parties. If the parties cannot agree on the fair market value within thirty (30) days of Franchisor's exercise of its option, fair market value shall be determined by two (2) appraisers, with each party selecting one (1) appraiser, and the average of their determinations shall be binding. In the event of such appraisal, each party shall bear its own legal and other costs and shall split the appraisal fees equally. If Franchisor elects to exercise any option to purchase herein provided, it shall have the right to set off (i) all fees for any such independent appraiser due from Franchisee, (ii) all amounts due from Franchisee to Franchisor or any of its affiliates and (iii) any costs incurred in connection with any escrow arrangement (including reasonable legal fees), against any payment therefor and shall pay the remaining amount in cash.

(b) Real Property. In addition to the options described above and if Franchisee owns the Restaurant premises, then, Franchisor shall have the option, to be exercised at or within thirty (30) days after termination or expiration of this Agreement, to purchase the Restaurant premises including any building thereon, if applicable, for the fair market value of the land and building. Franchisor shall purchase assets free and clear of any liens, charges, encumbrances or security interests and shall assume no liabilities whatsoever, unless otherwise agreed to in writing by the parties. If Franchisee does not own the land on which the Restaurant is operated and Franchisor exercises its option for an assignment of the lease, Franchisor may exercise this option for the purpose of purchasing the building if owned by Franchisee and related assets as described above. If the parties cannot agree on fair market value within thirty (30) days of Franchisor's exercise of its option, fair market value shall be determined in accordance with appraisal procedure described above.

(c) Assignments. With respect to the options described in Sections 17.11 and 17.12(a) and (b), Franchisee shall deliver to Franchisor in a form satisfactory to Franchisor, such warranties, deeds, releases of lien, bills of sale, assignments and such other documents and instruments that Franchisor deems necessary in order to perfect Franchisor's title and possession in and to the properties being purchased or assigned and to meet the requirements of all tax and government authorities. If, at the time of closing, Franchisee has not obtained all of these certificates and other documents, Franchisor may, in its sole discretion, place the purchase price in escrow pending issuance of any required certificates or documents.

17.13 Closing of Purchase. The time for closing of the purchase and sale of the properties described in Section 17.12(a) and (b) shall be a date not later than thirty (30) days after the purchase price is determined by the parties or the determination of the appraisers, or such date Franchisor receives and obtains all necessary permits and approvals, whichever is later, unless the parties mutually agree to designate another date. The time for closing on the assignment of the lease described in Section 17.11 shall be a date no later than ten (10) days after Franchisor's exercise of its option thereunder unless Franchisor is exercising its options under either Section 17.12(a) or (b), in which case the date of the

closing shall be on the same closing date prescribed for such option. Closing shall take place at Franchisor's corporate offices or at such other location as the parties may agree.

17.14 Assignment of Options. Franchisor shall be entitled to assign any and all of its options in this Section to any other party, without the consent of Franchisee.

17.15 Assignment of Telephone Numbers. Franchisee, at the option of Franchisor, shall assign to Franchisor all rights to the telephone numbers of the Restaurant and any related Yellow Pages trademark listing or other business listings and execute all forms and documents required by Franchisor and any telephone company at any time to transfer such service and numbers to Franchisor. Further, Franchisee shall assign to Franchisor all Internet listings, domain names, Internet Accounts, advertising on the Internet or World Wide Web, websites, listings with search engines, electronic mail addresses or any other similar listing or usage related to the Franchised Business. Notwithstanding any forms and documents that may have been executed by Franchisee under Section 6.8, Franchisee hereby appoints Franchisor its true and lawful agent and attorney-in-fact with full power and authority, for the sole purpose of taking such action as is necessary to complete such assignment. This power of attorney shall survive the expiration or termination of this Agreement. Franchisee shall thereafter use different telephone numbers, electronic mail addresses or other listings or usages at or in connection with any subsequent business conducted by Franchisee.

ARTICLE XVIII. MISCELLANEOUS

18.1 Notices. Any and all notices required or permitted under this Agreement shall be in writing and shall be personally delivered or sent by expedited delivery service or certified or registered mail, return receipt requested, first-class postage prepaid, or sent by prepaid facsimile or electronic mail (provided that the sender confirms the facsimile or electronic mail by sending an original confirmation copy by certified or registered mail or expedited delivery service within three (3) business days after transmission) to the respective parties at the following address for Franchisor and at the address set forth on the cover page of this Agreement for Franchisee and Controlling Principals unless and until a different address has been designated by written notice to the other party:

Notices to Franchisor:	American Deli Franchising, Inc. 6401 Highway 85 Riverdale, Georgia 30274 Attention: President Facsimile: (7704) 991-9455 Email: _____
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Any notice shall be deemed to have been given at the time of personal delivery or, in the case of facsimile or electronic mail, upon transmission (provided confirmation is sent as described above) or, in the case of expedited delivery service or registered or certified mail, three (3) business days after the date and time of mailing.

18.2 Entire Agreement. This Agreement, the documents referred to herein, and the Attachments hereto, constitute the entire, full and complete agreement between Franchisor and Franchisee and the Controlling Principals concerning the subject matter hereof and shall supersede all prior related agreements between Franchisor and Franchisee and the Controlling Principals. Notwithstanding the foregoing, nothing in this Agreement, the documents referred to herein or the Attachments hereto is intended to disclaim the representations made by Franchisor in the Franchise Disclosure Document provided to Franchisee in connection with this Agreement.

18.3 Amendments. Except for those permitted to be made unilaterally by Franchisor hereunder, no amendment, change or variance from this Agreement shall be binding on either party unless mutually agreed to by the parties and executed by their authorized officers or agents in writing.

18.4 No Waiver. No delay, waiver, omission or forbearance on the part of Franchisor to exercise any right, option, duty or power arising out of any breach or default by Franchisee or the Controlling Principals under this Agreement shall constitute a waiver by Franchisor to enforce any such right, option, duty or power against Franchisee or the Controlling Principals, or as to a subsequent breach or default by Franchisee or the Controlling Principals. Acceptance by Franchisor of any payments due to it hereunder subsequent to the time at which such payments are due shall not be deemed to be a waiver by Franchisor of any preceding breach by Franchisee or the Controlling Principals of any terms, provisions, covenants or conditions of this Agreement.

18.5 Approvals or Consents. Whenever this Agreement requires the prior approval or consent of Franchisor, Franchisee shall make a timely written request to Franchisor, and such approval or consent shall be obtained in writing.

18.6 No Warranties. Franchisor makes no warranties or guarantees upon which Franchisee may rely and assumes no liability or obligation to Franchisee or any third party to which it would not otherwise be subject, by providing any waiver, approval, advice, consent or suggestion to Franchisee in connection with this Agreement, or by reason of any neglect, delay or denial of any request therefor.

18.7 Force Majeure. If a Force Majeure event shall occur, then Franchisee shall continue to be obligated to pay to Franchisor any and all amounts that it shall have duly become obligated to pay in accordance with the terms of this Agreement prior to the occurrence of any Force Majeure event and the Indemnitees shall continue to be indemnified and held harmless by Franchisee in accordance with Article XV. Except as provided in Section 16.2(e) and the immediately preceding sentence herein, none of the parties hereto shall be held liable for a failure to comply with any terms and conditions of this Agreement when such failure is caused by an event of Force Majeure. Upon the occurrence of any event of the type referred to herein, the party affected thereby shall give prompt notice thereof to the other parties, together with a description of the event, the duration for which the party expects its ability to comply with the provisions of this Agreement to be affected thereby and a plan for resuming operation under this Agreement, which the party shall promptly undertake and maintain with due diligence. Such affected party shall be liable for failure to give timely notice only to the extent of damage actually caused.

18.8 Mediation. The parties agree to submit any claim, controversy or dispute arising out of or relating to this Agreement (and attachments) or the relationship created by this Agreement to non-binding mediation prior to bringing such claim, controversy or dispute in a court or before any other tribunal. The mediation shall be conducted through either an individual mediator or a mediator appointed by a mediation services organization or body, experienced in the mediation of disputes between Franchisors and Franchisees, agreed upon by the parties and, failing such agreement within a reasonable period of time after either party has notified the other of its desire to seek mediation of any claim, controversy or dispute (not to exceed fifteen (15) days), by the American Arbitration Association in accordance with its rules governing mediation, at Franchisor's corporate headquarters in Riverdale, Georgia. The costs and expenses of mediation, including compensation and expenses of the mediator (and except for the attorneys fees incurred by either party), shall be borne by the parties equally. If the parties are unable to resolve the claim, controversy or dispute within ninety (90) days after the mediator has been chosen, then the matter shall be submitted to arbitration in accordance with Section 18.9 to resolve such claim, controversy or dispute unless such time period is extended by written agreement of the parties. Notwithstanding the foregoing, Franchisor may bring an action (1) for monies owed, (2) for injunctive or other extraordinary relief, or (3) involving the possession or disposition of, or other relief

relating to, real property in a court having jurisdiction and in accordance with Section 18.10, without first submitting such action to mediation or arbitration.

18.9 Arbitration.

(a) Procedure. Except as provided in this Agreement, Franchisor, Franchisee and the Controlling Principals agree that any claim, controversy or dispute arising out of or relating to the franchise, Franchisee's establishment or operation of any Restaurant under this Agreement (and any amendments thereto) including, but not limited to, any claim by Franchisee, or any of the Controlling Principals, or persons claiming on behalf of Franchisee or the Controlling Principals, concerning the entry into, the performance under or the termination of this Agreement, or any other agreement between Franchisor, or its affiliates, and Franchisee, any claim against a past or present officer, director, employee or agent of Franchisor, including those occurring subsequent to the termination of this Agreement, that cannot be amicably settled among the parties or through mediation shall, except as specifically set forth herein and in Section 18.10, be referred to arbitration. The arbitration shall be conducted through an organization or body experienced in the arbitration of disputes between Franchisors and Franchisees designated by Franchisor. If Franchisor fails to designate an organization or body within a reasonable time after the dispute has been referred for arbitration (not to exceed fifteen (15) days), arbitration shall be conducted by the American Arbitration Association in accordance with the rules of the American Arbitration Association, as amended, except that the arbitrator shall apply the federal rules of evidence during the conduct of the hearing sessions with respect to the admissibility of evidence. If such rules are in any way contrary to or in conflict with this Agreement, the terms of this Agreement shall control. Only claims, controversies or disputes involving Franchisee and the Controlling Principals may be brought hereunder. No claim for or on behalf of any other Franchisee or supplier, or class, representative or association thereof, may be brought by Franchisee or the Controlling Principals hereunder.

(b) Arbitrator. The parties shall agree on an arbitrator within fifteen (15) days of the filing of arbitration. If the parties cannot agree on a single arbitrator, Franchisor and Franchisee (or Controlling Principal, as applicable) shall each select one arbitrator. If the party upon whom the demand for arbitration is served fails to select an arbitrator within fifteen (15) days after the receipt of the demand for arbitration, then the arbitrator so designated by the party requesting arbitration shall act as the sole arbitrator to resolve the controversy at hand. The two arbitrators designated by the parties shall select a third arbitrator. If the two arbitrators designated by the parties fail to select a third arbitrator within fifteen (15) days, the third arbitrator shall be selected by the organization agreed upon or the American Arbitration Association or any successor thereto, upon application by either party. All of the arbitrators shall be experienced in the arbitration of disputes between Franchisors and Franchisees. The arbitration shall take place at Franchisor's corporate offices. The award of the arbitrators shall be final and judgment upon the award rendered in arbitration may be entered in any court having jurisdiction thereof. The costs and expenses of arbitration may be entered in any court having jurisdiction thereof. The arbitrators shall be required to submit written findings of fact and conclusions of law within thirty (30) business days following the final hearing session of the arbitration. The costs and expenses of arbitration, including compensation and expenses of the arbitrators, shall be borne by the parties as the arbitrators determine.

(c) Exceptions. Notwithstanding the above, the following shall not be subject to arbitration:

(i) Disputes and controversies arising from the Sherman Act, the Clayton Act or any other federal or state antitrust law;

(ii) Disputes and controversies based upon or arising under the Lanham Act, as now or hereafter amended, relating to the ownership or validity of the marks; and

(iii) Disputes and controversies relating to actions to obtain possession of the premises of the Restaurant under lease or sublease.

(d) Specific performance. If Franchisor shall desire to seek specific performance or other extraordinary relief including, but not limited to, injunctive relief under this Agreement, and any amendments thereto, or to collect monies due, then any such action shall not be subject to arbitration and Franchisor shall have the right to bring such action as described in Section 18.10.

(e) Limits on arbitrator. In proceeding with arbitration and in making determinations hereunder, the arbitrators shall not extend, modify or suspend any terms of this Agreement or the reasonable standards of business performance and operation established by Franchisor in good faith. Notice of or request to or demand for arbitration shall not stay, postpone or rescind the effectiveness of any termination of this Agreement. The arbitrators shall apply Georgia law and the terms of this Agreement in reaching their decision.

18.10 Governing law and venue. With respect to any claims, controversies or disputes that are not finally resolved through mediation or arbitration, or as otherwise provided above, Franchisee and the Controlling Principals hereby irrevocably submit themselves to the jurisdiction of the state courts of Clayton County, Georgia and the federal district court for the Northern District of Georgia. Franchisee and the Controlling Principals hereby waive all questions of personal jurisdiction for the purpose of carrying out this provision. Franchisee and the Controlling Principals hereby agree that service of process may be made upon any of them in any proceeding relating to or arising out of this Agreement or the relationship created by this Agreement by any means allowed by Georgia or federal law. Franchisee and the Controlling Principals further agree that venue for any proceeding relating to or arising out of this Agreement shall be Clayton County, Georgia; provided, however, with respect to any action (1) for monies owed, (2) for injunctive or other extraordinary relief or (3) involving possession or disposition of, or other relief relating to, real property, Franchisor may bring such action in any state or federal district court that has jurisdiction. With respect to all claims, controversies, disputes or actions, related to this Agreement or the relationship created thereby, this Agreement and any such related claims, controversies, disputes or actions shall be governed, enforced and interpreted under Georgia law (except for Georgia choice of law rules).

18.11 Mutual benefit. Franchisee, the Controlling Principals and Franchisor acknowledge that the parties' agreement regarding applicable state law and forum set forth in Section 18.10 provide each of the parties with the mutual benefit of uniform interpretation of this Agreement and any dispute arising out of this Agreement or the parties' relationship created by this Agreement. Each of Franchisee, the Controlling Principals and Franchisor further acknowledges the receipt and sufficiency of mutual consideration for such benefit and that each party's agreement regarding applicable state law and choice of forum have been negotiated for in good faith and are part of the benefit of the bargain reflected by this Agreement.

18.12 Performance in Riverdale, Georgia. Franchisee, the Controlling Principals and Franchisor acknowledge that the execution of this Agreement and acceptance of the terms by the parties occurred in Riverdale, Georgia, and further acknowledge that the performance of certain obligations of Franchisee arising under this Agreement, including, but not limited to, the payment of monies due hereunder and the satisfaction of certain training requirements of Franchisor, shall occur in Riverdale, Georgia.

18.13 Dispute resolution program. Without limiting any of the foregoing, Franchisor reserves the right, at any time, to create a dispute resolution program and related specifications, standards, procedures and rules for the implementation thereof to be administered by Franchisor or its designees for the benefit of all Franchisees conducting business under the system. The standards, specifications,

procedures and rules for such dispute resolution program shall be made part of the manuals and if made part of the manuals, on either a voluntary or mandatory basis, Franchisee shall comply with all such standards, specifications, procedures and rules in seeking resolution of any claims, controversies or disputes with or involving Franchisor or other Franchisees, if applicable under the program. If such dispute resolution program is made mandatory, then Franchisee and Franchisor agree to submit any claims, controversies or disputes arising out of or relating to this Agreement (and attachments) or the relationship created by this Agreement for resolution in accordance with such dispute resolution program prior to seeking resolution of such claims, controversies or disputes in the manner described in Sections 18.8 – 18.10 (provided that the provisions of Section 18.10 concerning Franchisor's right to seek relief in a court for certain actions including for injunctive or other extraordinary relief shall not be superseded or affected by this Section) or if such claim, controversy or dispute relates to another Franchisee, Franchisee agrees to participate in the program and submit any such claims, controversies or disputes in accordance with the program's standards, specifications, procedures and rules, prior to seeking resolution of such claim by any other judicial or legally available means.

18.14 WAIVER OF CERTAIN DAMAGES. FRANCHISEE AND THE CONTROLLING PRINCIPALS HEREBY WAIVE, TO THE FULLEST EXTENT PERMITTED BY LAW, ANY RIGHT TO OR CLAIM FOR ANY PUNITIVE, EXEMPLARY, INCIDENTAL, INDIRECT, SPECIAL, CONSEQUENTIAL OR OTHER DAMAGES (INCLUDING, WITHOUT LIMITATION, LOSS OF PROFITS) AGAINST FRANCHISOR, ITS AFFILIATES, AND THEIR RESPECTIVE OFFICERS, DIRECTORS, SHAREHOLDERS, PARTNERS, AGENTS, REPRESENTATIVES, INDEPENDENT CONTRACTORS, SERVANTS AND EMPLOYEES, IN THEIR CORPORATE AND INDIVIDUAL CAPACITIES, ARISING OUT OF ANY CAUSE WHATSOEVER (WHETHER SUCH CAUSE BE BASED IN CONTRACT, NEGLIGENCE, STRICT LIABILITY, OTHER TORT OR OTHERWISE) AND AGREES THAT IN THE EVENT OF A DISPUTE, FRANCHISEE AND THE CONTROLLING PRINCIPALS SHALL BE LIMITED TO THE RECOVERY OF ANY ACTUAL DAMAGES SUSTAINED BY IT. IF ANY OTHER TERM OF THIS AGREEMENT IS FOUND OR DETERMINED TO BE UNCONSCIONABLE OR UNENFORCEABLE FOR ANY REASON, THE FOREGOING PROVISIONS OF WAIVER BY AGREEMENT OF PUNITIVE, EXEMPLARY, INCIDENTAL, INDIRECT, SPECIAL, CONSEQUENTIAL OR OTHER DAMAGES (INCLUDING, WITHOUT LIMITATION, LOSS OF PROFITS) SHALL CONTINUE IN FULL FORCE AND EFFECT.

18.15 Counterparts. This Agreement may be executed in multiple counterparts, each of which when so executed shall be an original, and all of which shall constitute one and the same instrument.

18.16 Headings. The captions used in connection with the sections and subsections of this Agreement are inserted only for purpose of reference. Such captions shall not be deemed to govern, limit, modify or in any other manner affect the scope, meaning or intent of the provisions of this Agreement or any part thereof nor shall such captions otherwise be given any legal effect.

18.17 Survival. Any obligation of Franchisee or the Controlling Principals that contemplates performance of such obligation after termination or expiration of this Agreement or the transfer of any interest of Franchisee or the Controlling Principals therein shall be deemed to survive such termination, expiration or transfer.

18.18 Severability. Except as expressly provided to the contrary herein, each portion, section, part, term and provision of this Agreement shall be considered severable; and if, for any reason, any portion, section, part, term or provision is determined to be invalid and contrary to, or in conflict with, any existing or future law or regulation by a court or agency having valid jurisdiction, this shall not impair the operation of, or have any other effect upon, the other portions, sections, parts, terms or provisions of this Agreement that may remain otherwise intelligible, and the latter shall continue to be

given full force and effect and bind the parties; the invalid portions, sections, parts, terms or provisions shall be deemed not to be part of this Agreement; and there shall be automatically added such portion, section, part, term or provision as similar as possible to that which was severed which shall be valid and not contrary to or in conflict with any law or regulation.

18.19 Construction. All references herein to the masculine, neuter or singular shall be construed to include the masculine, feminine, neuter or plural, where applicable. Without limiting the obligations individually undertaken by the Controlling Principals under this Agreement, all acknowledgments, promises, covenants, agreements and obligations made or undertaken by Franchisee in this Agreement shall be deemed, jointly and severally, undertaken by all of the Controlling Principals.

18.20 Remedies. All rights and remedies of the parties to this Agreement shall be cumulative and not alternative, in addition to and not exclusive of any other rights or remedies that are provided for herein or that may be available at law or in equity in case of any breach, failure or default or threatened breach, failure or default of any term, provision or condition of this Agreement or any other agreement between Franchisee or any of its affiliates and Franchisor or any of its affiliates. The rights and remedies of the parties to this Agreement shall be continuing and shall not be exhausted by any one or more uses thereof, and may be exercised at any time or from time to time as often as may be expedient; and any option or election to enforce any such right or remedy may be exercised or taken at any time and from time to time. The expiration, earlier termination or exercise of Franchisor's rights pursuant to Article XVI shall not discharge or release Franchisee or any of the Controlling Principals from any liability or obligation then accrued, or any liability or obligation continuing beyond, or arising out of, the expiration, the earlier termination or the exercise of such rights under this Agreement.

18.21 Franchisee's Principals and Controlling Principals. The term "Franchisee's Principals" shall include, collectively and individually, Franchisee's spouse, if Franchisee is an individual, all officers and directors of Franchisee (including the officers and directors of any entity that controls Franchisee) whom Franchisor designates as Franchisee's Principals and all holders of an ownership interest in Franchisee and of any entity directly or indirectly controlling Franchisee, and any other person or entity controlling, controlled by or under common control with Franchisee. The initial Franchisee's Principals shall be listed on the cover page of this Agreement. The term "Controlling Principals" shall include, collectively and individually, any Franchisee's Principal who has been designated by Franchisor as a Controlling Principal hereunder. The initial Controlling Principals shall be listed on the cover page to this Agreement.

18.22 Legal Entities. Each reference to the organizational documents, equity owners, directors, and officers of a corporation in this Agreement shall be deemed to refer to the functional equivalents of such organizational documents, equity owners, directors, and officers, as applicable, in the case of any other entity.

18.23 No Third-Party Beneficiaries. Except as expressly provided to the contrary herein, nothing in this Agreement is intended, nor shall be deemed, to confer upon any person or legal entity other than Franchisee, Franchisor, Franchisor's officers, directors and personnel and such of Franchisee's and Franchisor's respective successors and assigns as may be contemplated (and, as to Franchisee, authorized by Article XIV), any rights or remedies under or as a result of this Agreement.

18.24 Delegation by Franchisor. From time to time, Franchisor shall have the right to delegate the performance of any portion or all of its obligations and duties under this Agreement to third parties, whether the same are agents or affiliates of Franchisor or Area Representatives or independent contractors with which Franchisor has contracted to provide such services. Franchisee agrees in advance to any such delegation by Franchisor of any portion or all of its obligations under this Agreement. Franchisee acknowledges and agrees that this Agreement may not be modified by any Area Representative and that

Franchisor will not be bound by any purported modification of this Agreement by any Area Representative. Franchisee acknowledges and agrees that any such delegation of Franchisor's duties and obligations to Area Representatives does not assign or confer any rights under this Agreement upon Area Representatives and that Area Representatives are not third party beneficiaries of this Agreement.

ARTICLE XIX. ACKNOWLEDGMENTS

19.1 Independent Investigation. Franchisee acknowledges that it has conducted an independent investigation of the business venture contemplated by this Agreement and recognizes that the success of this business venture involves substantial business risks and will largely depend upon the ability of Franchisee. Franchisor expressly disclaims making, and Franchisee acknowledges that it has not received or relied on, any warranty or guarantee, express or implied, as to the potential volume, profits or success of the business venture contemplated by this Agreement.

19.2 Review and Understanding. Franchisee acknowledges that it has received, read and understands this Agreement and the related Attachments and agreements and that Franchisor has afforded Franchisee sufficient time and opportunity to consult with advisors selected by Franchisee about the potential benefits and risks of entering into this Agreement.

19.3 Receipt of Documents. Franchisee acknowledges that it received a complete copy of this Agreement and all related Attachments and agreements at least seven (7) calendar days prior to the date on which this Agreement was executed. Franchisee further acknowledges that it has received the Franchise Disclosure Document required by the Trade Regulation Rule of the Federal Trade Commission entitled "Disclosure Requirements and Prohibitions Concerning Franchising" at least fourteen (14) calendar days prior to the date on which this Agreement was executed.

[Signature page follows]



IN WITNESS WHEREOF, the parties hereto have duly executed and delivered this Agreement as of the date first above written.

FRANCHISOR:

AMERICAN DELI FRANCHISING, INC.

By: _____
Name: _____
Title: _____

FRANCHISEE:

By: _____
Name: _____
Title: _____



CONTROLLING PRINCIPALS GUARANTY AND COVENANT

This Controlling Principals Guaranty and Covenant (this “Guaranty”) is given by each of the undersigned (each a “Guarantor”) on _____, 200__ to American Deli Franchising, Inc., a Delaware corporation (“Franchisor”), in order to induce Franchisor to enter into that certain Franchise Agreement dated of even date herewith (the “Franchise Agreement”) with _____ (“Franchisee”).

Guarantor acknowledges that Guarantor has read the terms and conditions of the Franchise Agreement and acknowledges that the execution of this Guaranty and the undertakings of the Controlling Principals herein and in the Franchise Agreement are in partial consideration for, and a condition to the granting of, the rights granted in the Franchise Agreement, and that Franchisor would not have granted these rights without the execution of this Guaranty by Guarantor.

Guarantor acknowledges that Guarantor is included in the term “Controlling Principals” as described in Section 18.21 of the Franchise Agreement.

Guarantor hereby individually makes, agrees to be bound by, and agrees to perform, all of the covenants, representations, warranties and agreements of the Controlling Principals set forth in the Franchise Agreement. Additionally, if Guarantor is designated as the Operating Principal, Guarantor hereby individually makes, agrees to be bound by, and agrees to perform, all of the covenants, representations, warranties and agreements of the Operating Principal set forth in the Franchise Agreement.

Guarantor does hereby guaranty to Franchisor the prompt payment and performance when due of any and all liabilities and obligations arising under or evidenced by the Franchise Agreement, any promissory note or other credit instruments, and any other liabilities, obligations and indebtedness of Franchisee and/or any of its assignees or affiliates to Franchisor and/or any of its assignees or affiliates, of every kind and description, now existing or hereafter incurred or arising, matured or unmatured, direct or indirect, absolute or contingent, due or to become due, and any renewals, consolidations and extensions, including any future advances from Franchisor to Franchisee (collectively, the “Guaranteed Obligations”). Guarantor shall perform and/or make punctual payment to Franchisor of the Guaranteed Obligations in accordance with the terms of the Franchise Agreement or other applicable document forthwith upon demand by Franchisor.

This Guaranty is irrevocable and unlimited. This Guaranty is an absolute and unconditional continuing guaranty of payment and performance of the Guaranteed Obligations. This Guaranty shall not be discharged by renewal of any claims guaranteed by this instrument, the suffering of any indulgence to any debtor, extension of time of payment thereof, nor the discharge of Franchisee by bankruptcy, operation of law or otherwise. Presentment, demand, protest, notice of protest and dishonor, notice of default or nonpayment and diligence in collecting any obligation under any agreement between Franchisee and Franchisor are each and all waived by Guarantor and/or acknowledged as inapplicable. Franchisor shall not be required to pursue any remedy on said Guaranteed Obligations as a condition of the obligation hereunder of Guarantor. Guarantor waives notice of amendment of any agreement between Franchisee and Franchisor and notice of demand for payment by Franchisee. Guarantor further agrees to be bound by any and all amendments and changes to any agreement between Franchisee and Franchisor.

Guarantor agrees to defend, indemnify and hold Franchisor harmless against any and all losses, damages, liabilities, costs and expenses (including, but not limited to, reasonable attorney’s fees, reasonable costs of investigation, court costs, and arbitration fees and expenses) resulting from, consisting



of, or arising out of or in connection with any failure by Franchisee to perform any obligation of Franchisee under any agreement between Franchisee and Franchisor.

Guarantor waives any and all notice of the creation, renewal, extension, accrual, modification, amendment, release, or waiver of any of the Guaranteed Obligations and notice of or proof of reliance by Franchisor upon this Guaranty or acceptance of this Guaranty. The Guaranteed Obligations, and any of them, shall conclusively be deemed to have been created, contracted or incurred, or renewed, extended, amended, modified or waived, in reliance upon this Guaranty and all dealings between Franchisor and Guarantor shall likewise be conclusively presumed to have been had or consummated in reliance upon this Guaranty. Franchisor may pursue its rights against Guarantor without first exhausting its remedies against Franchisee and without joining any other guarantor hereto and no delay on the part of Franchisor in the exercise of any right or remedy shall operate as a waiver of such right or remedy, and no single or partial exercise by Franchisor of any right or remedy shall preclude the further exercise of such right or remedy.

If other guarantors have guaranteed any and or all of the Guaranteed Obligations, their liability shall be joint and several to that of Guarantor.

Until all of the Guaranteed Obligations have been paid in full and/or performed in full, Guarantor shall not have any right of subrogation, unless expressly given to Guarantor in writing by Franchisor.

No change in the name, objects, share capital, business, membership, directors' powers, organization or management of the Franchisee shall in any way affect Guarantor in respect of the Guaranteed Obligations either with respect to transactions occurring before or after any such change, it being understood that this Guaranty is to extend to the person(s) or entity(ies) for the time being and from time to time carrying on the business now carried on by the Franchisee, notwithstanding any change(s) in the name or shareholders of the Franchisee, and notwithstanding any reorganization or its amalgamation with another or others or the sale or disposal of its business in whole or in part to another or others.

All Franchisor's rights, powers and remedies hereunder and under any other agreement now or at any time hereafter in force between Franchisor and Guarantor shall be cumulative and not alternative and shall be in addition to all rights, powers and remedies given to Franchisor by law.

Should any one or more provisions of this Guaranty be determined to be illegal or unenforceable, all other provisions nevertheless shall remain effective.

This Guaranty shall extend to and inure to the benefit of Franchisor and its successors and assigns and shall be binding on Guarantor and its successors and assigns.

IN WITNESS WHEREOF, Guarantor has signed this Guaranty as of the date set forth above.

GUARANTOR

Printed Name:*

Printed Name:

* Denotes individual who is Franchisee's Operating Principal



COLLATERAL ASSIGNMENT OF LEASE

This Collateral Assignment of Lease (this "Assignment") is made this ____ day of _____, 20__ by _____ ("Franchisee"), in favor of American Deli Franchising, Inc., a Delaware corporation ("Franchisor").

RECITALS

Franchisor and Franchisee are parties to that certain Franchise Agreement dated _____, 20__ (the "Franchise Agreement");

Franchisee is a tenant under that certain lease (the "Lease") dated _____, 20__ for space located at _____ (the "Leased Premises") with _____ ("Landlord");

In consideration of Franchisor's consent to operate the Leased Premises under the Franchise Agreement, and as security for Franchisee's obligations under the Franchise Agreement, a collateral assignment is made of Franchisee's interest in, to, and under the Lease; to be exercised, if at all, upon the occurrence of an event of default under, or termination or expiration of, the Franchise Agreement; and

Franchisee is willing to assign its rights, privileges, powers and interests in, to and under the Lease (including all deposits paid by or for the benefit of Franchisee) to Franchisor upon the conditions set forth herein.

NOW, THEREFORE, in consideration of the foregoing and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Franchisee hereby agrees for the benefit of Franchisor as follows:

1. As collateral security for Franchisor, Franchisee hereby assigns all of its rights, powers, privileges and interests in, to and under the Lease to Franchisor, fully intending that Franchisor shall have the rights and powers and be entitled to the benefits thereunder to the same degree and extent as though the Lease had been made between the Landlord and Franchisor, subject, however, to the conditions hereof.

2. This Assignment is executed only as collateral security for Franchisee's obligations under the Franchise Agreement, and the execution and delivery hereof shall not subject Franchisor to or in any way affect or modify the liability of Franchisee under the Lease, and all obligations of Franchisee under the Lease shall be and remain enforceable. Franchisor will not exercise its rights hereunder except upon the occurrence of an event of default under, or termination or expiration of, the Franchise Agreement. Notwithstanding the foregoing, until written notice is sent to Franchisee that an event of default or termination has occurred, Franchisee is granted a license to maintain its rights and the benefits under the Lease.

3. So long as (a) no event of default under the Franchise Agreement exists, (b) the Franchise Agreement remains in effect, and (c) Franchisee is not in default of any of its obligations hereunder or under the Lease, Franchisor agrees not to enforce or seek to enforce any of the rights, powers and privileges transferred to Franchisor pursuant to this Assignment.

4. Franchisee hereby agrees to provide prompt written notice to Franchisor of any default by either party to the Lease. If Franchisor exercises its rights under this Assignment, Franchisee shall



continue to be fully liable and responsible for all undischarged obligations or liabilities of Franchisee under the Lease, and Franchisor shall have the right, but not the obligation, to perform each of Franchisee's obligations under the Lease.

5. Franchisee agrees that Franchisor shall not be obligated to perform or discharge any obligation, duty or liability under the Lease by reason of this Assignment, and that this Assignment and Franchisor's performance hereunder or under the Lease shall not release Franchisee from any liability under the Lease.

6. Franchisee represents that, as of the date hereof, Franchisee is not in breach of the Lease. Franchisee agrees not to do, or suffer to be done, any of the following acts without obtaining the prior written consent of Franchisor, which may be granted or withheld in the sole discretion of Franchisor: (a) cancel the Lease; (b) surrender the Lease; (c) assign the Lease or any deposit paid by or for the benefit of Franchisee thereunder or any portion thereof; or (d) fail to perform any obligation in accordance with the provisions of the Lease. Any of said acts, if done or suffered to be done without Franchisor's prior written consent, shall constitute a default hereunder.

7. In the event of any default by Franchisee under the Lease, this Assignment, or the Franchise Agreement, Franchisor shall have the right, but not the obligation, until such default is cured, to cure such default, and take any action, including taking possession of the Leased Premises, to preserve Franchisee's rights under the Lease and Franchisor's rights under this Assignment and the Franchise Agreement, and Franchisee and Landlord have granted to Franchisor the right of access to the Leased Premises for this purpose, if such action is necessary.

8. Franchisee hereby represents and warrants to Franchisor that it has not executed any prior assignment of the Lease nor has it performed any acts or executed any other instrument which might prevent Franchisor from operating under any of the terms and conditions of the Lease or this Assignment, or which would limit Franchisor in such operation. Franchisee further represents and warrants to Franchisor that it will not execute or grant any modification whatsoever of the Lease, either orally or in writing, without Franchisor's prior written consent.

9. Any notice or communication hereunder must be in writing, and must be given as provided in the Franchise Agreement.

10. Franchisee hereby irrevocably appoints Franchisor as Franchisee's attorney-in-fact to exercise any or all of Franchisee's rights in, to, or under the Lease from and after the occurrence of an event of default under the Franchise Agreement or the Lease, to execute deeds and other conveyance documents, to give appropriate receipts, releases, and satisfactions on behalf of Franchisee in connection with Franchisee's performance under the Lease from and after the occurrence of any such event of default, and to do any or all other acts from and after the occurrence of any such event of default, in Franchisee's name or in Franchisor's own name, that Franchisee could do under the Lease with the same force and effect as if this Assignment had not been made. This power of attorney is coupled with an interest. Nothing contained in this Assignment shall limit any rights or remedies of the Franchisor under the Franchise Agreement.

11. All the covenants and agreements hereinabove contained on the part of Franchisee and Franchisor shall inure to the benefit of and bind their successors and assigns, respectively, including any purchaser at a foreclosure sale. Franchisor may assign its rights hereunder without Franchisee's consent.

12. This Assignment shall be governed by and construed in accordance with the laws of the State of Georgia.

13. This Assignment may be executed in two or more counterparts, each of which shall be deemed an original, but all of which taken together shall constitute one and the same instrument.

IN WITNESS WHEREOF, the Franchisee has caused this Assignment to be executed as of the date first above written.

FRANCHISEE:

By: _____

Name: _____

Title: _____



**CONFIDENTIALITY AGREEMENT AND
ANCILLARY COVENANTS NOT TO COMPETE**

This Agreement is made and entered into this ____ day of _____, 20__, among American Deli Franchising, Inc., a Delaware corporation (“Franchisor”), _____ (“Franchisee”) and _____ (“Covenantor”) in connection with a Franchise Agreement dated _____, 20__ between Franchisor and Franchisee (the “Franchise Agreement”). Initially capitalized terms used, but not defined in, this Agreement have the meanings ascribed thereto in the Franchise Agreement.

RECITALS

Franchisor has the right to use and license the use of a System for the establishment and operation of an American Deli.

The System is identified by certain Marks including, the mark “American Deli” and includes certain Confidential Information which provides economic advantages to Franchisor and licensed users of the System.

Franchisor has granted Franchisee the right to operate an American Deli pursuant to the Franchise Agreement.

In connection with his or her duties, it will be necessary for Covenantor to have access to some or all of the Confidential Information.

Franchisor and Franchisee have agreed on the importance of restricting the use, access and dissemination of the Confidential Information, and Franchisee therefore has agreed to obtain from Covenantor a written agreement protecting the Confidential Information and further protecting the System against unfair competition.

Covenantor acknowledges that receipt of and the right to use the Confidential Information constitutes independent valuable consideration for the representations, promises and covenants made by Covenantor herein.

NOW, THEREFORE, in consideration of the mutual covenants and obligations contained herein, the parties agree as follows:

A. Confidentiality Agreement

1. Covenantor shall, at all times, maintain the confidentiality of the Confidential Information and shall use such Confidential Information only in the course of his or her employment by or association with Franchisee in connection with the operation of an American Deli under the Franchise Agreement.

2. Covenantor shall not at any time make copies of any documents or compilations containing some or all of the Confidential Information without Franchisor’s express written permission.

3. Covenantor shall not at any time disclose or permit the disclosure of the Confidential Information except to other employees of Franchisee and only to the limited extent necessary to train or assist other employees of Franchisee in the operation of the Restaurant.



4. Covenantor shall surrender any material containing some or all of the Confidential Information to Franchisee or Franchisor, upon request, or upon termination of employment by Franchisee.

5. Covenantor shall not at any time, directly or indirectly, do any act or omit to do any act that would or would likely be injurious or prejudicial to the goodwill associated with the System.

6. Covenantor acknowledges that all Manuals are loaned by Franchisor to Franchisee for limited purposes only and remain the property of Franchisor. Covenantor agrees that no Manuals may be reproduced, in whole or in part, without Franchisor's written consent.

B. Covenants Not to Compete

1. In order to protect the goodwill and unique qualities of the System, and in consideration for the disclosure to Covenantor of the Confidential Information, Covenantor further agrees and covenants as follows:

a. Not to divert, or attempt to divert, directly or indirectly, any business, business opportunity, or customer of the Franchisee's Restaurant to any competitor of the Restaurant.

b. Not to employ, or seek to employ, any person who is at the time or was within the preceding ninety (90) days employed by Franchisor, or any of its affiliates or any franchisee or developer of Franchisor, or otherwise directly or indirectly induce such person to leave that person's employment except as may occur in connection with Franchisee's employment of such person if permitted under the Franchise Agreement.

*c. Except for the Restaurant described in the Franchise Agreement, not to directly or indirectly, for himself or through, on behalf of, or in conjunction with any person or entity, without the prior written consent of Franchisor, own, maintain, operate, engage in or have any financial or beneficial interest in (including any interest in any legal entity), advise, assist or make loans to, any business located within the United States, its territories or commonwealths, or any other country, province, state or geographic area in which Franchisor has used, sought registration of or registered the same or similar Marks or operates or licenses others to operate a business under the same or similar Marks, which business is of a character and concept similar to the Restaurant, including a business that offers and sells as a primary menu item any one of more of chicken wings or Philly cheese steak sandwiches.

2. In further consideration for the disclosure to Covenantor of the Confidential Information and to protect the uniqueness of the System, Covenantor agrees and covenants that for one (1) year following the earlier of the expiration or termination of, or transfer of all of Franchisee's interest in, the Franchise Agreement or the termination of his association with or employment by Franchisee, Covenantor will not without the prior written consent of Franchisor:

a. Divert or attempt to divert, directly or indirectly, any business, business opportunity or customer of the Restaurant to any competitor.

b. Employ, or seek to employ, any person who is at the time or was within the preceding ninety (90) days employed by Franchisor, any of its affiliates or any franchisee or developer of Franchisor, or otherwise directly or indirectly induce such persons to leave that person's employment.

*c. Directly or indirectly, for himself or through, on behalf of or in conjunction with any person or entity, own, maintain, operate, engage in or have any financial or beneficial interest in (including any interest in any legal entity), advise, assist or make loans to, any business that is of a character and concept similar to the Restaurant, including a business that offers and sells as a primary menu item any one or more of chicken wings or philly cheese steak sandwiches, which business is, or is intended to be, located within the Assigned Area or within a ten (10)-mile radius of the location of any Restaurant in existence or under construction as of the date (as applicable) of expiration or termination of, or transfer of all of Franchisee's interest in, this Agreement or the termination of Covenantor's association with or employment by Franchisee.

C. Miscellaneous

1. Franchisee shall make all commercially reasonable efforts to ensure that Covenantor acts as required by this Agreement.

2. Covenantor agrees that in the event of a breach of this Agreement, Franchisor would be irreparably injured and be without an adequate remedy at law. Therefore, in the event of such a breach, or threatened or attempted breach of any of the provisions hereof, Franchisor shall be entitled to enforce the provisions of this Agreement and shall be entitled, in addition to any other remedies that are made available to it at law or in equity, including the right to terminate the Franchise Agreement, to a temporary and/or permanent injunction and a decree for the specific performance of the terms of this Agreement, without the necessity of showing actual or threatened harm and without being required to furnish a bond or other security.

3. Covenantor agrees to pay all expenses (including court costs and reasonable attorneys' fees) incurred by Franchisor and Franchisee in enforcing this Agreement.

4. Any failure by Franchisor or the Franchisee to object to or take action with respect to any breach of any provision of this Agreement by Covenantor shall not operate or be construed as a waiver of or consent to that breach or any subsequent breach by Covenantor.

5. THIS AGREEMENT SHALL BE INTERPRETED BY AND CONSTRUED AND ENFORCED IN ACCORDANCE WITH THE LAWS OF THE STATE OF GEORGIA, WITHOUT REFERENCE TO GEORGIA CHOICE OF LAW PRINCIPLES. COVENANTOR HEREBY IRREVOCABLY SUBMITS HIMSELF TO THE JURISDICTION OF THE STATE COURTS OF CLAYTON COUNTY, GEORGIA AND THE FEDERAL DISTRICT COURTS FOR THE NORTHERN DISTRICT OF GEORGIA. COVENANTOR HEREBY WAIVES ALL QUESTIONS OF PERSONAL JURISDICTION OR VENUE FOR THE PURPOSE OF CARRYING OUT THIS PROVISION. COVENANTOR HEREBY AGREES THAT SERVICE OF PROCESS MAY BE MADE UPON HIM IN ANY PROCEEDING RELATING TO OR ARISING UNDER THIS AGREEMENT OR THE RELATIONSHIP CREATED BY THIS AGREEMENT BY ANY MEANS ALLOWED BY GEORGIA OR FEDERAL LAW. COVENANTOR FURTHER AGREES THAT VENUE FOR ANY PROCEEDING RELATING TO OR ARISING OUT OF THIS AGREEMENT SHALL BE CLAYTON COUNTY, GEORGIA; PROVIDED, HOWEVER, WITH RESPECT TO ANY ACTION THAT INCLUDES INJUNCTIVE RELIEF OR OTHER EXTRAORDINARY RELIEF, FRANCHISOR OR FRANCHISEE MAY BRING SUCH ACTION IN ANY COURT IN ANY STATE THAT HAS JURISDICTION.

* May be deleted if Franchisor does not require Franchisee to obtain the execution of this covenant by Covenantor. See Section 10.3(g) of the Franchise Agreement.



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

7. This Agreement contains the entire agreement of the parties regarding the subject matter hereof. This Agreement may be modified only by a duly authorized writing executed by all parties.

8. All notices and demands required to be given hereunder shall be in writing and shall be sent by personal delivery, expedited delivery service, certified or registered mail, return receipt requested, first-class postage prepaid, facsimile or electronic mail (provided that the sender confirms the facsimile or electronic mail by sending an original confirmation copy by certified or registered mail or expedited delivery service within three (3) business days after transmission), to the respective parties at the following addresses unless and until a different address has been designated by written notice to the other parties.

If directed to Franchisor, the notice shall be addressed to:

American Deli Franchising, Inc.
6401 Highway 85
Riverdale, Georgia 30274
Attention: President
Facsimile: (770) 991-9455
Email: _____

If directed to Franchisee, the notice shall be addressed to:

Attention: _____
Facsimile: (____) _____
Email: _____

If directed to Covenantor, the notice shall be addressed to:

Attention: _____
Facsimile: (____) _____
Email: _____

Any notices sent by personal delivery shall be deemed given upon receipt. Any notices given by facsimile or electronic mail shall be deemed given upon transmission, provided confirmation is made as provided above. Any notice sent by expedited delivery service or registered or certified mail shall be deemed given three (3) business days after the time of mailing. Any change in the foregoing addresses shall be effected by giving written notice of such change to the other parties. Business day for the purpose of this Agreement excludes Saturday, Sunday and national holidays.



9. The rights and remedies of Franchisor under this Agreement are fully assignable and transferable and shall inure to the benefit of its respective affiliates, successors and assigns. The respective obligations of Franchisee and Covenantor hereunder may not be assigned by Franchisee or Covenantor, without the prior written consent of Franchisor.

IN WITNESS WHEREOF, the undersigned have entered into this Agreement as witnessed by their signatures below.

FRANCHISOR:

AMERICAN DELI FRANCHISING, INC.

By: _____
Name: _____
Title: _____

FRANCHISEE:

By: _____
Name: _____
Title: _____

COVENANTOR:

Name: _____



EXHIBIT B-1

**STATE AMENDMENTS
TO
FRANCHISE AGREEMENT**



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A Free, Community-Based Project

EXHIBIT C

**ELECTRONIC FUNDS TRANSFER
AUTHORIZATION TO HONOR CHARGES DRAWN BY AND PAYABLE TO**

AMERICAN DELI FRANCHISING, INC. ("Payee")

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

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

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

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

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

Name of Depository: _____
Name of Depositor: _____
Designated Bank Acct.: _____
(Please attach one voided check for the above account.)
Location: _____
For Depository information call: _____
Address: _____
Phone #: _____
Fax #: _____

Name of Franchisee/Depositor: _____

By: _____ Date: _____
Name: _____
Title: _____



EXHIBIT D

IRREVOCABLE POWER OF ATTORNEY (TELECOMMUNICATIONS)

KNOW ALL MEN BY THESE PRESENTS, that _____ (“Franchisee”) does hereby irrevocably constitute and appoint American Deli Franchising, Inc. a Delaware corporation (“Franchisor”), true and lawful attorney-in-fact and agent for Franchisee and in Franchisee’s name, place and stead, to do or cause to be done all things and to sign, execute, acknowledge, certify, deliver, accept, record and file all such agreements, certificates, instruments and documents as, in the sole discretion of Franchisor, shall be necessary or advisable for the sole purpose of assigning to Franchisor all of Franchisee’s right, title and interest in and to any and all telephone numbers of Franchisee’s franchise and all related Yellow Pages, White Pages and other business listings and all Internet listings, domain names, Internet accounts, advertising on the Internet or World Wide Web, websites, listings with search engines, e-mail addresses or any other similar listing or usages related to the Franchisee’s franchise, including but not limited to, the execution and delivery of any Transfer of Service Agreement and any other transfer documentation required by the applicable telephone service or Internet company providing telephone or Internet services to Franchisee, hereby granting unto Franchisor full power and authority to do and perform any and all acts and things which, in the sole discretion of Franchisor, are necessary or advisable to be done as fully to all intents and purposes as Franchisee might or could itself do, hereby ratifying and confirming all that Franchisor may lawfully do or cause to be done by virtue of this Power of Attorney and the powers herein granted.

During the term of this Power of Attorney and regardless of whether Franchisee has designated any other person to act as its attorney-in-fact and agent, no person, firm or corporation dealing with Franchisor shall be required to ascertain the authority of Franchisor, nor to see to the performance of the agency, nor be responsible in any way for the proper application of funds or property paid or delivered to Franchisor. Any person, firm or corporation dealing with Franchisor shall be fully protected in acting and relying on a certificate of Franchisor that this Power of Attorney on the date of such certificate has not been revoked and is in full force and effect, and Franchisee shall not take any action against any person, firm or corporation acting in reliance on such a certificate or a copy of this Power of Attorney. Any instrument or document executed on behalf of Franchisee by Franchisor shall be deemed to include such a certificate on the part of Franchisor, whether or not expressed. This paragraph shall survive any termination of this Power of Attorney.

This Power of Attorney shall terminate two (2) years following the expiration or termination of that certain Franchise Agreement by and between Franchisor and Franchisee. Such termination, however, shall not affect the validity of any act or deed that Franchisor may have effected prior to such date pursuant to the powers herein granted.

This instrument is to be construed and interpreted as an irrevocable power of attorney coupled with an interest. It is executed and delivered in the State of Georgia and the laws of the State of Georgia shall govern all questions as to the validity of this Power of Attorney and the construction of its provisions.

EXHIBIT E

IRREVOCABLE POWER OF ATTORNEY (TAX RETURNS)

KNOW ALL MEN BY THESE PRESENTS, that _____ (“Franchisee”) does hereby irrevocably constitute and appoint American Deli Franchising, Inc., a Delaware corporation (“Franchisor”), true and lawful attorney-in-fact and agent for Franchisee and in Franchisee’s name, place and stead to do or cause to be done all things and to sign, execute, acknowledge, certify, deliver, accept, record and file all such agreements, certificates, instruments and documents as, in the sole discretion of Franchisor, shall be necessary or advisable for the sole purpose of obtaining any and all returns, records, reports and other documentation relating to the payment of taxes filed by Franchisee with any state and/or federal taxing authority, including but not limited to the execution and delivery of any and all formal requests and other documentation as may be required by the applicable state and/or federal taxing authority, hereby granting unto Franchisor full power and authority to do and perform any and all acts and things which, in the sole discretion of Franchisor, are necessary or advisable to be done as fully to all intents and purposes as Franchisee might or could itself do, hereby ratifying and confirming all that Franchisor may lawfully do or cause to be done by virtue of this Power of Attorney and the powers herein granted.

During the term of this Power of Attorney, and regardless of whether Franchisee has designated any other person to act as its attorney-in-fact and agent, no governmental agency, person, firm or corporation dealing with Franchisor, if acting in good faith, shall be required to ascertain the authority of Franchisor, nor to see to the performance of the agency, nor be responsible in any way for the proper application of documents delivered or funds or property paid or delivered to Franchisor. Any governmental agency, person, firm or corporation dealing with Franchisor shall be fully protected in acting and relying on a certificate of Franchisor that this Power of Attorney on the date of such certificate has not been revoked and is in full force and effect, and Franchisee shall not take any action against any person, firm, corporation or agency acting in reliance on such a certificate or a copy of this Power of Attorney. Any instrument or document executed on behalf of Franchisee by Franchisor shall be deemed to include such a certificate on the part of Franchisor, whether or not expressed. This paragraph shall survive any termination of this Power of Attorney.

This Power of Attorney shall terminate two (2) years following the expiration or termination of that certain Franchise Agreement by and between Franchisor and Franchisee. Such termination, however, shall not affect the validity of any act or deed that Franchisor may have effected prior to such date pursuant to the powers herein granted.

This instrument is to be construed and interpreted as an irrevocable power of attorney coupled with an interest. It is executed and delivered in the State of Georgia and the laws of the State of Georgia shall govern all questions as to the validity of this Power of Attorney and the construction of its provisions.

IN WITNESS WHEREOF, the undersigned has executed this Power of Attorney as of the _____ day of _____, 20____.

FRANCHISEE:

By: _____
Name: _____



Title: _____

STATE OF _____ §

COUNTY OF _____ §

BEFORE ME, the undersigned authority, on this day personally appeared _____, _____ of _____ known to me to be the person whose name is subscribed to the foregoing instrument, who acknowledged to me that he executed the same for the purposes and consideration therein expressed and in the capacity therein stated.

GIVEN UNDER MY HAND AND SEAL OF OFFICE this _____ day of _____, 20____. (SEAL)

Notary Public in and for the State of _____

My Commission Expires:



EXHIBIT F

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EXHIBIT G

LIST OF STATE ADMINISTRATORS

CALIFORNIA

Department of Corporations
320 West 4th Street, Suite 750
Los Angeles, CA 90013-2344

HAWAII

Business Registration Division
Department of Commerce and Consumer Affairs
335 Merchant Street, Room 203
Honolulu, Hawaii 96813

ILLINOIS

Chief, Franchise Division
Attorney General's Office
500 South Second Street
Springfield, Illinois 62706

INDIANA

Secretary of State
Franchise Section
Securities Division
302 West Washington,
Room E-111
Indianapolis, Indiana 46204

MARYLAND

Office of the Attorney General
Securities Division
200 St. Paul Place
20th Floor
Baltimore, Maryland 21202

MICHIGAN

Department of the Attorney General's Office
Consumer Protection Division
Attn: Franchise
670 Law Building
Lansing, Michigan 48913

MINNESOTA

Franchise Examiner
Department of Commerce
133 East Seventh Street
St. Paul, Minnesota 55101

NEW YORK

Special Deputy Attorney General
New York Department of Law
Bureau of Investor Protection and Securities
120 Broadway, 23rd Floor
New York, New York 10271

NORTH DAKOTA

Franchise Examiner
Securities Commissioner
State of North Dakota
600 East Boulevard, Fifth Floor
Bismarck, North Dakota 58505

OREGON

Director
Department of Consumer and Business Services
Division of Finance and Corporate Securities
Labor and Industries Building
Salem, Oregon 97310

RHODE ISLAND

Chief Securities Examiner
Director of Business Regulation
Division of Securities
Suite 232
233 Richmond Street
Providence, Rhode Island 02903-4232

SOUTH DAKOTA

Franchise Administrator
Department of Revenue and Regulation
Division of Securities
445 East Capitol Avenue
Pierre, South Dakota 57501

VIRGINIA

Chief Examiner
State Corporation Commission
Division of Securities and Retail Franchising
1300 East Main Street, 9th Floor
Richmond, Virginia 23219

WASHINGTON

Department of Financial Institutions
Securities Division
P.O. Box 9033
Olympia, Washington 98507-9033

WISCONSIN

Franchise Administrator
Securities and Franchise Registration
Wisconsin Securities Commission
P.O. Box 1768
Madison, Wisconsin 53701

EXHIBIT H

AGENTS FOR SERVICE OF PROCESS

CALIFORNIA

Commissioner of Corporations
320 West 4th Street, Suite 750
Los Angeles, CA 90013-2344

HAWAII

Commissioner of Securities
of the State of Hawaii
335 Merchant Street, Room 203
Honolulu, Hawaii 96813

ILLINOIS

Illinois Attorney General
500 South Second Street
Springfield, Illinois 62706

INDIANA

Indiana Secretary of State
201 State House
Indianapolis, Indiana 46204

MARYLAND

Maryland Securities Commissioner
Office of the Attorney General
200 St. Paul Place
20th Floor
Baltimore, Maryland 21202-2020

MICHIGAN

Michigan Department of Commerce,
Corporations and Securities Bureau
670 Law Building
Lansing, Michigan 48913

MINNESOTA

Commissioner of Commerce
133 East Seventh Street
St. Paul, Minnesota 55101

NEW YORK

Secretary of State of
the State of New York
162 Washington Avenue
Albany, New York 12231

NORTH DAKOTA

Securities Commissioner
State of North Dakota
600 East Boulevard, Fifth Floor
Bismarck, North Dakota 58505

OREGON

Director
Department of Consumer and
Business Services
Division of Finance and
Corporate Securities
Labor and Industries Building
Salem, Oregon 97310

RHODE ISLAND

Director of Department
of Business Regulation
Suite 232
233 Richmond Street
Providence, Rhode Island 02903-4232

SOUTH DAKOTA

Director of Division of Securities
445 East Capitol Avenue
Pierre, South Dakota 57501

VIRGINIA

Clerk of the State
Corporation Commission
1300 East Main Street, 1st Floor
Richmond, Virginia 23219

WASHINGTON

Director of Financial Institutions
Securities Division
210 - 11th Street SW
3rd Floor West
Olympia, Washington 98504

WISCONSIN

Department of Financial Institutions
345 West Washington Avenue, 4th Floor
Madison, Wisconsin 53703



EXHIBIT I-1

LIST OF FRANCHISEES

STATE	LOCATION	NAME	TEL	ADDRESS
GA	Cascade II	Cho ,Sungtaek	404.755.3355	590 Cascade Ave., Atlanta, GA 30122
GA	MLK	Sung, Kisang	404.505.9120	2457 Martin Luther King Jr. Dr., Atlanta ,Ga 30311
GA	Underground	Cho, Minyoung	404.577.4050	50 Upper Alabama St., Atlanta, GA 30303
GA	Westend	Kim, Chulam	404.753.1416	840 Oak St., Atlanta, GA 30310
GA	Tara Blvd.	Choi, Kwuangmo	678.610.9464	8033 Tara Blvd., Jonesboro ,GA 30236
GA	Riverdale	Han, Youngsook	770.996.1747	5404 Riverdale Rd., Collegepark, GA 30349
GA	Fayette Pavilion	Kwon, Youngha	770.461.5535	135 A Pavilion Pkwy., Fayetteville, GA 30214
GA	Campcreek	Cho, Minyoung	404.349.6161	3530 Campcreek Pkwy., Eastpoint , GA 30344
GA	Cascade I	Kim,Chulam	404.699.1344	3695 Cascade Rd., Atlanta, GA 30331
GA	Old National I	Lim, Yungbin	770.909.5678	6175 Old National Hwy., Atlanta, GA 30349
GA	Old National II	Cho, Sunin	404.209.1001	5190 Old National Hwy., Collegepark, GA 30349
GA	Union City	Ahn, Dukho	770.892.3504	4733 Jonesboro Rd. #130, Union City, GA 30291
GA	Snellville	Yvone	770.978.1611	3425 Centersville, Snellville, GA 30039
GA	HudsonBridge	Kwon,Youngdae	678.565.0105	1528 Hudsonbridge Rd., Stockbridge , GA 30281
GA	McDonough	Kang, Daeil	770.898.3986	1130 Hwy20/81 W, McDonough, GA 30253
GA	Stockbridge	Kim, Keumhwa	770.507.7226	5580 Northhenry Blvd., Stockbridge, GA 30281
GA	Marietta	Hwang, Insup	770.590.1178	180 Cobb Pkwy #c-2, Marietta, GA 30060
GA	Rosewell	Bae Sujeong	770.509.3800	2100 Rosewell Rd., Marietta, GA 30062
GA	Powersferry	Bae Hyungjin	770.952.4311	1230 Powersferry Rd., Marietta, GA 30067
GA	Chamblee	Kim,	770.454.1333	1881 Chamblee Tucker Rd. #3-2, Atlanta, GA 30341
GA	Moreland	Lim, Changwion	404.522.6567	250 Caroline Sr., Atlanta, GA 30307
GA	Memorial	Hwang, Kwanghyun	404.289.0007	3570 Memorial Dr., Decature, GA 30032
GA	North Lake	Cho, Sungtaek	770.938.2211	4800 Briahcliff Rd. #111, Atlanta, Ga 30345
GA	Panola	Lee, Sunghoon	770.981.3938	2984 Panola Rd. #300, Lithonia, GA 30038
GA	South Dekalb	Kim, Yunsook	404.241.5090	2801 Candler Rd., Decature GA, 30034
GA	StonCrest	Cho, Sungsu	770.484.0060	2998 Turnerhill Rd.#106, Lithonia ,GA 30038
GA	Wesley Chapel	Jo, Sungmin	770.323.1114	3642 Flakesmill Rd. #C, Decature , GA 30034
GA	Stone Mt.	Kim, Kumhwa	770.465.3939	1825 Rockbridge Rd., Stone Mountain, GA 30087
GA	Conyers Plaza	Kim, Minjung	770.602.3272	1360 Dogwood Dr. #203, Conyers, GA 30013
GA	Loganville	Lee, Jinwoo	770.554.8009	4132 Atlanta Hwy #101, Loganville, GA 30052
GA	Macon Mall	Ku, Kijun	478.475.4408	3661 Eisenhower Pkwy #100, Macon, GA 31206
GA	Warner Robins I	Bae, Sungeun	478.971.7988	2728 Watson Blvd. #a, Warner Robins, GA 31093
GA	Warner Robins II	Bae, Sungeun	478.922.7008	494 Booth Rd. #D, Warner Robins, GA 31088
GA	Warner Robins III	Bae, Sungeun		1130 Watson Blvd., Warner Robins, GA 31093
GA	Perry	Lim, Seungil	478.224.3354	1365 Sam Nunn Blvd. #M, Perry, GA 31069
GA	Covington	Lee, Doomin	678.625.8888	3504 Hwy 278, Covington, GA 30014
GA	Valdosta	Lee, Jinwoo	229.249.9001	1700 Norman Dr. #1088, Valdosta, GA 31601
GA	Brunswick	No, Youngho	912.264.6232	4290 Mall Blvd., Brunswick, GA 31525
AL	Birmingham I	Kim, Choonho	205.591.2222	132 Century Plaza, Birmingham, GA 35210
AL	Birmingham II	Kim, Kyungsuk	205.956.4421	1678 Eastwood Blvd. #400, Birmingham AL 35210
MS	Columbus	Kim, Choonho	662.241.7737	1404 Old Arberdeen Rd., Columbus, MS 39705
MS	Jackson	Lee, Jaekeun	601.355.2448	3465 Hwy 80 W, Jackson, MS 39209



The Educated Franchise
Educating Tomorrow's Franchisees

Hosted by www.educatedfranchisee.com
A Free, Community-Based Project

EXHIBIT I-2

LIST OF FRANCHISEES WHO HAVE LEFT THE SYSTEM

TRANSFERS

None

TERMINATIONS

None



EXHIBIT J

FORM OF GENERAL RELEASE

GENERAL RELEASE

[Name of Franchisee] (“Franchisee”) and [Name of Controlling Principals] (collectively, “Controlling Principals”), on behalf of themselves and their respective officers, directors, employees, successors, assigns, heirs, personal representatives, and all others persons acting on their behalf or claiming under them (collectively, the “Franchisee Releasors”), hereby release, discharge and hold harmless American Deli Franchising, Inc. (“Franchisor”), its affiliates, and their respective officers, directors, shareholders, employees, agents, attorneys, successors, and assigns (collectively, the “Franchisor Releasees”) from any suits, claims, controversies, rights, promises, debts, liabilities, demands, obligations, costs, expenses, actions, and causes of action of every nature, character and description, in law or in equity, whether presently known or unknown, vested or contingent, suspected or unsuspected arising under, relating to, or in connection with the Franchise Agreement dated _____ between Franchisee and Franchisor and any related agreements and the relationship created thereby, or the café operated under the Franchise Agreement, or any claims or representations made relative to the sale of the franchise to operate such café or under any federal or state franchise or unfair or deceptive trade practice laws, which any of the Franchisee Releasors now own or hold or have at any time heretofore owned or held against the Franchisor Releasees (collectively, the “Franchisee Released Claims”). **FRANCHISEE AND CONTROLLING PRINCIPALS ON BEHALF OF THEMSELVES AND THE FRANCHISEE RELEASORS WAIVE ANY RIGHTS AND BENEFITS CONFERRED BY ANY APPLICABLE PROVISION OF LAW EXISTING UNDER ANY FEDERAL, STATE OR POLITICAL SUBDIVISION THEREOF WHICH WOULD INVALIDATE ALL OR ANY PORTION OF THE RELEASE CONTAINED HEREIN BECAUSE SUCH RELEASE MAY EXTEND TO CLAIMS WHICH THE FRANCHISEE RELEASORS DO NOT KNOW OR SUSPECT TO EXIST IN THEIR FAVOR AT THE TIME OF EXECUTION OF THIS AGREEMENT.** The Franchisee Releasors also covenant not to bring any suit, action, or proceeding, or make any demand or claim of any type, against any Franchisor Releasee with respect to any Franchisee Released Claim.

Executed as of _____, 20__.

By: _____

Name: _____

Title: _____

Name: _____



EXHIBIT K

FORM OF PROMISSORY NOTE

PROMISSORY NOTE

[\$50,000.00]

_____, 2009

FOR VALUE RECEIVED, the undersigned ("Maker"), promise to pay to the order of AMERICAN DELI FRANCHISING, INC. ("Payee"), the principal sum of [FIFTY THOUSAND DOLLARS (\$50,000.00)], or so much thereof as may be advanced, in lawful money of the United States of America together with interest on such principal balance, in like money, at the rate per annum hereinafter set forth.

1. **Interest Rate.** Subject to Section 7, the unpaid principal balance of this Note shall bear interest prior to default or maturity at the Stated Rate in effect from time to time. Stated Rate means the "prime rate" as published in the Wall Street Journal, plus two percent (2%) per annum. Subject to Section 7, past due payments of principal and, if permitted by applicable law, interest shall bear interest at the lesser of (i) the maximum rate permitted to be charged under applicable law, or (ii) eighteen percent (18%) per annum. The rate determined pursuant to the preceding sentence is referred to herein as the "Default Rate." During the existence of any event of default hereunder, the entire unpaid principal balance hereof shall bear interest at the Default Rate.

2. **Payment.** Principal of and interest on this Note shall be payable as follows:

a. Beginning on _____, 2009, and continuing on the ___ day of each month thereafter prior to the maturity hereof (whether such maturity arises pursuant to passage of time, acceleration of the indebtedness evidenced hereby or otherwise), monthly installments of principal and interest in the amount of \$_____.

b. All accrued unpaid interest and principal hereunder shall be finally due and payable on _____, 2011, if such amounts have not previously matured due to acceleration for default, or been paid under the provisions for permitted prepayments, as hereinafter set forth, or otherwise.

If any scheduled payment date is not a business day, Maker shall make any payment required to be made on such day on the next succeeding business day.

3. **Prepayment.** Principal or interest payable under this Note may be prepaid from time to time and at any time, in whole or in part, without premium or penalty. All prepayments shall be applied first to accrued and unpaid interest and then to principal.

4. **Event of Default.** The occurrence at any time of any of the following events shall constitute an event of default hereunder:

a. Default in the payment of any installment of principal or interest or in the payment of any other amount due hereunder.

b. An event of default under the Franchise Agreement between Maker and Payee, or any affiliate of Payee.

5. **Remedies.** Upon any event of default hereunder, Payee may at its option declare the entire unpaid balance of this Note, together with interest accrued thereon, to be immediately due and payable and Payee may proceed to exercise any rights or remedies that it may have under this Note, or such other rights and remedies as Payee may have at law, equity or otherwise.

6. **Waiver.** Maker and each surety, endorser, guarantor and other party now or hereafter liable for the payment of any sums of money payable on this Note hereby jointly and severally (a) waive demand, presentment for payment, notice of nonpayment, protest, notice of protest, notice of acceleration and all other notices, filing of suit and diligence in collecting this Note or enforcing any other security with respect to same, (b) agree to any substitution, subordination, exchange or release of any such security or the release of any parties primarily or secondarily liable hereon, (c) agree that Payee shall not be required first to institute suit or exhaust its remedies hereon against Maker, or others liable or to become liable hereon or to enforce its rights against them or any security with respect to same, and (d) consent to any and all renewals, extensions, indulgences, releases or changes, regardless of the number of such renewals, extensions, indulgences, releases or changes, without notice thereof. No waiver by Payee of any of its rights or remedies hereunder or under any other document evidencing or securing this Note or otherwise shall be considered a waiver of any other subsequent right or remedy of Payee; no delay or omission in the exercise or enforcement by Payee of any rights or remedies shall ever be construed as a waiver of any right or remedy of Payee; and no exercise or enforcement of any such right or remedy shall ever be deemed to exhaust any right or remedy of Payee.

7. **Limitation on Interest.** It is the intention of Maker and Payee to conform strictly to the usury laws in force that are applicable to this Note. Accordingly, all agreements between Maker and Payee, whether now existing or hereafter arising, and whether written or oral, are hereby limited so that in no contingency, whether by reason of acceleration of the maturity of this Note or otherwise, shall the interest (and all other sums that are deemed to be interest) contracted for, charged or received by Payee exceed the maximum amount permitted by applicable law. If, from any circumstance whatsoever, interest would otherwise be payable to Payee in excess of the maximum amount permitted by applicable law, the interest payable to Payee shall be reduced to the maximum amount permitted by applicable law; and if, from any circumstance whatsoever, Payee shall ever receive anything of value deemed interest by applicable law in excess of the maximum amount permitted by applicable law, the receipt by Payee of such excess interest shall be deemed a mistake and the same shall, at the option of Maker, but so long as no Event of Default shall be continuing, either be refunded to Maker or credited toward the unpaid principal balance hereof; provided however, that if an Event of Default shall have occurred and be continuing, and Payee shall receive excess interest during such period, Payee shall have the option, if permitted by applicable law, of either crediting such excess amount to principal, or refunding such excess to Maker. If this Note is prepaid or accelerated by reason of an election of Payee, unearned interest, if any, shall be canceled and, if theretofore paid, shall either be refunded to Maker or credited toward the balance hereof, as Payee shall elect, if permitted by applicable law. All interest paid or agreed to be paid to Payee shall, to the extent allowed by applicable law, be amortized, prorated, allocated and spread throughout the full period until payment in full of the principal (including the period of any renewal or extension) so that the interest for such full period shall not exceed the maximum amount permitted by applicable law.

8. **Attorneys' Fees and Costs of Collection.** If this Note is placed in the hands of any attorney for collection, or if it is collected through bankruptcy or any other legal proceedings, Maker agrees to pay all costs and expenses of collection and enforcement, including reasonable attorneys' fees and court costs, in addition to other amounts due hereunder.

9. **GOVERNING LAW AND VENUE.** THIS NOTE SHALL BE GOVERNED BY AND CONSTRUED AND ENFORCED IN ACCORDANCE WITH THE LAWS OF THE STATE OF GEORGIA (EXCEPT FOR GEORGIA CHOICE OF LAW RULES) AND APPLICABLE LAWS OF THE UNITED STATES OF AMERICA. ALL CLAIMS SHALL BE BROUGHT WITHIN THE STATE OF GEORGIA IN THE JUDICIAL DISTRICT IN WHICH PAYEE HAS ITS PRINCIPAL PLACE OF BUSINESS.

MAKER:



RECEIPT

This Disclosure Document summarizes certain provisions of the Franchise Agreement and other information in plain language. Read this Disclosure Document and all agreements carefully.

If American Deli Franchising, Inc. offers you a franchise, it must provide this Disclosure Document to you 14 calendar days before you sign a binding agreement with, or make a payment to, American Deli Franchising, Inc. or an affiliate in connection with the proposed franchise sale. However, some states franchise laws (including Maryland) require American Deli Franchising, Inc. to provide this Disclosure Document to you at the first personal meeting held to discuss the franchise sale or at least 10 business days before you sign a binding agreement with, or make a payment to, American Deli Franchising, Inc. or an affiliate in connection with the proposed franchise sale or grant.

If American Deli Franchising, Inc. does not deliver this Disclosure Document on time or if it contains a false or misleading statement, or a material omission, a violation of federal and state law may have occurred and should be reported to the Federal Trade Commission, Washington, D.C. 20580 and the applicable state administrator listed in Exhibit G.

The name, principal business address and telephone number of each franchise seller offering this franchise is as follows: Eunki Han, 6401 Highway 85, Riverdale, Georgia, 30274 (770) 991-2220 and _____.

The issuance date of this Disclosure Document is January 1, 2009 and the effective dates for this Disclosure Document in certain states is listed on the State Cover Page.

I received a Disclosure Document dated January 1, 2009 that included the following exhibits:

<u>Exhibit A</u>	Financial Statements
<u>Exhibit B</u>	Franchise Agreement
<u>Exhibit B-1</u>	State Amendments to Franchise Agreement
<u>Exhibit C</u>	Electronic Funds Transfer Authorization
<u>Exhibit D</u>	Power of Attorney (Telecommunications)
<u>Exhibit E</u>	Power of Attorney (Tax)
<u>Exhibit F</u>	Manuals Table of Contents
<u>Exhibit G</u>	List of State Administrators
<u>Exhibit H</u>	Agents for Service of Process
<u>Exhibit I-1</u>	List of Franchisees
<u>Exhibit I-2</u>	List of Franchisees Who Have Left the System
<u>Exhibit J</u>	Form of General Release
<u>Exhibit K</u>	Form of Promissory Note

<u>Printed Name</u>	<u>Title</u>	<u>Signature</u>	<u>Date</u>
_____	_____	_____	_____
_____	_____	_____	_____

ENTITY NAME (if applicable): _____

COPY 1. KEEP THIS COPY FOR YOUR RECORDS.



RECEIPT

This Disclosure Document summarizes certain provisions of the Franchise Agreement and other information in plain language. Read this Disclosure Document and all agreements carefully.

If American Deli Franchising, Inc. offers you a franchise, it must provide this Disclosure Document to you 14 calendar days before you sign a binding agreement with, or make a payment to, American Deli Franchising, Inc. or an affiliate in connection with the proposed franchise sale. However, some states franchise laws (including Maryland) require American Deli Franchising, Inc. to provide this Disclosure Document to you at the first personal meeting held to discuss the franchise sale or at least 10 business days before you sign a binding agreement with, or make a payment to, American Deli Franchising, Inc. or an affiliate in connection with the proposed franchise sale or grant.

If American Deli Franchising, Inc. does not deliver this Disclosure Document on time or if it contains a false or misleading statement, or a material omission, a violation of federal and state law may have occurred and should be reported to the Federal Trade Commission, Washington, D.C. 20580 and the applicable state administrator listed in Exhibit G.

The name, principal business address and telephone number of each franchise seller offering this franchise is as follows: Eunki Han, 6401 Highway 85, Riverdale, Georgia, 30274 (770) 991-2220 and _____.

The issuance date of this Disclosure Document is January 1, 2009 and the effective dates for this Disclosure Document in certain states is listed on the State Cover Page.

I received a Disclosure Document dated January 1, 2009 that included the following exhibits:

- Exhibit A Financial Statements
- Exhibit B Franchise Agreement
- Exhibit B-1 State Amendments to Franchise Agreement
- Exhibit C Electronic Funds Transfer Authorization
- Exhibit D Power of Attorney (Telecommunications)
- Exhibit E Power of Attorney (Tax)
- Exhibit F Manuals Table of Contents
- Exhibit G List of State Administrators
- Exhibit H Agents for Service of Process
- Exhibit I-1 List of Franchisees
- Exhibit I-2 List of Franchisees Who Have Left the System
- Exhibit J Form of General Release
- Exhibit K Form of Promissory Note

<u>Printed Name</u>	<u>Title</u>	<u>Signature</u>	<u>Date</u>
_____	_____	_____	_____
_____	_____	_____	_____

ENTITY NAME (if applicable): _____

COPY 2. RETURN THIS COPY TO:

American Deli Franchising, Inc.
6401 Highway 85
Riverdale, Georgia 30274
Attn: Franchise Administrator
Fax: 770-991-9455
Email: jameshan01@bellsouth.net

