

## FRANCHISE DISCLOSURE DOCUMENT



POS Franchising, LLC  
a Delaware limited liability company  
480 East Happy Canyon Road  
Castle Rock, CO 80108  
800.245.0245  
[www.portofsubs.com](http://www.portofsubs.com)

As a Port of Subs franchisee, you will establish and operate a restaurant facility for the on-premises and off-premises consumption of a wide variety of made-to-order submarine-type sandwiches, hot sandwiches, salads, catering trays, wraps, desserts, beverages, and other quick service food items, under the “Port of Subs” trade name and business system.

The total investment necessary to begin operation of a Port of Subs restaurant ranges from ~~\$315,500 to \$559,125. This includes the \$40,000 to \$44,000 that must be paid to the franchisor or its affiliates~~ 419,895 to \$856,875. This includes the \$41,500 to \$51,500 that must be paid to the franchisor or its affiliates. We may offer you an area development agreement authorizing you to develop between three and nine Port of Subs restaurants. If you sign an area development agreement, you must pay a non-refundable development fee of \$65,000 (for three restaurants) to \$185,000 (for nine restaurants), which development fee encompasses all initial franchise fees for the restaurants to be developed and future initial franchise fees will not be owed in connection with franchise agreements executed pursuant to an area development agreement.

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 this disclosure document in another format that is more convenient for you. To discuss the availability of disclosures in different formats, please contact Andrew Beach at 480 East Happy Canyon Road, Castle Rock, Colorado 80108, [abeach@portofsubs.com](mailto:abeach@portofsubs.com), 800.245.0245.

The terms of your contract will govern your franchise relationship. Do not 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 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 (“FTC”). You can contact the FTC at 1-877-FTC-HELP or by writing to the FTC at 600 Pennsylvania Avenue, N.W., Washington, D.C. 20580. You also can visit the FTC’s home page at [www.ftc.gov](http://www.ftc.gov) for additional information. Call your state agency or visit your public library for other sources of information on franchising.

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

Issuance Date: April ~~15, 2024~~

| [24, 2025](#)

## How to Use This Franchise Disclosure Document

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

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

## What You Need To Know About Franchising Generally

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

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

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

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

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

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

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

### Some States Require Registration

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

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

## Special Risks to Consider About *This* Franchise

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

1. **Out-of-State Dispute Resolution.** The franchise agreement ~~requires~~ and area development agreement require you to resolve disputes with the franchisor by litigation or arbitration only in Colorado. Out-of-state arbitration or litigation may force you to accept a less favorable settlement for disputes. It may also cost you more to arbitrate or litigate with the franchisor in Colorado than in your home state.
2. **Spousal Liability.** The franchise agreement may require your spouse (or domestic partner or other immediate family member) to sign a document that makes your spouse liable for all financial obligations under the franchise agreement even though your spouse has no ownership interest in the franchise. This guarantee will place both your and your spouse's marital and personal assets, perhaps including your house, at risk if your franchise fails.
3. **Short Operating History.** The franchisor is at an early stage of development and has a limited operating history. This franchise is likely to be a riskier investment than a franchise in a system with a longer operating history.
4. **Supplier Control.** You must purchase all or nearly all of the inventory and supplies necessary to operate your business from the franchisor, its affiliates, or from suppliers the franchisor designates at prices the franchisor or they set. These prices may be higher than prices you could obtain elsewhere for the same or similar goods. This may reduce the anticipated profit of your franchised business.

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

## **DISCLOSURES REQUIRED BY MICHIGAN LAW**

To the extent the Michigan Franchise Investment Law, Mich. Comp. Laws §§445.1501 – 445.1546 applies, the terms of this Addendum apply.

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 franchisee has any questions regarding this notice, those questions should be directed to the Michigan Department of Attorney General, Consumer Protection Division, Attn.: Franchise, 670 Law Building, Lansing, Michigan 48913, telephone: (517) 373-7117.

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## ITEM 1 THE FRANCHISOR AND ANY PARENTS, PREDECESSORS AND AFFILIATES

To simplify the language in this franchise disclosure document (“Disclosure Document”), the terms “Port of Subs,” “we”, “us”, “our”, or “Franchisor” mean POS Franchising, LLC (“Port of Subs”). The terms “you,” “your,” or “Franchisee” refer to the individual or business entity which acquires a franchise to operate a Port of Subs restaurant. The terms “you” and “your” do not include any individual or business entity which owns an interest in you. We may require all individuals and business entities which own an interest in you to guarantee your obligations to us.

### The Franchisor, Its Parent, Predecessors, and Affiliates

We are a Delaware limited liability company formed on November 10, 2022. Our principal business address is 480 East Happy Canyon Road, Castle Rock, Colorado 80108. Our agent for service in Delaware is The Corporation Trust Company, with a principal business address of 1209 Orange Street, Wilmington, Delaware 19801. Our agents for service of process in the states which require franchise registration are listed in Exhibit A to this Disclosure Document. We do business under our corporate name and the trade name “Port of Subs.” We do not do business under any other name. We began offering franchises for Port of Subs franchised restaurants (and for Port of Subs regional developer businesses pursuant to a separate disclosure document) in 2023. As of December 31, ~~2023~~2024, we had ~~no~~2 regional developers ~~yet~~ operating in the United States ~~though some had executed agreements~~. We have not offered franchises in any other line of business, nor do we operate any business of the type being offered to you.

We are a wholly-owned subsidiary of POS Holdings, LLC (“POS Holdings”), a Delaware limited liability company formed on November 10, 2022. POS Holdings is a wholly-owned subsidiary of Area 15 Ventures, LLC, a Delaware limited liability company. POS Holdings and Area 15 Ventures, LLC share our principal business address.

Our affiliate, POS Operations, LLC (“POS Operations”), a Delaware limited liability company formed on November 10, 2022, owns and operates company-owned Port of Subs restaurants. POS Operations shares our principal business address. As of December 31, ~~2023~~2024, POS Operations operates ~~12~~7 company-owned Port of Subs restaurants in the United States. POS Operations has never offered franchise in this or any other line of business.

Our predecessor, Port of Subs, Inc., was incorporated under the laws of Nevada on April 22, 1985. Port of Subs, Inc.’s principal place of business is 5365 Mae Anne Avenue, Suite A-29, Reno, Nevada 89523. The first Port of Subs restaurant opened in September 1972 in Sparks, Nevada. It originally did business under the name “The Sub Shop” before rebranding to “Port of Subs” in 1976. Port of Subs, Inc. offered Port of Subs franchises from November 1985 until January 2023. Port of Subs, Inc. has not offered franchises in any other line of business. Port of Subs, Inc. also operated company-owned Port of Subs restaurants. On March 31, 2023, POS Holdings purchased substantially all of Port of Subs’ assets via an Asset Purchase Agreement between POS Holdings and Port of Subs, Inc., and, in connection with that acquisition, we assumed all of Port of Subs, Inc.’s existing franchise agreements, and our affiliate, POS Operations, assumed management and operations of all company-owned Port of Subs restaurants.

Our affiliate, Daddy’s Chicken Shack Franchising, LLC, a Delaware limited liability company formed on February 22, 2021, began offering franchises for Daddy’s Chicken Shack restaurants in 2021 and for Daddy’s Chicken Shack regional developer businesses in 2022. It has not offered franchises in any other line of business. As of December 31, ~~2023~~2024, there are ~~36~~ open franchised Daddy’s Chicken Shack restaurants, and ~~12 operating~~15 franchised Daddy’s Chicken Shack regional developer businesses. Daddy’s Chicken Shack Franchising, LLC shares our principal business address.

Except as otherwise described above, no other parents, predecessors, or affiliates are required to be disclosed in this Item, directly offers franchises in any other line of business, or otherwise conducts business of the type being offered to you in this Disclosure Document.

### The Franchised Business

We offer qualified individuals and business entities the opportunity to operate Port of Subs restaurant businesses (“Port of Subs Restaurant(s)” or “Restaurant(s)”) in specific geographic areas. Port of Subs Restaurants offer quick service, fast casual dining to the general public serving Port of Subs food and beverage products through a menu featuring wide variety of made-to-order submarine-type sandwiches, grillers, hot sandwiches, salads, catering trays, deli trays, wraps, desserts, beverages, and such additional or alternate menu and other items as we may designate from time to time for on-premises and off-premises consumption (“Menu Items”). Port of Subs Restaurants focus on rapid, fresh delivery of menu items consumption across a wide array of delivery methods, including Crafted-to-Go, kiosk, dine-in, take-out, curbside pick-up, delivery via available services, and catering.

Each Port of Subs Restaurant operates according to our proprietary business format and system (“System”), the distinguishing characteristics of which include, among other things, one or more specially-designed buildings or facilities for restaurant operations with specified site furniture, fixtures, kitchen display systems and equipment; site selection and layout criteria; distinctive interior and exterior design, décor, signage color scheme and furnishings, trade dress elements; proprietary products; standards, specifications, policies and procedures for construction and management; quality, distinctiveness and uniformity of products and services; standards, specifications, policies and procedures for restaurant operations; training and assistance; and advertising and promotional programs, all as more particularly described and designated in the Manuals (defined below) and all of which we may change, improve, and further develop at its option from time to time. We identify the System by certain licensed trade names, service marks, trademarks, logos, emblems, including the name and mark, “PORT OF SUBS.” Port of Subs Restaurant will operate under the mark “PORT OF SUBS” and other associated marks that we now and in the future may designate as part of the System (collectively, the “Proprietary Marks”). We acquired the right to use and sublicense to franchisees the Proprietary Marks and the System under a sublicense agreement with our affiliate, POS IP, LLC.

We offer the right to operate one Port of Subs Restaurant using the System and Proprietary Marks at or from a physical premises located within the Designated Area (defined below) under the terms of a single unit franchise agreement (the “Franchise Agreement”), attached to this Disclosure Document as Exhibit C. Port of Subs Restaurants are generally located on leased premises in neighborhood shopping centers, strip centers, free-standing buildings, or other typical fast-food or quick-service restaurants locations. If, at the time you enter into the Franchise Agreement, a location for the Restaurant has not been approved, you must lease, sublease, or acquire a site for your Restaurant, subject to our approval, under a site selection addendum, which is attached to the Franchise Agreement (“Site Selection Addendum”). The procedures for finding, selecting, and receiving authorization for a location for the Restaurant under the Site Selection Addendum are described in Item 11 of this Disclosure Document. You will operate your Port of Subs Restaurant at a physical premises located within an area that is designated in the Franchise Agreement (the “Designated Area”). Item 12 of this Disclosure Document, and the Franchise Agreement, will describe the rights that you and we will have regarding the Designated Area. Traditional Port of Subs Restaurants are typically 1,000 to 1,800 square feet (though some existing traditional Restaurants range from 975 to 2,350 square feet). In the past, our predecessor also offered franchises for non-traditional Restaurants (typically 500 to 800 square feet) operated within a host location, such as a convenience store, airport terminal, college, hospital, or gas station. A non-traditional restaurant may have restricted or expanded menus depending upon its particular circumstances. A non-traditional restaurant may only be able to sell a portion of the approved product line due to space limitation and competing products sold by, within, or adjacent to the Port of Subs Restaurant by the primary host.

You must operate your Port of Subs Restaurant according to our standards and procedures, as set forth in our confidential operations manuals (the “Manuals”). We will lend you a copy of the Manuals for the duration of the Franchise Agreement. We may periodically change and improve the System, and you must promptly comply with all new or changed items.

If you qualify, you may also develop and operate multiple Restaurants within an exclusive area (the “Development Territory”) under our Area Development Agreement (the “Area Development Agreement”). We will determine the number of Restaurants you must develop in your Development Territory and the schedule within which you must develop the Restaurants before you sign the Area Development Agreement, but you must commit to develop a minimum of three Restaurants and a maximum of nine Restaurants under an Area Development Agreement. Prior to developing each Restaurant under your Area Development Agreement, you will sign our then-current form of franchise agreement (“Franchise Agreement”), the terms of which may differ from the Franchise Agreement attached to this Disclosure Document. To be eligible to execute a Franchise Agreement, you must be in compliance with our Execution Conditions (defined below). Our Execution Conditions include, but are not limited to, compliance with the terms of your existing agreements with us or our affiliates, compliance with our then-current multi-unit certification standards, business performance metrics, and operation of your existing Restaurants in accordance with brand standards (“Execution Conditions”).

In addition to you, certain provisions of the Franchise Agreement and Area Development Agreement also apply to your principal(s). Your principal(s) will be personally bound by various obligations under the Franchise Agreement and Area Development Agreement, including confidentiality, indemnification, and non-compete obligations. In addition, we require your principal(s) to jointly and severally guarantee your obligations to us under the Franchise Agreement and Area Development Agreement, including your payment obligations.

We also offer an optional program (the “Regional Developer Program”) under which a franchisee receives the right to solicit and recruit Port of Subs Restaurants to potential franchisees, and thereafter provide support to franchisees, within a specified geographic area. We have a separate disclosure document and regional developer agreement (“Regional Developer Agreement”) pertaining to our Regional Developer Program. If you participate in the Regional Developer Program, you must enter into a Regional Developer Agreement with us. See Exhibit EF for additional information regarding our existing regional developers.

### Market and Competition

The market for restaurants generally is highly competitive and fragmented; the number, size and strength of competitors may vary widely by geographic region, especially within the quick-service fast casual dining category. There is active competition among restaurants based upon quality of food products, customer service, management personnel, reputation, restaurant décor, location, name recognition, and price. You will compete with other restaurants offering a wide variety of menu items and alcoholic and non-alcoholic beverages and other competing concepts. Competitors may be locally owned or large, regional, or national chains. The restaurant business is also affected by changes in general economic conditions (including economic uncertainty), consumer preferences and demographics as well as negative publicity related to core menu items or food-borne illness and increase in prices of and/or reductions in the availability of commodities. Quick service industry restaurants are subject to seasonal fluctuations comparable to most restaurants (for example, during holiday seasons).

### Industry Specific Laws and Regulations

In addition to the laws, regulations, and ordinances applicable to the businesses generally, like the Americans with Disabilities Act, federal wage and hour laws, and the Occupational Safety and Health Act, you should consider that certain aspects of the restaurant and related bar business are heavily regulated by federal, state, and local laws, rules, and ordinances.

The U.S. Food and Drug Administration and the U.S. Department of Agriculture, as well as state and local departments of health and other agencies, have laws and regulations concerning the preparation of food and sanitary conditions of restaurant facilities. State and local agencies routinely conduct inspections for compliance with these requirements. Under the Clean Air Act and state implementing laws, certain state and local areas are required to attain, by the applicable statutory guidelines, the national air quality standards for ozone, carbon monoxide and particulate matters. Certain provisions of these laws impose caps on emissions resulting from commercial food preparation.

If your Restaurant will be located in California, you must comply with California AB 1228, which raised the hourly minimum wage for certain fast food workers and established a Fast Food Council that is empowered to set fast-food restaurant standards for minimum wage and to develop minimum standards, rules, and regulations regarding working conditions for fast food workers, including regarding wages, conditions affecting fast food restaurant workers' health and safety, security in the workplace, the right to take time off work for protected purposes, and the right to be free from discrimination and harassment in the workplace, and you must comply with any such minimum standards established by the Fast Food Council.

Some state and local authorities have adopted, or are considering adopting, laws or regulations that would affect the content of food served in restaurants, such as the level of sodium and trans fats contained in a food item. The U.S. Food and Drug Administration has issued regulations that require certain restaurants and retail food establishments to post caloric information on menus and menu boards and to provide additional written nutrition information to consumers upon request.

You should consider these laws and regulations when evaluating your purchase of a franchise.

## **ITEM 2 BUSINESS EXPERIENCE**

Chairman of the Board: David L. Liniger

Mr. Liniger has served as our Chairman of the Board of Directors since our inception in November 2022. He also serves as the Chairman of the Board of Area 15 Ventures, LLC and has since its inception June 18, 2018. He is also Chairman of the Board of Directors of Daddy's Chicken Shack Franchising, LLC, and has since February 2021. Since 1973, he has been Co-Founder and Chairman of the Board of RE/MAX Holdings, Inc.

Director: Gail A. Liniger

Mrs. Liniger has served as a director since our inception in November 2022. She is also Co-Founder since 1973 and the Vice Chair and of RE/MAX Holdings, Inc. Board of Directors since 2002. She also serves as a director for Daddy's Chicken Shack Franchising, LLC and has since February 2021.

~~Director: Dave L. Liniger, Jr.~~

~~Mr. Liniger has served as a director since our inception in November 2022. He has served as a director for Daddy's Chicken Shack Franchising, LLC since February 2021 and as its President since March 2023. He also served as a partner with Area 15 Ventures, LLC since September 2022. Previously, he was the Manager of Big Iron Motorsports, LLC from January 2015 to September 2022. He serves or has served in these positions in Denver, Colorado.~~

Chief Executive Officer & Director: Adam Contos

Mr. Contos has served as our Chief Executive Officer and a director since our inception in November 2022. He has served as a director for Daddy's Chicken Shack Franchising, LLC since February 2021. He has served as a partner with Area 15 Ventures, LLC since November 2021. From February 2018 to April 2022, he served as Chief Executive Officer and Director of RE/MAX Holdings, Inc. in Denver, Colorado. Mr. Contos has been [an](#) Adjunct Faculty at the University of Denver, Daniels College of Business since June 2022.

President & Director: Healey Mendicino, CFE

Ms. Mendicino has been our President and a member of our Board of Directors since March 2023. Previously, she served in various positions for our predecessor, Port of Subs Inc., from July 2013 to March 2023, most recently as its Executive Vice President from January 2015 to March 2023. Ms. Mendicino served in those positions in Reno, Nevada.

~~Chief Financial Officer, Secretary, Treasurer, Partner, & Director: Daniel J. Predovich~~

Mr. Predovich has served as our ~~Chief Financial Officer, Secretary, Treasurer, and as a~~ [partner and](#) director since our inception in November 2022, ~~and as a director for Daddy's Chicken Shack Franchising, LLC since February 2021,~~ [and as our Chief Financial Officer from November 2022 to October 2024.](#) Mr. Predovich ~~has also served~~ [has also](#) ~~served~~ [serves](#) as a [managing](#) partner and Chief Financial Officer with Area 15 Ventures, LLC since November 2021, ~~and as a director for Daddy's Chicken Shack Franchising, LLC since February 2021.~~ Previously, Mr. Predovich was the owner of Predovich & Company, CPAs from January 1989 to November 2021. Mr. Predovich served on the Board of Directors of RE/MAX Holdings, Inc. from January 2004 to January 2022, in Denver, Colorado.

Chief Financial Officer: David DeArment

[Mr. DeArment has been our Chief Financial Officer since October 2024. He previously served as our Vice President of Accounting and Finance from October 2023 to October 2024. He has also served as Vice President of Accounting and Finance for Area 15 Ventures, LLC since October 2023. Before joining Port of Subs, he served as Chief Financial Officer for Roth Industries, in Colorado Springs, Colorado, from May 2022 to July 2023. He served as Vice President of Finance and Accounting for Corner Bakery, in Golden, Colorado, from October 2020 to May 2022. From February 1996 to May 2022, he served in various positions for Boston Market, in Golden, Colorado, including as its Vice President of Finance and Accounting from April 2020 to May 2022.](#)

Vice President of Franchise Sales: Andrew Beach

Mr. Beach has served as our Vice President of Franchise Sales since July 2023. He has also served as co-owner of Divine Digital Agency, in Naples, Florida, since May 2022. He served as co-founder of Nuture Brands, in San Diego, California, from May 2021 to January 2023. He served as Regional Vice President of Franchise Sales for F45 Training, in Los Angeles, California, from August 2019 to March 2021. ~~He served as Director of Franchise Sales for Generation Next Franchise Brands, in San Diego, California, from August 2017 to August 2019.~~

Senior Vice President of Operations & Training: Michael Rana, CFE

Mr. Rana has been our [Senior](#) Vice President of Operations ~~&~~ [and](#) Training since [April 2024.](#) ~~Prior to that he served as our Vice President of Operations & Training from March 2023 to March 2024.~~ Prior to joining us, he served as Vice President for Chosen 1 Cajun Seafood, in Manchester, Connecticut, from November 2020 to January 2023. He served as Vice President of Operations for Kahala Brands, in Scottsdale, Arizona, from December 2016 to August 2020, and in various other roles from August 1997 to December 2016.

Vice President of Accounting and Finance: David DeArment

~~Mr. DeArment has been our Vice President of Accounting and Finance since October 2023. He has also served as Vice President of Accounting and Finance for Area 15 Ventures, LLC since October 2023. Before joining Port of Subs, he served as Chief Financial Officer for Roth Industries, in Colorado Springs, Colorado, from May 2022 to July 2023. He served as Vice President of Finance and Accounting for Corner Bakery, in Golden, Colorado, from October 2020 to May 2022. From February 1996 to May 2022, he served in various positions for Boston Market, in Golden, Colorado, including as its Vice President of Finance and Accounting from April 2020 to May 2022.~~

Head of People: Susan Zimmerman

~~Ms. Zimmerman has been our Head of People since November 2022. Prior to joining us, Ms. Zimmerman was the Senior Vice President, Human Resources for RE/MAX, LLC, in Denver, Colorado, from July 2014 until December 2022.~~

Senior Vice President of Development: Nick Skuse

Mr. Skuse has been our Senior Vice President of Development since December 2024. Previously, he was Director of Preconstruction and Senior Project Manager for Pahlisch Commercial, Inc. from June 2019 to December 2024. Prior to that, he served as the Director of Construction for our predecessor, Port of Subs, Inc., from September 2016 to June 2019 in Reno, Nevada. Except where otherwise noted, he serves or served in his positions from Bend, Oregon.

Vice President of Marketing and Strategy: Meghan Capello

Mrs. Capello has been our Vice President of Marketing and Strategy since February 2024. Previously, she was our Senior Director of Marketing from March 2023 to February 2024, and the Director of Marketing with our predecessor, Port of Subs, Inc., from October 2006 until March 2023. She serves or served in her positions from Reno, Nevada.

Vice President of Real Estate: Mark Austin

Mr. Austin has been our Vice President of Real Estate since May 2024, in Phoenix, Arizona. Prior to joining us, Mr. Austin was an agent for Carr from July 2022 to May 2024, in Phoenix, Arizona. Mr. Austin was the Director of Real Estate for KPB Brands from July 2021 to April 2022, in Phoenix, Arizona. He was the Vice President of Real Estate and Director of Development and Construction for Wendy's of Colorado Springs, Inc. from July 2000 to November 2020, in Colorado Springs, Colorado.

Senior Director of Franchise Administration: Tracy Harge, CFE

Mrs. Harge has been our Senior Director of Franchise Administration since April 2024. Previously, she was our Director of Franchise Administration from March 2023 to April 2024. Prior to joining us, Mrs. Harge served as a Store Manager for Starbucks from October 2021 to March 2023 (and as a Partner since October 2019). Mrs. Harge worked for Union County Department of Social Services as a Sr. Social Work Investigator from November 2020 to October 2021. Mrs. Harge worked for Mecklenburg County Department of Social Services as a Child Welfare Specialist II from May 2019 to September 2021. ~~She worked for our predecessor, Port of Subs, Inc., as a Franchise Administrator from June 2017 to July 2019.~~ She serves or served in her positions from Monroe, North Carolina.

Senior Director of Information Technology: David Burns

Mr. Burns has been our [Senior Director of Information Technology](#) since July ~~2023~~2024. Prior to that, he was our [Director of Information Technology from July 2024 to July 2024 and](#) Information Technology Manager from March 2023 until July 2023. Previously, he was Information Technology Manager with our predecessor, Port of Subs, Inc., from August 2007 until March 2023. He serves or served in his positions from Reno, Nevada.

Senior Director of ~~Construction~~: Lisa Birmingham

~~Ms. Birmingham has been our Senior Director of Construction since our inception in March 2023. Previously, she was Senior Director of Construction with our predecessor, Port of Subs, Inc., in Reno, Nevada, from November 2019 until March 2023, and served as our predecessor's Senior Construction Manager from May 2014 until May 2016.~~

~~Director of Training~~: Misty Dunlap

~~Mrs~~Ms. Dunlap has been our [Senior Director of Training](#) since [September 2024](#). Prior to that, she was our [Director of Training from](#) April 2023 [to September 2024](#), in Reno, Nevada. Prior to joining us, she was a Certified Training Restaurant Partner for Raising Canes Chicken Fingers, in Sparks, Nevada, from November 2013 until April 2023.

Senior Director of Operations: Gina Poole

[Ms. Poole has been our Senior Director of Operations since December 2024. Prior to that, she was our Director of Operations from June 2024 to December 2024 and Area Supervisor from April 2023 to June 2024. Previously, she held the positions of Area Supervisor and Senior Franchise Field Consultant with our predecessor, Port of Subs, Inc., from February 2000 until March 2023. She serves or served in her position from Las Vegas, Nevada.](#)

Senior Director of Supply Chain: Kristen Ford

[Ms. Ford has been our Senior Director of Supply Chain since October 2023. Prior to that, she was our Manager of Supply Chain from January 2012 to October 2023. She also provided additional support as Training Supervisor and Administrative Supervisor at different times from January 2015 to January 2018. Prior to that, she was the Area Supervisor of twelve Port of Subs Corporate Owned and Operated Stores located in Arizona from January 2006 to December 2011. She has also served as the Port of Subs National Advisory Council Secretary since January 2015. She serves in her position from Reno, Nevada.](#)

Director of Digital Marketing: Ellen Reid

Ms. Reid has been our Director of Digital Marketing since December 2023. Prior to that, she was our Digital Marketing Manager from March 2023 to November 2023. Previously, she served in various positions for our predecessor, Port of Subs, Inc., in Reno, Nevada, including as our predecessor's Digital Marketing Manager from September 2016 to March 2023, and its Digital Marketing Specialist from

August 2015 to August 2016. She served or serves in her positions for us from ~~Grand Blaine, Michigan~~ Reno, Nevada.

Director of Field Marketing: Lani Dorlack

Ms. Dorlack has been our Director of Field Marketing since May 2024. Prior to that, she served as VP/Agency Services with Madsen Marketing & PR from May 2019 to May 2024. She serves or served in her positions from Las Vegas, Nevada.

Director of Human Resources: Jamie Isner

Mrs. Isner has been our Director of Human Resources since January 2025. Previously, she was our Human Resources Manager from September 2023 to January 2024. Prior to joining us, Mrs. Isner served as Talent Acquisition Partner for Qdoba Restaurant Corporation from April 2022 to September 2023. Mrs. Isner worked for Bagel Brands as a Regional Field Recruiter (contract) from July 2021 to March 2022. Mrs. Isner worked for MadSky as a Human Resources Manager from March 2020 to May 2021. She serves or served in her positions from Castle Rock, Colorado.

Franchise Sales Manager: Chips Weldon, CFE

Mr. Weldon has been our Franchise Sales Manager since December 2023 ~~Reno, in Las Vegas~~, Nevada. Prior to that, he served as a Franchise Marketing Consultant for us from ~~March~~ April 2023 to December 2023 and in the same role for our predecessor, Port of Subs, Inc., in ~~Reno~~ Las Vegas, Nevada, from ~~March 2022 to~~ March 2022 to March 2023. He has also served as the Managing Member of ~~VCM~~ Vegas Chips Music, LLC, in Las Vegas, Nevada, since December 2019. ~~Prior to joining us, he was the Founder and CEO of Workflow Productions, Inc. in Las Vegas, Nevada from June 2014 until December 2019.~~

Unless otherwise specified, each position listed above is or was based in Castle Rock, Colorado.

**ITEM 3  
LITIGATION**

No litigation is required to be disclosed in this Item.

**ITEM 4  
BANKRUPTCY**

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

**ITEM 5  
INITIAL FEES**

Initial Franchise Fee

When you sign the Franchise Agreement, you will pay us an initial lump sum franchise fee of \$25,000 (“Initial Franchise Fee”).

If you are a qualifying honorably discharged United States veteran, you will receive a 50% discount off the Initial Franchise Fee for your first Franchise Agreement. This discount is only granted to new franchisees and is not available to existing franchisees or regional developers. We may discontinue or modify this discount program at any time.

Development Fee

When you sign the Area Development Agreement, you will pay a development fee in the amount of \$25,000 for the first Restaurant to be developed, plus \$20,000 for each Restaurant thereafter (the "Development Fee"). When you develop each Restaurant under the Area Development Agreement, and subject to your satisfaction of the Execution Conditions, you will sign our then-current form of Franchise Agreement. The payment of the Development Fee shall function as a credit of any Initial Franchise Fee you would pay us under each such Franchise Agreement, and no further Initial Franchise Fee will be owed in connection with any Franchise Agreement executed pursuant to an Area Development Agreement.

The Development Fee is calculated in the same manner for all franchisees entering into an Area Development Agreement under this offering, but the actual dollar amount paid will vary depending on the number of Restaurants you agree to develop. The Development Fee is considered fully earned and non-refundable when paid.

### Training Fee

When you sign the Franchise Agreement, you will pay us a training fee of \$5,000 ("Training Fee") for up to three individuals (the two Principal Trainees defined in Item 11 below and one other management-level employee whom we approve) to attend our initial training program ("Initial Training Program"). With our consent, you may send additional management-level employees to initial training, subject to your payment of our then-current fee (currently \$2,500) per additional attendee. There is no additional training fee required under the Area Development Agreement. You will be responsible for expenses incurred in connection with any training, including the costs of transportation, lodging, meals, wages, workers' compensation insurance.

### Grand Opening

You must spend at least ~~\$5~~15,000 ("Grand Opening Program Amount") for your Restaurant's initial grand opening pursuant to a grand opening marketing plan that you and we will collaborate and agree upon ("Grand Opening Program~~");~~"), though we reserve the right to approve a reduced amount if your Restaurant will be in an established market with multiple existing Port of Subs restaurants. The Grand Opening Program may start prior to opening your Restaurant and must be completed within ~~60~~90 days after your Restaurant commences operation. ~~We can~~ require you to pay the Grand Opening Program Amount 90 days prior to your expected Restaurant Grand Opening, in which case the Grand Opening Program Amount will be held in an escrow account and we will use the Grand Opening Program Amount to develop and implement the Grand Opening Program for your Restaurant. If we spend additional amounts on advertising as part of the Grand Opening Program, in amounts that you and we agree are part of the Grand Opening Program, you must reimburse us for the additional costs within 15 days after your receipt of notice from us. You may spend additional sums as you deem necessary or appropriate in connection with the opening of the Restaurant. We estimate that you will spend ~~\$5~~15,000 to ~~\$7~~17,500 in connection with your Restaurant's grand opening.

### Real Estate and Construction Support

~~Ninety (90) days after you sign the~~Upon signing your Franchise Agreement, you must pay us a \$5,000 fee for the general real estate and construction support services we provide to you ("Real Estate and Construction Support Fee"), including site survey review, real estate broker engagement, site approval, construction survey, cost estimate, and toolkit transfer.

### Site Review

The site you propose for your Restaurant must be approved by us. If we determine that an on-site evaluation of a site you propose for your Restaurant is appropriate, we may conduct an on-site site-specific review and

you must reimburse us for all costs incurred by our representative in visiting the site, including travel, lodging, and meals. We estimate such costs will not exceed \$1,500. Upon payment, these costs are non-refundable. Such reimbursement is in addition to the Real Estate and Construction Support Fee.

The Initial Franchise Fee, Training Fee, Grand Opening Program Amount (if collected by us), Real Estate and Construction Support Fee, and Site Review reimbursements (if any) are fully earned and non-refundable when paid, and, except as expressly noted above, are uniformly applied.

**ITEM 6  
OTHER FEES**

Type of Fee <sup>1</sup>	Amount	Due Date	Remarks
Royalty Fee <sup>2</sup>	6% of Gross Sales.	Wednesday after the close of each Sales Week.	Electronic Funds Transfer (“EFT”).
Brand Development Fund Contribution	1% of Gross Sales. <sup>3</sup>	15th day of each month based upon the Gross Sales for the immediately preceding calendar month.	
Local Store Marketing	<del>23</del> % of Gross Sales. <sup>4</sup>	As incurred.	Various third-party suppliers.
Technology Fee <sup>5</sup> <a href="#">(Franchise Agreement)</a>	<del>Currently \$1,250 per month</del> <a href="#">Our then-current fee (currently \$0)</a>	Monthly	<del>Upon notice to you</del> <a href="#">Not currently charged. If established</a> , we may increase or otherwise adjust this fee <a href="#">upon notice to you</a> based on increases in our costs or changes in the technologies you must obtain through us.
Late Payment / Late Report Charges	\$100 for each week or part of a week that any payment or report is late, and interest on such amount from the date it was due until paid at the lesser rate of 1.5% per month or the maximum rate permitted by law.	Immediately upon notice from us.	
<a href="#">Additional/Replacement Training/Assistance</a>	Currently \$500 per day, plus reimbursement for actual expenses	As incurred.	If you request that we provide on-site training in addition to the initial training, refresher training, and/or training after opening we may provide. Training fee is subject to change.
Remodeling	Up to \$125,000 upon expiration of every 5-year period following the opening of the Restaurant.	As incurred.	Various third-party suppliers.

Type of Fee <sup>1</sup>	Amount	Due Date	Remarks
Transfer Fee <a href="#">(Franchise Agreement)</a>	\$10,000.	The earlier of (a) when the transferee signs the new franchise agreement, or (b) when the transferee begins training.	
<a href="#">Grand Re-Opening Fee</a>	<a href="#">\$5,000</a>	<a href="#">Prior to re-opening (in connection a relocation) or the transferee's signing a new franchise agreement (in connection with a transfer).</a>	<a href="#">Payable to us by in the event of a relocation or transfer.</a>
Renewal Fee <a href="#">(Franchise Agreement)</a>	25% of the initial franchise fee for a new Port of Subs Restaurant at the time of renewal.	Prior to renewal.	
Local Advertising Cooperative Fee	Up to 3% of Gross Sales. <sup>6</sup>	Monthly.	<del>The amount you pay will offset your obligation to pay for Local Store Marketing up to 2% of Gross Sales.</del>
<a href="#">Default Fee (Franchise Agreement)</a>	<a href="#">\$250 for each day following notice that an uncured default persists.</a>	<a href="#">Within five days of receipt of written notice from us.</a>	<a href="#">Payable to us as liquidated damages for each event of default that occurs during the term of the Franchise Agreement.</a>
Audit Fees and Expenses	Cost of audit, plus late fees.	Immediately after notice from us.	Payable only if the audit shows that you understated your Gross Sales by more than 2%.
Annual Convention	Currently \$250. <sup>7</sup>	Prior to convention or conference	
Software fees	Actual costs (if we license software to you). <sup>8</sup>	As incurred.	Payable if we elect <del>to you</del> <a href="#">to</a> have license software from us or our affiliates.
Alternative Supplier Review	Will not exceed the actual cost of an inspection or actual cost of our test	As incurred.	Payable to us if you request our approval of an unapproved supplier of any product or service, and we inspect the opposed supplier's facilities or test samples.
Liquidated Damages <sup>9</sup> <a href="#">(Franchise Agreement)</a>	Based on formula. See note 9.	Within 10 days following effective date of termination	Payable to us as liquidated damages if we terminate the Franchise Agreement due to your default.
Indemnification Costs	Actual legal damages, fees, costs, and expenses.	As incurred.	You must pay for the cost of defending us against any

Type of Fee <sup>1</sup>	Amount	Due Date	Remarks
			liability as a result of your operations.

**NOTES**

1. Unless otherwise noted, all fees are payable to us and non-refundable. At our option, all payments to us (other than the Initial Franchise Fee), must be made via automatic bank draft. We uniformly impose the fees described above.
2. “Gross Sales” means all revenue from the sale of all products, including all menu items and all other products or services offered at or from your Restaurant, and all other income of every kind and nature related to, derived from, or originating from your Restaurant, including proceeds of any business interruption insurance policies, whether at retail, delivery, catering, or wholesale (whether such sales are permitted or not), whether for cash, check, or credit, and regardless of collection in the case of check or credit. “Gross Sales” excludes any customer refunds, discounts from coupon sales, sales taxes, and/or other taxes collected from customers by you and actually transmitted to the appropriate taxing authorities, and third-party delivery fees (e.g., Uber Eats) paid by you or your Restaurant’s customers for the delivery of Menu Items to Restaurant customers. “Sales Week” means the period starting with the commencement of business on Monday and concluding at the close of business on the following Sunday.
3. We have established a brand development fund (“Brand Development Fund”). You will be required to contribute to the Brand Development Fund 1% of your monthly Gross Sales. Thereafter, the Brand Development Fund Contribution may be increased by no more than 1% of Gross Sales per year up to a maximum of 5% of Gross Sales.
4. The amounts you will pay for the direct costs of purchasing and producing advertising materials (including, but not limited to, camera ready advertising and point-of-sale materials), media (space or time), and those direct out-of-pocket expenses related to costs of advertising and sales promotion spent by you in the Designated Area (“Local Store Marketing”), advertising agency fees and expenses, postage, shipping, telephone, and photocopying. The amounts you will pay for Local ~~Advertising and Promotion~~ Store Marketing will not include costs or expenses incurred by or on behalf of you in connection with: (a) salaries and expenses; (b) charitable, political, or other contributions or donations; (c) the value of discounts provided to customers; and (d) the cost of food items.
5. ~~The Technology Fee covers your access to~~ We do not presently require you to pay a fee to obtain or access any aspects of the computer system or related technology systems, services, platforms, and software from or through us (as we currently allow franchisee to obtain or access such technologies from third-party suppliers), but reserve the right to do so in the future. We may impose a Technology Fee if we require you to obtain or access aspects of computer systems, technology systems, POS System, services, platforms, and software from or through us or our affiliates. If established, the Technology Fee will cover your access to those certain technology systems, services, platforms, and software we require you to obtain or access through us, as we deem necessary and advisable, potentially including, for example, licenses, subscriptions, development, maintenance, and/or access to our required point-of-sale software and platform, intranet, online ordering system, streaming music software, learning management system, and a Port of Subs email address. ~~We may make changes to~~ If we establish a Technology Fee, you must pay the types, nature, and ultimate vendor of then-current Technology Fee in connection with any aspects of the computer system or related technology systems, services, platforms, and software that we require you to obtain from or access through us. ~~Your~~, and we may increase or otherwise change the amount of the Technology Fee, and your precise ~~monthly~~ Technology Fee may change, upon prior written

notice to you, if there are changes in any aspect of the Computer System ~~or in~~, including upon changes to the technology systems, services, platforms, and software ~~we require that~~ you ~~to~~ obtain or access through or from us; or changes in our costs regarding such technology systems, services, platforms, and software. This fee will be based on the costs of the technologies that franchisees obtain from or through us, which underlying costs may change in ways that we cannot predict. There is currently no specific formula for determining and no maximum cap on potential changes to this fee.

6. Item 11 contains more information about Local Advertising Cooperatives.
7. We may conduct an annual convention that our franchisees are required to attend. You will be responsible for your and any approved attendees' costs and expenses to attend the convention, including transportation, meals, and lodging. We may charge a registration fee for franchisees to attend the annual convention, which registration fee is subject to change.
8. Item 11 contains more information about Computer System, software, and other technology requirements.
9. If we terminate the Franchise Agreement due to your default, you will pay us liquidated damages in an amount equal to the product of the average yearly amount of Royalty Fees paid during the 3 years immediately preceding the termination (or such period as the Restaurant was open for business, if the Restaurant was not open for business during the entire three-year period), multiplied by the lesser of 3 or the number of years remaining in the then-current term.

**ITEM 7  
ESTIMATED INITIAL INVESTMENT**

**YOUR ESTIMATED INITIAL INVESTMENT**

**FRANCHISE AGREEMENT**

<b>Type of Expenditure<sup>1</sup></b>	<b>Amount</b>	<b>Method of Payment</b>	<b>When Due</b>	<b>To Whom Paid</b>
Initial Franchise <del>Fee</del> <u>Fee</u> <sup>2</sup>	\$25,000	Lump Sum	Upon signing Franchise Agreement	Us
Real Estate and Construction Support <del>Fee</del> <u>Fee</u> <sup>3</sup>	\$5,000	Lump Sum	<del>(90 days after</del> <u>Upon</u> signing Franchise Agreement	Us
Site <del>Review</del> <u>Review</u> <sup>3</sup>	\$0 – \$1,500	Lump Sum	As Invoiced	Us
Training Fee & <del>Expenses</del> <u>Expenses</u> <sup>4</sup>	\$7,500 – \$9,000	Lump Sum regarding Training Fee; Otherwise, As Agreed	Upon signing Franchise Agreement; As Agreed	Us; Third Parties
Architectural, Engineer, and Legal <del>Counsel</del> <u>Counsel</u> <sup>5</sup>	\$12,500 to <del>\$19,750</del> <u>\$24,000</u>	As Agreed	As Agreed	Vendors or Third Parties
Construction Management	\$12,500 to \$17,500	As Agreed	As Agreed	Vendors or Third Parties

Type of Expenditure <sup>1</sup>	Amount	Method of Payment	When Due	To Whom Paid
Real Estate, Leasehold Improvements, and Construction <del>Costs</del> <sup>5</sup> <u>Costs</u> <sup>6</sup>	<del>\$95,000</del> <u>183,895</u> to <del>\$222,500</del> <u>475,000</u>	As Incurred	Prior to Opening	Various
Signage, Graphics, & Interior Décor Items	\$6,500 to \$18,375	As Incurred	Prior to Opening	Vendors or Third Parties
Furnishings, Fixtures, and Standard <del>Equipment</del> <sup>6</sup> <u>Equipment</u> <sup>7</sup>	\$96,000 to <del>\$145</del> <u>160,000</u>	As Agreed	As Agreed	Vendors or Third Parties
POS and Technology Systems, including Initial <del>Setup</del> <sup>7</sup> <u>Setup</u> <sup>8</sup>	\$26,500 to \$38,500	As Incurred	Prior to Opening	Vendors
<del>Insurance</del> <sup>8</sup> <u>Insurance</u> <sup>9</sup>	<del>\$1,500</del> <u>2,000</u> to <del>\$2,500</del> <u>6,000</u>	As Arranged	As Agreed	Vendors
Initial Inventory & Smallwares	<del>\$5,000 to</del> \$10,000 <u>to</u> <u>\$25,000</u>	Lump Sum	Prior to Opening	Vendors or Third Parties
Grand Opening <del>Marketing</del> <sup>9</sup> <u>Marketing</u> <sup>10</sup>	<del>\$5</del> <u>15,000</u> to <del>\$7</del> <u>17,500</u>	Various	As Incurred	Various (which may include Us)
Licenses, Fees, and <del>Deposits</del> <sup>10</sup> <u>Deposits</u> <sup>11</sup>	\$2,500 to \$12,000	As Incurred	As Incurred	Various
Additional Funds – Initial 3 <del>Months</del> <sup>14</sup> <u>Months</u> <sup>12</sup>	\$15,000 to \$25,000	Various	As Incurred	Various
<del>TOTAL</del> <sup>12</sup> <u>TOTAL</u> <sup>13</sup>	<del>\$315,500</del> <u>419,895</u> to <del>\$559,125</del> <u>856,875</u>			

**AREA DEVELOPMENT AGREEMENT**

<u>Type of Expenditure</u>	<u>Amount</u>	<u>Method of Payment</u>	<u>When Due</u>	<u>To Whom Paid</u>
<u>Development Fee</u> <sup>2</sup>	<u>\$65,000 to 185,000</u>	<u>Lump Sum</u>	<u>Upon signing Area Development Agreement</u>	<u>Us</u>
<u>TOTAL</u> <sup>13</sup>	<u>\$65,000 to 185,000</u>			

**NOTES**

- The chart above describes the estimated initial investment for a Port of Subs Restaurant operated from a leased facility. We prepared these estimates based on the experience and data collected from our affiliate-owned operating experience. [Inflation, tariffs, and worldwide events may impact various costs, including, among others, furnishings, fixtures, signs, décor items, building costs, technology, and equipment.](#) Except as expressly indicated otherwise, these estimates are intended to estimate the required initial cash investment up to the opening date of a Port of Subs Restaurant, and potential working capital needs for the first 90 days of operations thereafter. They do not include cash needs to cover any financing incurred or other expenses. You should not plan to draw income from your Port of Subs Restaurant during the start-up and development stage of your business, the actual duration of which will vary materially from one franchisee to another. We have no obligation to refund any costs paid to us. Whether any third party will refund any costs will depend on the third party involved.

2. The Initial Franchise Fee and Development Fee, which are not refundable, are described in Item 5. The Development Fee under an Area Development Agreement covers all future Initial Franchise Fees under the Franchise Agreements executed pursuant to the Area Development Agreement; that is, if you pay a Development Fee to develop an agreed-upon number of Restaurants, you will not thereafter pay a separate Initial Franchise Fee in connection with each Franchise Agreement executed pursuant to your Area Development Agreement.

2.3. The Real Estate and Construction Support Fee is described in Item 5. The potential fee for a site-specific review is described in Item 5. If we determine, based on the information and materials you submit regarding a proposed site, that an on-site review is not necessary for us to conduct our review of your proposal, your cost to us for a site review would be \$0. If we determine that an on-site evaluation of a site you propose for your Restaurant is appropriate, we may conduct a site review and you must reimburse us for all costs incurred by our representative in visiting the site, including travel, lodging, and meals. We estimate such costs will not exceed \$1,500.

3.4. ~~The~~ Item 5 describes the Training Fee in the amount of \$5,000 for initial training ~~is described in Item 5.~~ under the Franchise Agreement. No separate training fee is owed under the Area Development Agreement. You will be responsible for other expenses incurred in connection with any training, including the costs of transportation, lodging, meals, wages, workers' compensation insurance.

4.5. In addition to other professional you may elect to consult, you will need to solicit the services of an architect approved by Port of Subs to prepare, for our approval, preliminary plans and specifications for site improvement and construction of your Restaurant based upon the site construction package furnished by us.

5.6. We expect that you will either purchase or lease the real estate for your Restaurant. Monthly rental rates could range between \$4,500 to \$8,500 per month based upon local market availability, size, condition, location of the property, and negotiations with the landlord. The rent will vary depending on the size and location of your Restaurant. Often, the first month's lease payment becomes due upon execution of the lease. We based the amounts on a build-out lease from a third party, which includes land, building and construction costs. The lease you sign also may include percentage rent, contributions for taxes, common area maintenance fees, and payments for utilities, security deposits, and other items, which may result in higher monthly payments. We do not estimate any leasehold improvements allowance that may be provided by the landlord, which is common in the quick service leasing sector. These amounts can range dramatically based on the condition of the space, the market you are going to operate in and the negotiations between you and the landlord. The costs of building permits and fees from any governmental agencies and utilities may vary greatly as well, depending on location.

6.7. This estimate is based on leasing ~~1,000~~200 to 1,800 square feet of space for a Restaurant (though some existing traditional Restaurants range from 975 to 2,350 square feet) and applying our requirements to the space as outlined in the Manuals, which includes designated paint colors and schemes, flooring, furnishings, fixtures, kitchen display systems, and equipment. The total costs of the furnishings, fixtures, kitchen display systems, and equipment will depend on the vendors' pricing, circumstances at a location, a franchisee's distance from vendors, shipping charges, reimbursement of costs to technicians for lodging, meals, and travel expenses and similar variables, including point-of-sale equipment, ancillary small computer hardware and software items, smallwares related to kitchen equipment, and the sign and awning package, all of which a franchisee must purchase or lease.

7.8. You must obtain a computer and technology equipment as prescribed in the Manuals for use within your Port of Subs Restaurant. See Item 11.

- ~~8.9.~~ You must carry insurance for the types of coverages and in the amounts that we specify in the Franchise Agreement and the Manuals. The amount listed above represents our best estimate of the premiums for the insurance coverage that we require during a Port of Subs Restaurant's first year of operation. Insurance costs vary in different locations. [You also must obtain workers compensation insurance in accordance with your local legal requirements. As this varies by state and number of employees, such coverage is not included in the insurance estimate.](#) You may be required to obtain certain licenses or certifications to operate your Port of Subs Restaurant. Requirements vary by state.
- ~~9.10.~~ In addition to your expenditures for ~~local advertising and promotion~~ [Local Store Marketing](#), you must spend at least \$~~5~~[15](#),000 for your Port of Subs Restaurant initial grand opening pursuant to a grand opening marketing plan that you and we will collaborate and agree upon ("Grand Opening Program"). If we spend additional amounts on advertising as part of the Grand Opening Program, you must reimburse us for the additional costs within 15 days after receipt of notice.
- ~~10.11.~~ The range given provides our best estimate of the costs a franchisee will incur for business permits, licenses, first and last month's rents, a security deposit to lease an approved location, and miscellaneous deposits, including utility deposits.
- ~~11.12.~~ This is an estimate of miscellaneous expenses a franchisee will incur before operations begin and during the first three months of operating the business. The amounts represent estimates, and we cannot guarantee that a franchisee will not have additional expenses starting the business. Many of the initial expenses, such as advertising, payroll, insurance, and transitional living expenses, will repeat on a monthly basis, and you should therefore make sure you have sufficient additional funds to meet the franchise business operation commitments during the first 90 days of operation. We base these estimates on the experiences of our franchisees, affiliate (POS Operations), and predecessor (Port of Subs, Inc.) in developing and operating Port of Subs Restaurants.
- ~~12.13.~~ This total estimate is for expenses incurred before operations begin and during the first three months of operating the business. We do not offer any financing directly or indirectly for any part of the initial investment.

## ITEM 8 RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES

### Required Purchases and Operation Standards

You must develop your Restaurant premises and purchase, lease, license, and install and use all equipment, food products, beverages, ingredient, supplies, fixtures, furnishings, computer, audio-visual, and point-of-sale systems, décor, signs, goods, uniforms, memorabilia, and merchandise and items intended for retail sales (whether or not bearing the Proprietary Marks), payment processing services, music services, and other products and services for your Restaurant according to our standards and specifications, contained in the Manuals or that we otherwise provide in writing, solely from the suppliers we have approved in writing (which may be us or our affiliate), unless you have first obtained our written consent to do otherwise. We may modify our standards and specifications from time to time. We will notify you of any changes to our standards and specifications.

Generally, you must purchase all goods, products, menu items, ingredients, foodstuffs, beverages, packaging materials, signage, furniture, fixtures, equipment, computer hardware and software, and small wares used to operate or furnish your Restaurant from approved suppliers who demonstrate the ability to meet our standards and specifications and whom we have approved in writing. In the operation of your Restaurant, you are required to use only displays, trays, boxes, bags, wrapping paper, labels, forms, and other paper and plastic products imprinted with our Proprietary Marks in accordance with our then-current

standards and specifications. You may purchase items and services for which we have not identified approved suppliers from any supplier, if the items and services meet our minimum standards and specifications. These standards and specifications will be set forth in the Manuals, and may include brand requirements. If brand requirements have been identified, you may purchase and use only approved brands. We may modify these standards and specifications, as well as the other standards and specifications discussed in this Item 8, by providing you with written notification.

We may appoint only one supplier for any particular good or service, and we may designate ourselves or our affiliate as the only, or one of a limited number of, suppliers for any goods or services. Currently, neither we nor any of our affiliates are an approved or sole supplier of any goods or services. We will provide you with a list of approved suppliers, which we may update from time to time. In addition to approved suppliers, we may require you to buy your requirements of food, beverages, ingredients, and supplies from affiliated or third-party distributors. Some suppliers may require you to enter into a separate agreement with them.

In connection with your local marketing, you must use advertising, promotional, and marketing materials that we have prepared or approved, and you must use a national or regional advertising agency acceptable to us.

Except for certain officers' interest in us, none of our officers own an interest in any required or approved supplier, although we reserve the right in the future to designate, as an approved supplier, any supplier in which any of our officers owns an interest.

We estimate that the costs of your purchases from designated or approved sources or according to our standards and specifications, will range from 90% to 100% of the total cost of establishing your Port of Subs Restaurant and approximately 90% to 100% of the total cost of operating your Port of Subs Restaurant after that time.

#### Approval of Alternative Products, Services, and Suppliers

If you desire to purchase any unapproved products or services, or purchase any products or services from a supplier not previously approved, you must obtain our prior written approval. In determining whether to approve any products, services, or supplier, we consider various factors, including, for example: for products and services, those that meet our then-current standards and specifications, and for suppliers, suppliers who (i) can demonstrate the ability to meet our then-current standards and specifications for such products and services; (ii) possess adequate quality controls and capacity to supply your needs promptly and reliably; (iii) enable the network of Port of Subs Restaurants to take advantage of marketplace efficiencies; and (iv) have been approved in writing by us prior to any purchases of such supplier's products or services by franchisees.

As a condition to granting approval for any unapproved products or services, or any products or services from an unapproved supplier, you must first submit to us a written request for such approval. We or our representatives may inspect the unapproved products or services, or in the case of an unapproved supplier, the supplier's facilities, and may require samples of the products be delivered, either to us or to an independent laboratory we designate for testing. For approval of suppliers, we may also require that the supplier comply with such other requirements we may deem appropriate, including payment of reasonable continuing inspection fees and administrative costs, or other payment to us by the supplier on account of their dealings with you or other franchisees. If we elect to inspect the proposed supplier's facilities or test samples, you or the proposed supplier must reimburse us for the actual cost of the inspection and/or the actual cost of the test. We may reinspect from time to time the facilities and products or services of any approved supplier and revoke our approval upon the supplier's failure to continue to meet any of our then-current criteria.

## Computer System, Software, and Other Technology

You must purchase, lease, license, and/or subscribe to solely from suppliers that we approve in writing (which may be us or our affiliate) a Computer System (as defined in Item 11 below) that meets our specifications, which are further detailed in Item 11, including any required hardware and software indicated in the Manuals. We may require that you purchase, lease, license, and/or subscribe to additional hardware, software, or other technology systems, services, or platforms we specify, meeting our minimum specifications, including any proprietary or customized software that we may develop or have developed on our behalf.

If we [elect to](#) require you to obtain or access any aspects of the Computer System or related technology systems, services, platforms, and software from or through us, you must pay us a monthly Technology Fee, as further detailed in Item 6. ~~The current Technology Fee is \$1,250 per month. We currently require you to obtain or access our required point of sale software and platform, intranet, online ordering system, streaming music software, learning management system, and a Port of Subs email address from or through us. We may make changes to the types, nature, and ultimate vendor of any aspect of the Computer System or any technology systems, services, platforms, and software we require you to obtain or access from or through us. Your precise monthly Technology Fee~~ [We do not currently charge a Technology Fee, but we reserve the right to do so. When and if such a fee is established, your precise monthly technology fee may change if there are changes in any aspect of the Computer System or in the technology systems, services, platforms, and software we require you to obtain or access from or through us, or in our costs regarding such technology systems, services, platforms, and software. We may make changes to the types, nature, and ultimate vendor of any aspect of the Computer System or any technology systems, services, platforms, and software we require you to obtain or access from or through us.](#)

## Insurance

You must obtain and maintain at your own expense insurance policies with insurers reasonably satisfactory to us covering the items specified in the Franchise Agreement and/or Manuals, including comprehensive general liability, fire, business income and extra expense, automobile liability, workers' compensation, commercial umbrella liability, property, products liability, cyber liability and employment practices. We may change the insurance coverages and policies we require from time to time. Each insurance policy must be issued by an issuer we approve, who must have an A.M. Best Rating of not less than A. These policies must be primary and non-contributory to any policies we might carry and include a waiver of subrogation in our favor. The policies must list us and our affiliates, and our and their officers, directors, employees, partners, members, subsidiaries, employees and agents as additional named insureds. The policies must provide that we will receive written notice of cancellation, material change ~~of~~, removal, or non-renewal. You must deliver to us (and in the future maintain on file with us) valid and current certificates of insurance showing that all required insurance is in full force and effect, or any other evidence of coverage that we may require, 30 days prior to commencement of any activities or operations pursuant to the Franchise Agreement, 30 days prior to the [cancellation, material change, expiration, or renewal](#) of any such policy, on each anniversary of the effective date of the Franchise Agreement, and from time to time upon written request from us. If you do not provide proof of insurance to us as required under the Franchise Agreement, we may secure insurance for you and charge the cost to you. We require you to obtain the following coverages and amounts:

### **Insurance Policy Type**

### **Required Coverage**

Comprehensive General Liability

\$2 million aggregate for bodily injury liability and property damage/\$1 million per occurrence [and \\$2 million aggregate for products liability/\\$1 million per occurrence](#)

Fire	100% of replacement value of premises
Business Income and Extra Expense	Amount required to pay for monthly rent reserved under lease or sublease for a limit of 50% of annual sales or 12 months actual loss
Automobile Liability	\$1 million per occurrence for bodily injury and property damage
Workers' Compensation <a href="#">and Employer's Liability</a>	\$1 million per accident/\$1 million by disease policy limit/\$1 million by disease each accident <a href="#">and statutory where franchise operations are located.</a>
Commercial Umbrella Liability	Amount with limits which bring the total of all primary underlying coverages to \$3 million
Property	Coverage for direct physical loss or damage to real and personal property for all risk perils, <a href="#">Coverage must be 100% of current replacement cost. (Flood, Earthquake, and Wind must be covered in geographically prone areas.)</a>
<del>Products</del> <a href="#">Cyber</a> Liability	<del>\$1 million</del> <a href="#">\$1 million for first and third party cyber claims including but not limited to identity theft, data breaches, bricking, ransomware, and social engineering, and must include crisis management and defense expenses.</a>
<del>Cyber Liability</del>	<del>Amount we designate</del>
Employment Practices	\$1 million for employment-related wrongful acts, including \$100,000 for third party coverage and wage and hour defense costs
Other	Any other coverage required by federal, state, or municipal law. <a href="#">Coverage must comply with all insurance requirements of leases and financial instruments.</a>

Revenue from Franchisee Purchases

We and our affiliates do not currently derive revenue or other material consideration from required purchases or leases by franchisees; however, we and our affiliates may become an approved or required supplier and earn revenue from franchisees' required purchases or leases in the future. In the fiscal year ending December 31, ~~2023~~2024, neither we, nor our affiliates, ~~nor our predecessor (Port of Subs, Inc.)~~ derived revenue or other material benefit from required purchases or leases of products and services by Franchisees.

We and our affiliates may receive payments, rebates, marketing or promotional allowances, discounts, and/or other consideration from suppliers based on franchisees' purchases from such approved suppliers. We or our affiliates may retain all of the rebates, payments, commissions, allowances, discounts, or other consideration we or they are paid, and have the right to use these amounts without restriction (unless we or our affiliates agree otherwise with the supplier) for any purpose we or our affiliates deem appropriate. In the fiscal year ended December 31, ~~2023, our predecessor (Port of Subs, Inc.) received \$321,561.30 between January 1, 2023 and March 31, 2023, and~~2024, we received \$1,055,136.00 ~~between April 1, 2023 and December 31, 2023, totaling \$1,376,697.30~~222,412 in payments from vendors based on system usages

in connection with franchisees' purchases or leases. ~~Port of Subs, Inc. and us each~~ We contributed 100% of such vendor payments to the Brand Development Fund ~~(formerly known as the Advertising and Development Fund).~~

Cooperatives

We currently have no purchasing or distribution cooperatives.

Negotiated Prices

We may negotiate purchase arrangements with our designated or approved suppliers, including price terms, for the benefit of the Port of Subs System, including us and company- or affiliate-owned Restaurants and franchised Restaurants.

Material Benefits

You do not receive any material benefits from us, other than prices that we may have negotiated, as a result of your use of our designated or approved suppliers.

**ITEM 9  
FRANCHISEE'S OBLIGATIONS**

**The following table lists your principal obligations under the Franchise Agreement. It will help you find more detailed information about your obligations in the Franchise Agreement and in other items of this Disclosure Document.**

Obligation	Section in Franchise Agreement (FA)	Section in Area Development Agreement	Item(s) in Disclosure Document	Inserted Cells
a. Location selection and acquisition/lease	FA – 1.1, 1.2 and Exhibit B – Site Selection Addendum	<a href="#">ADA – 6(a)-(d)</a>	7 and 11	
b. Pre-opening purchases/leases	FA – 5.1	<a href="#">ADA – 6(c)-(d)</a>	7, 8 and 11	
c. Location development and other pre-opening requirements	FA – 5.1 and 5.2	<a href="#">ADA – 5 and 6</a>	5, 6, 7, 8 and 11	
d. Initial and ongoing training	FA – 5.4	<a href="#">ADA – 11(e)</a>	7 and 11	
e. Opening	FA – 5.3	<a href="#">ADA – 5</a>	7 and 11	
f. Fees	FA – 3	<a href="#">ADA – 7 and 11</a>	5, 6 and 7	
g. Compliance with standards, policies and manuals	FA – 5	<del>8</del> <a href="#">ADA – 11</a> and <del>11</del> <a href="#">18</a>	<a href="#">8 and 11</a>	Inserted Cells
h. Trademarks and proprietary information	FA – 8, 9 and 10	<a href="#">ADA – 2(b), 4(b), 8(m), 13(e)</a>	13 and 14	Inserted Cells
i. Restrictions on products and services offered	FA – 5.12	<a href="#">Not applicable</a>	16	
j. Warranty and customer service requirements	FA – 5.4 and 5.6	<a href="#">ADA – 8</a>	Not Applicable	
k. Territorial development and sales quotas	FA – 1 and Exhibit B – Site Selection Addendum	<a href="#">ADA – 4 and 5</a>	12	
l. Ongoing product and service purchases	FA – 4 and 5.12	<a href="#">Not applicable</a>	8	

Obligation	Section in Franchise Agreement (FA)	Section in Area Development Agreement	Item(s) in Disclosure Document	Inserted Cells
m. Maintenance, appearance and remodeling requirements	FA – 5.7–5.11	<a href="#">Not applicable</a>	11	
n. Insurance	FA – 11	<a href="#">ADA – 16</a>	6, 8	
o. Advertising	FA – 6 and 8	<a href="#">Not applicable</a>	11	
p. Indemnification	FA – 16	<a href="#">ADA – 17</a>	Not Applicable	
q. Owner’s participation, management and staffing	FA – 5.6 and 5.26	<a href="#">ADA – 11</a>	11 and 15	
r. Records and reports	FA – 5.18 and 7	<a href="#">ADA – 7(b), 9</a>	Not Applicable	
s. Inspections and audits	FA – 5.17, 5.13 and 7.4	<a href="#">ADA – 8(h)</a>	6	
t. Transfer	FA – 12	<a href="#">ADA – 12</a>	6 and 17	
u. Renewal	FA – 2	<a href="#">ADA – 3</a>	17	
v. Post-termination obligations	FA – 14	<a href="#">ADA – 13(c), 19,</a>	17	
w. Non-competition covenants	FA – 10 and Exhibit F – Non-Disclosure <del>and Non-Competition</del> Agreement	<a href="#">ADA – 13</a>	17	
x. Dispute resolution	FA – 17	<a href="#">ADA – 20, 21</a>	17	

**ITEM 10  
FINANCING**

Neither we nor any of our affiliates offer, directly or indirectly, any financing arrangements to our franchisees. We do not guarantee your notes, leases, or other obligations.

**ITEM 11  
FRANCHISOR’S ASSISTANCE, ADVERTISING,  
COMPUTER SYSTEMS, AND TRAINING**

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

Pre-opening Obligations

Before you open your Port of Subs Restaurant, we will:

1. Provide a copy of our standard construction/build-out package, as modified from time to time, including plans and specifications, site criteria, and sample site plans. We will also provide you a copy of our specifications for the furniture, fixtures, furnishings, equipment, signs, and other property specified for use in the Restaurant. You must adapt those plans and specifications, at your expense, for use at the location of the Restaurant designated in Exhibit A to the Franchise Agreement. (Franchise Agreement, Section 4.1).
2. [Provide you with a Development Territory if you commit to develop multiple Restaurants under an Area Development Agreement. \(Area Development Agreement, Section 2.\)](#)
- ~~2.3.~~ Provide pre-opening training to your Operating Principal and General Manager, or other employees whom we approve, at such times and places we designate for our training programs. (Franchise Agreement, Section 4.2).

3.4. Provide you pre-opening and opening supervision and assistance in the place, time, and manner we determine. (Franchise Agreement, Section 4.3).

4.5. Loan to you or otherwise provide you access to our Manuals, as revised or updated from time to time. (Franchise Agreement, Section 4.4).

#### Post-opening Obligations

During the operation of your Port of Subs Restaurant, we will provide the following assistance:

1. Provide ongoing training at the times, places, and in the manner we designate during the term of the Franchise Agreement. (Franchise Agreement, Section 4.2).
2. Loan to you or otherwise provide you access to our Manuals, as revised or updated from time to time. (Franchise Agreement, Section 4.4).
3. Provide you with merchandising, marketing, and other related advice we periodically develop from time to time. (Franchise Agreement, Section 4.5).
4. Provide periodic individual or group advice, consultation, and assistance, rendered by personal visit, telephone, mail or e-mail from time to time in the place, time, and manner we designate. (Franchise Agreement, Section 4.6).
5. Provide you with bulletins, intranet information, brochures and reports from time to time regarding our plans, policies, research, developments, and activities. (Franchise Agreement, Section 4.7).

#### Location Selection and Opening

[If you do not sign an Area Development Agreement, you will follow the site selection procedures outlined in the Franchise Agreement.](#) We grant each franchise for a specific location. You will select the proposed location for your Restaurant. We generally do not own, or lease to you, the real estate for your location. We must approve the location for your Restaurant, and we may grant or withhold our consent of the location of the Restaurant at our sole option. If you have not obtained a location for the Restaurant at the time of execution of the Franchise Agreement, you must obtain a location for the Restaurant in accordance with the Site Selection Addendum, which will be executed at the time you execute your Franchise Agreement. The Site Selection Addendum will identify the geographic area in which you may search for a site (the "Site Selection Area").

You will submit to us a site selection package containing all information that we request relating to the location you propose, to obtain our approval for a proposed location. We may conduct on-site visits for any proposed site, but we are not obligated to do so. You will reimburse us for our actual expenses incurred in connection with all on-site visits, including travel, lodging, and meals. We will have 30 days after receipt of a complete site selection package and request for approval to approve or disapprove the proposed site. If we do not approve a proposed site by written notice within 30 days after receipt of all relevant information, the site will be deemed disapproved. The factors that we consider in approving your location include demographics of the market area for the location (including the population and income level of residents in the market area); size and other physical attributes of the location; tenant mix; proximity to residential neighborhoods; and proximity to schools, shopping centers, entertainment facilities and other businesses that attract consumers and generate traffic. Within 60 days after we approve your proposed site, you must execute a lease (which will be coterminous with the term of the Franchise Agreement) or purchase agreement regarding the site. If you will lease the premises for the Restaurant, we must review the terms of the lease before you sign it. You are solely responsible for negotiating a lease for the premises. Our consent to any lease is conditioned upon inclusion of our Addendum to Lease into the lease. If your

landlord refuses to agree to our Addendum to Lease, we may disapprove the lease, in which case you must find a new site for your Restaurant.

We expect 6 to ~~9~~<sup>12</sup> months to elapse between the signing of the Franchise Agreement, or the first payment of any consideration for the franchise, and the opening of your business. The factors affecting that length of time are expected to include time for obtaining financing arrangements, time for obtaining permits, construction time for the building and related improvements, local ordinance compliance, and delivery and installation of furniture, fixtures, equipment, and signs. If you have obtained an approved location for the Restaurant at the time of execution of the Franchise Agreement, you must open the Restaurant or business to the public within 180 days after the date you sign the Franchise Agreement. If you have not obtained a location for the Restaurant at the time you sign the Franchise Agreement, you must open the Restaurant 180 days from the later of our approval of the location for the Restaurant, or your access to the leased premises as permitted by your landlord under the lease. You may request an extension of these deadlines, which we may grant at our option, if you experience delays beyond your actual control in connection with obtaining necessary permits. Your failure to timely open will constitute an event of default under the Franchise Agreement, for which we may terminate your franchise.

If you agree to develop multiple Restaurants pursuant to an Area Development Agreement, you will follow the site selection procedures under the Area Development Agreement. You are responsible for locating acceptable sites for your Restaurants within the geographic area (“Development Territory”) identified in the Area Development Agreement. Before your lease or purchase of any site, you will submit a Site Report to us. You must obtain our written consent to each site for a Restaurant before executing the lease for, or a binding agreement to purchase, any proposed site for a Restaurant. Subject to your compliance with the Execution Conditions, you or your affiliate that we approve will execute our then-current form of Franchise Agreement within 30 days after you or your affiliate that we approve has been notified of our acceptance of the site for a Restaurant. We will provide our written consent to a selected site in a Site Consent Letter. (Area Development Agreement, Section 6.)

You must open and being operating each Restaurant to be developed by the date set in the agreed-upon development schedule (“Development Schedule”). The Development Schedule will be set forth in Exhibit A to the Area Development Agreement. The intervals for opening individual Restaurants depend upon the negotiated Development Schedule, which may have timelines that are shorter, and that supersede, the timelines described in the Franchise Agreement. If you fail to satisfy the Development Schedule, we may, in addition to other available remedies, terminate the Area Development Agreement, terminate or modify your exclusivity in the Development Territory, reduce the geographic scope of your Development Territory, or reduce the number of remaining Restaurants you may develop within the Development Territory. (Area Development Agreement, Section 5 and Exhibit A.)

#### Advertising and Promotion

##### The Brand Development Fund

We have no obligation to conduct advertising (or spend any amount on advertising in the area or territory where you are located), except through the Brand Development Fund described below.

We administer and maintain a Brand Development Fund (~~previously known as the Advertising and Development Fund~~) as follows:

1. You must pay us a monthly Brand Development Fund contribution fee equal to 1% of the preceding month’s Gross Sales. We may increase this contribution amount by up to 1% of Gross Sales per year, but in no event will the contribution amount exceed 5% of Gross Sales during the term of the Franchise Agreement.

2. We or our designee may direct all advertising programs conducted by the Brand Development Fund, including the concept, materials, and media used in the programs and the placement and allocation of the programs. The Brand Development Fund is intended to maximize general public recognition, acceptance, and use of the System; and we and our designee are not obligated, in administering the Brand Development Fund, to make expenditures for you which are equivalent or proportionate to your contribution, to ensure that any particular franchisee benefits directly or pro rata from expenditures by the Brand Development Fund.
3. The Brand Development Fund, and all contributions to and earnings from the Brand Development Fund, will be used only (except as otherwise provided below) to meet any and all costs of maintaining, administering, directing, conducting, creating, and/or otherwise preparing advertising, marketing, public relations and promotional programs and materials, and any other activities that we believe will enhance the image of the System. This includes, among other things, the costs of preparing and/or conducting media advertising campaigns, social media campaigns, direct mail advertising, marketing surveys and other public relations activities; brand research and development; developing and hosting marketing, brand development and enhancement, and customer engagement seminars for franchisees; purchasing promotional items; creating menu boards, developing new or modified trade dress and marks; point of purchase (POP) materials; design and photographs; conducting and administering visual merchandising, and other merchandising programs; purchasing media space or time (including all associated fees and expenses); administering regional and multi-regional marketing and advertising programs; market research and customer satisfaction surveys; the creative development of, and actual production associated with, premium items, giveaways, promotions, contests, public relation events, and charitable or non-profit events; developing, implementing and maintaining an electronic commerce website and/or related strategies; maintaining and developing one or more websites devoted to the System, the Proprietary Marks and/or the "Port of Subs" brand; providing promotional and other marketing materials and services to the Port of Subs Restaurants operated under the System; the salaries of employees of us or our affiliates to the extent such employees provide services in conjunction with System marketing activities; and all administrative and internal costs and expenses incurred in connection with the above. Media coverage may be national, regional, or local, and may be prepared by us in-house or by an advertising agency.
4. Although we intend to use the monies to develop advertising and marketing materials and programs and to place advertising that will benefit the entire network of Port of Subs Restaurants, we have no obligation to use the contributions made from your Restaurant or from the Restaurants in your area for advertising in the area in which your Restaurant operates. We cannot assure you that your Restaurant will benefit directly or in proportion to your contribution.
5. The Brand Development Fund will not be audited. After the Brand Development Fund has been established, we or our affiliate will prepare an unaudited annual statement of monies collected and costs incurred by the Brand Development Fund. We will furnish the statement to you upon your written request once per year.

Port of Subs Restaurants owned by us or our affiliates will contribute to the Brand Development Fund at the same rate as franchisees. We will not use any portion of the Brand Development Fund for marketing that is principally a solicitation for the sale of franchises. Any unspent contributions to the Brand Development Fund are carried forward to the next fiscal year. (Franchise Agreement, Section 6.2.)

~~Our predecessor, Port of Subs, Inc., administered the Brand Development Fund (then known as the Advertising and Development Fund) until the acquisition of the Port of Subs brand on March 31, 2023, by POS Holdings and we have administered the Brand Development Fund since the acquisition.~~ During the fiscal year ending December 31, ~~2023, 4.8%~~2024, 11.7% of the Brand Development Fund was spent on agency-related expenses; 3.4% on creative services publishing, software, and supplies; ~~19.0% on the direct local store marketing; 35.2% on~~6.1% on national campaign calendar marketing programs; ~~9.7% on monthly campaign calendar programs for rewards and gift cards; 12.9% on technology and~~32.4% on digital marketing, website development; ~~0.9%~~, and rewards program; 8.2% on local store marketing tools and gift card programs; 21.4% on the direct LSM program; 1.2% on National Advisory Council and initiatives planning; 1.2% for crew development, training, and district meetings; ~~1.7%~~2.4% for research and development, and nutritional database maintenance; 0.4% on marketing materials for Crafted to Go products; ~~0.9%~~1.1% on store level expenses; and ~~10.2%~~9.9% for general and administrative expenses.

### Grand Opening Program and Initial Marketing

In addition to your payment of the Brand Development Fund Fee and any expenditures for ~~local advertising and promotion~~Local Store Marketing, you must spend at least \$515,000 (the “Grand Opening Program Amount”) for the Restaurant’s Grand Opening Program. If we require that you pay the Grand Opening Program Amount to us, the Grand Opening Program Amount will be held in an escrow account and we will use the Grand Opening Program Amount to develop and implement the Grand Opening Program for your Port of Subs Restaurant. The Grand Opening Program may start prior to opening your Port of Subs Restaurant and must be completed within 60 days after your Port of Subs Restaurant commences operation. If we spend additional amounts on advertising as part of the Grand Opening Program, in amounts that you and we agree are part of the Grand Opening Program, you must reimburse us for the additional costs within 15 days after your receipt of notice from us. You may spend additional sums as you deem necessary or appropriate in connection with the opening of the Restaurant. We estimate that you will spend \$515,000 to \$717,500 in connection with your Restaurant’s ~~grand opening~~Grand Opening.

### Local Advertising Cooperative

We may establish a Local Advertising Cooperative for any geographic area in which a Port of Subs Restaurant is located (“Local Advertising Cooperative”). Local Advertising Cooperatives have been established for the following geographical regions: Arizona; Boise, Idaho; Central California; Northern Utah; Sierra/Northern Nevada; Southern Nevada; and Washington.

If you are a member of a Local Advertising Cooperative, you will contribute up to 3% of the preceding month’s Gross Sales to the Local Advertising Cooperative. ~~Any amount you pay toward the Local Advertising Cooperative Fee will offset your obligation to spend the amount of Local Advertising up to 2% of Gross Sales.~~ We may change, dissolve, or merge any Local Advertising Cooperative. The purpose of the Local Advertising Cooperative is to conduct marketing campaigns for the Port of Subs Restaurants located in that geographic area.

If a Local Advertising Cooperative for your area is established at the time you commence operations at your Port of Subs Restaurant, then you must immediately join that Local Advertising Cooperative. If a Local Advertising Cooperative for your area is established after the time you commence operations at your Port of Subs Restaurant, then you must join the new Local Advertising Cooperative within 30 days after the Local Advertising Cooperative commences operations. You will not be required to be a member of more than one Local Advertising ~~g~~Cooperative for your Port of Subs Restaurant. The following provisions will apply to each Local Advertising Cooperative (if and when organized):

1. Local Advertising Cooperatives will be organized and governed in the form and manner that we approve in advance. Unless we specify otherwise, the activities carried on by each Local Advertising Cooperative will be decided by a majority vote of its members. Each

Port of Subs Restaurant owner will be entitled to cast one vote for each Port of Subs Restaurant owned.

2. Local Advertising Cooperatives will be organized for the exclusive purpose of administering regional marketing programs and developing (subject to our approval) standardized promotional materials for use by the members in local advertising.
3. Local Advertising Cooperatives may not use advertising, promotional plans, or materials without our prior written approval, as described below.
4. You must submit your required contribution to the Local Advertising Cooperative at the same time as payments are required for the Brand Development Fund Contribution, together with the statements and reports that may be required by us or by the Local Advertising Cooperative, with our written approval. If we request in writing, you must submit your payments and reports for the Local Advertising Cooperative directly to us and we will distribute the money and reports to the Local Advertising Cooperative.
5. Although, if established, a Local Advertising Cooperative is intended to be of perpetual duration, we may terminate any Local Advertising Cooperative. A Local Advertising Cooperative will not be terminated, however, until all monies in that Local Advertising Cooperative have been expended for marketing or promotional purposes or returned to its members.

Port of Subs Restaurants owned by us or our affiliates will contribute to the Local Advertising Cooperative if established in their geographic areas at the same rate as franchisees.

#### Local Store Marketing

You must spend at least 23% of Gross Sales per month on Local Store Marketing. All of your ~~local advertising and promotion~~ Local Store Marketing must be conducted in the media, type, and format that we have approved, must be conducted in a dignified manner, and must conform to our standards and requirements. You must comply with all of our written instructions, policies, procedures, and restrictions regarding advertising and marketing within the Designated Area, outside of the Designated Area, and in areas that may be territories assigned to other Port of Subs Restaurants or franchisees (including, for example, rules regarding honoring of gift certificates and promotions). You may not use any marketing or promotional plans (either in connection with ~~local advertising and promotion~~ Local Store Marketing, or any Local-Store Advertising Cooperative) that we have not approved in writing, as set forth below.

The term Local Store Marketing consists only of direct costs of purchasing and producing advertising materials (such as camera-ready advertising and point-of-sale materials), media (space or time), and your direct out-of-pocket expenses related to costs of advertising and sales promotion in your Designated Area. Local ~~advertising and promotion~~ Store Marketing also includes associated advertising agency fees and expenses, postage, shipping, telephone, and photocopying costs. Local ~~advertising~~ Store Marketing and social engagement does not, however, include any of the following:

- (a) salaries and expenses of your employees, including salaries or expenses for attendance at advertising meetings or activities, or incentives provided or offered to your employees, including discount coupons;
- (b) charitable, political, or other contributions or donations, whether in cash or services unless otherwise approved;
- (c) the value of discounts given to consumers; or

- (d) the cost of food items.

#### Approval of Advertising Materials

For all proposed Local Store Marketing, you will submit samples of plans and materials to us for our review and prior written approval. If you do not receive written approval from us within 15 days after the date of our receipt of such samples or materials, we will be deemed to have disapproved the proposed Local Store Marketing.

#### Advertising Council

Our predecessor formed a National Advisory Council (“NAC”), which remains in existence. The NAC provides advice to us on various matters, including advertising. The NAC serves in an advisory capacity only and has no operational or decision-making power, though in the past the NAC has voted on the Brand Development Fund’s budget. The NAC is currently comprised of a Chairperson, Vice-Chairperson, and four franchisee District Representatives, and four alternates, who each serve for a 2-year term. All positions are elected positions by a majority vote of franchisees in good standing in each district at bi-annual meetings. We have the power to form, change, or dissolve the NAC.

#### Pricing

We may provide advice and guidance to you regarding establishing prices. In addition, we reserve the right to establish minimum and/or maximum prices you may charge for products and services, as permitted by law. If we establish maximum or minimum prices, you will charge prices no higher than the maximum prices we specify and no lower than the minimum prices we specify. Subject to your compliance with any minimum and/or maximum prices we specify, you may determine your local pricing strategy and are not obligated to follow your advice or recommendations. (Franchise Agreement, Section 5.24.)

#### Computer Systems

You will purchase or lease, and thereafter maintain, certain brands, types, makes, and/or models of communications, computer systems, computer software, and hardware to be used by, between, or among Port of Subs Restaurants and us including: (a) back office and point-of-sale (“POS”) systems, learning management system, data, audio, video, and voice storage, retrieval, and transmission systems; (b) physical, electronic, and other security systems; (c) printers and other peripheral devices; (d) archival back-up systems; (e) e-mail systems; and (f) Internet access mode and speed (collectively, the “Computer System”). We may designate ourself or our affiliate as the only, or one of a limited number of, suppliers for your Computer System. You must comply with our requirements, specifications, and policies concerning the use of technology, as they may be specified in this Agreement, or specified or modified in the Manuals or otherwise in writing. Such purchase may include the purchase of software licenses and the entry into such software license agreements as we may prescribe. Neither we nor our affiliates have any obligation to provide ongoing maintenance, repairs, upgrades, or updates. You should determine for yourself whether or not any third-party supplier from whom you purchase any component of your Computer System is obligated to provide ongoing maintenance, repairs, upgrades or updates to any component of your Computer System, and determine the cost for these services. We expect that the total cost to purchase or lease the Computer System will range from \$26,500 to \$38,500.

~~We expect that the total cost~~If we elect to purchase or lease the Computer System will range from \$26,500 to \$38,500. In addition, you must pay us a monthly Technology Fee if we require you to pay a fee to obtain or access any aspects of the Computer System or related technology systems, services, platforms, and software from or through us. ~~The current Technology Fee is \$1,250 per month. We currently, we may~~ require you to ~~obtain or access our required point of sale software~~pay us a monthly technology fee, as further detailed in Item 6. We do not currently charge a Technology Fee, but we reserve the right to do so.

~~When and platform, intranet, online ordering system, streaming music software, learning management system, and a Port of Subs email address from or through us. We may make changes to the types, nature, and ultimate vendor of any aspect of the Computer System or any technology systems, services, platforms, and software we require you to obtain or access from or through us. Yourif established, your~~ precise monthly ~~Technology Fee~~ technology fee may change if there are changes in any aspect of the ~~Computer System~~ computer system or in the technology systems, services, platforms, and software we require you to obtain or access from or through us, or in our costs regarding such technology systems, services, platforms, and software. We may make changes to the types, nature, and ultimate vendor of any aspect of the Computer System or any technology systems, services, platforms, and software we require you to obtain or access from or through us.

You will be solely responsible for the cost of ongoing maintenance, updating, upgrading, and support contracts for the Computer System. Neither we, our affiliates, nor any third parties are responsible for such costs. We estimate your annual cost of maintenance, updating, upgrading, and support contracts related to the Computer System will be at least \$500 to \$1,500.

We may remotely access your computer at any time to retrieve and use data and information from your Computer System, consult with you on problems you may be experiencing, and download information to update your software. There are no contractual limitations on our right to access such information.

#### Signs, Fixtures, Opening Inventory, and Supplies

Except as otherwise disclosed in this Disclosure Document, we and our affiliates are not approved or required suppliers for signs, fixtures, opening inventory, and supplies. We and our affiliates will not provide, deliver, or install any signs, fixtures, opening inventory, and supplies for your Restaurant. We will provide you with a list of approved suppliers. To the extent we have established standards and specifications for such items, we will provide our current standards and specifications for such items to franchisees and approved suppliers.

#### Remodeling and Upgrades

We may require you to remodel, replace and redecorate in and upon your premises and equipment as we may deem necessary, but no more than once the expiration of every 5-year period following the opening of the Restaurant for business with the public. The expenditure to remodel the Restaurant will be capped at \$125,000. You must also make, from time to time, the upgrades and other changes to the Computer System and electronic equipment utilized in the Restaurant as we may request in writing ("Equipment Upgrades"). The cost for such Equipment Upgrades will be determined solely by the manufacturer or support provider. We may require any Equipment Upgrades we deem necessary for your Port of Subs Restaurant. Other than as stated in this paragraph or described in the Franchise Agreement or Manuals, there are no other limitations on our ability to require you to upgrade your Port of Subs Restaurant.

#### Manuals

We will provide you with a copy of our Manuals. The Manuals contain mandatory and suggested specifications, standards, operating procedures, programs, and rules we prescribe periodically, as well as information relative to your obligations under the Franchise Agreement and the operation of your Port of Subs Restaurant. The table of contents for our Operations Manual is attached to this Disclosure Document as Exhibit GH. The Operations Manuals contains 266397 pages.

#### Training

You (or your Operating Principal) and your General Manager (or at least one other employee that attends our initial training program) must satisfactorily complete ServSafe Manager Certification Training

Program, and other mandated state and/or local food handling training if the applicable food handling certification requirement does not allow ~~ServSafe~~[SERV Safe](#) reciprocity, and be certified as having successfully completed the training prior to attending our initial training program.

At least two individuals must attend and successfully complete our initial training program: (1) you (if you are personally the franchisee in your individual capacity) or your Operating Principal (if the franchisee is a business entity; and (2) your full-time General Manager (or another manager approved by us if your Operating Principal and General Manager are the same individual) (collectively, the “Principal Trainees”). The Principal Trainees must attend and successfully complete our initial training program at least thirty (30) days prior to your Restaurant’s opening. As consideration for initial training for your Principal Trainees, you will pay us a Training Fee of \$5,000 upon execution of the Franchise Agreement. The initial training program will include pre-training and workbooks, in-store training which will take place in Reno, Nevada; Denver, Colorado metropolitan area; or at another training facility or location we designate, administrative training will be conducted at our Reno office, and onsite training. Administrative training and in-store training are generally held once a month or as needed. We reserve the right to mandate that the Principal Trainees participate in additional training, which may include refresher courses, seminars, and other programs as deemed necessary. This could amount to up to 20 days of such training annually throughout the duration of this Agreement. Moreover, we may also require certain Principal Trainees to attend our annual or periodic conventions or conferences. These events could extend up to three days each year.

The initial Training Fee allows up to three individuals (the two Principal Trainees identified above and one other management-level employee whom we approve) to attend initial training. Except for the initial Training Fee, we do not charge a training fee payable for the above-described training for up to three attendees. With our consent, you may send additional management-level employees to initial training, subject to your payment of our then-current fee (currently \$2,500) per additional attendee. You must pay for all costs and expenses, like salaries, wages, supplies, rooms, meals and transportation for you, your managers, and each of your employees participating in the training program.

The following table summarizes the subjects taught during our initial training program:

### TRAINING PROGRAM

Subject	Hours of Classroom Training	Hours of On-the-job Training	Location
Pre-Study	1-2	30-40	Self-study at home
Orientation	2-4	0	Virtual
In-Store Training	0	80-120	Reno, Nevada or another location we designate
Administration	16-36	0	Reno, Nevada
POS System and Computer Training	12 – 18	0	Reno, Nevada or another location we designate
POS System and Computer Training	6-8	0	Virtual
On-Site Operations Training	0	56-80	At Franchise Location
On-Site Marketing Training		24-32	Reno, Nevada or another location we designate

Subject	Hours of Classroom Training	Hours of On-the-job Training	Location
Grand Opening	0	8-16	At Franchise Location
Crafted-to-Go (CTG) (Optional)	2 – 4	40 – 50	Self-Study & At Franchise Location
TOTAL (without optional CTG training)	25-50	198-288	
TOTAL (with optional CTG training)	27-54	238-338	

In addition, prior to the opening of the franchised business, the franchisee must ensure that all key team members, including managers and designated management staff, complete an in-store training program. This training will take place at the franchise location 3-5 days before opening and will be led by the Operations and Training Support Team. The training covers critical operational procedures, guest service expectations, product quality standards, and compliance with brand requirements. Failure to complete this training may delay opening approval. Additional training may be required based on store performance and team competency, as determined by the Training and Operations Department.

There is currently no additional or separate training required under the Area Development Agreement, but we reserve our right to implement additional training (and impose our then-current fee) for multi-unit operators.

Our training programs are overseen by Michael Rana, our [Senior](#) Vice President of Operations, and Misty Dunlap, our [Senior](#) Director of Training. Mr. Rana has over ~~21~~<sup>23</sup> years of experience in the franchise industry, training, operations, and franchise support, and has been with Port of Subs since March 2023. Ms. Dunlap has over ~~19~~<sup>20</sup> years of experience of restaurant operations, training, and franchise support, and has been with Port of Subs since April 2023. We may use additional or substitute instructors as needed, at our discretion. The training materials include our Manuals and other written materials that will be provided. Details of instruction and times for certain sessions may vary according to availability of staff, areas of concentration needed by trainees, and other factors. We may, but are not required to, provide you and your employees with additional training at your request. You are responsible for all costs and expenses of such additional training.

## ITEM 12 TERRITORY

### The Franchise Agreement

The Franchise Agreement grants you the right to operate one Port of Subs Restaurant at or from a single physical premises, selected by you and approved by us, within the Designated Area, with certain non-exclusive rights as described below. If an approved location has not been identified when you execute the Franchise Agreement, a Site Selection Addendum to the Franchise Agreement will identify the geographic area in which you may search for a site (the “Site Selection Area”). The exact size of the Site Selection Area will be agreed upon by you and us before the Franchise Agreement is executed. Once determined and/or approved by us, we will list the Restaurant’s approved location and Designated Area (described below) on Exhibit A of the Franchise Agreement.

You are required to operate the Restaurant only at the location we approve. You may not operate the Restaurant or offer or sell any products or services at or from any location other than the approved location identified in Exhibit A of the Franchise Agreement. We may offer and sell goods and services through other channels of distribution, including the Internet, within the Designated Area, under the Proprietary

Marks, or under different trademarks without compensation to you. You are not permitted to provide goods or services through other channels of distribution, such as the Internet or in any form of social media, or make sales outside of your physical premises located within the Designated Area, except as otherwise described in the Franchise Agreement. No restrictions exist that prevent us from soliciting or accepting orders from consumers inside your Designated Area in the same manner, and we will owe you no compensation if we do so. You may not relocate the Restaurant without our prior written consent. You must comply with our then-current site selection and construction standards.

Except as described below, we will grant you an area around the approved location of the Restaurant (the "Designated Area"). The Designated Area is the area described in Exhibit A to the Franchise Agreement, excluding Alternative Points of Distribution (defined below). The Designated Area will typically encompass a population of 50,000 people, but the ultimate size of your Designated Area may vary from that of other franchisees based on various factors. We will determine the Designated Area based on several factors, including, among other factors, the population base; density of population; growth trends of population; apparent degree of affluence of population; the density of residential and business entities; traffic generators, driving times; and major topographical features which clearly define contiguous areas, like rivers, mountains, major freeways, and underdeveloped land areas.

We have not established conditions under which we will approve the relocation of your Port of Subs Restaurant, or conditions under which we will approve your establishment of additional Restaurants. The Franchise Agreement does not grant you options, rights of first refusal, or similar rights to acquire additional Restaurants.

We may offer and sell goods and services through other channels of distribution, including the Internet, within the Designated Area, under the Proprietary Marks, or under different trademarks without compensation to you. You are not permitted to provide goods or services through other channels of distribution, such as the Internet or in any form of social media, or make sales outside of your physical premises located within the Designated Area, except as otherwise described in the Franchise Agreement.

You will not receive an exclusive territory. You may face competition from other franchisees, from outlets that we own, or from other channels of distribution or competitive brands that we control.

As long as you are in compliance with the Franchise Agreement, we will not operate or license others to operate a Port of Subs Restaurant at a physical premises located within the Designated Area (subject to the reservations and limitations described below) during the term of your Franchise Agreement. Except as expressly limited by the previous sentence, we and our affiliates retain all rights with respect to Port of Subs Restaurants, other branded, co-branded, or multi-branded restaurants, the Proprietary Marks, the sale of similar or dissimilar products and services, and any other activities we deem appropriate whenever and wherever we desire. Specifically, we and our affiliates retain the following rights:

1. Advertise and promote the System within and outside of the Designated Area.
2. Develop, construct, operate, sell, license, franchise, and/or authorize others to sell Port of Subs menu items, foods, and other products to the public within the Designated Area, including the immediate area surrounding any Port of Subs Restaurant location you submit to us for approval or any Port of Subs Restaurant you establish, through restaurant outlets (whether mobile or fixed, permanent or temporary) located on military bases, institutional outlets (including, for example, college campuses, hospitals, and school lunch programs), fairs, athletic contests, or other special events, convenience stores, casinos, airports, and larger retail outlets, including (without limitation) Wal-Mart and Home Depot, toll roads, limited access highways, schools, universities, enclosed shopping malls, hotels, industrial or government facilities, amusement or theme park complexes, train stations, bus stations, or transportation facilities, and other locations owned or operated by major institutions with sites throughout the country or a particular state (collectively referred to

as “Alternative Points of Distribution”) and to use the Port of Subs System in connection with those Alternative Points of Distribution.

3. Operate, and license others to operate, Port of Subs Restaurants at any location outside the Designated Area, including at locations that are adjacent to the Designated Area and despite the proximity of such Restaurants to the Designated Area or your Restaurant or their actual or threatened impact on sales at your Restaurant.
4. Offer and sell, and license others to offer and sell, any products or services (including those offered by your Port of Subs Restaurant), under any marks (including the Proprietary Marks) outside of the Designated Area, and through any means (including through a Port of Subs Restaurant).
5. Establish, operate, and license others to establish and operate, businesses other than Port of Subs Restaurants, including other food-related businesses, which businesses may be identified by other trademarks, and which may offer or sell products and services that are the same as or similar to the products and services offered by Port of Subs Restaurants, within and outside of the Designated Area and despite the proximity of such businesses to the Designated Area or your Restaurant or their actual or threatened impact on sales at your Restaurant.
6. Develop or become associated with other concepts (including other franchise systems), whether or not using the System and/or the Proprietary Marks, and/or offer or sell franchises under such concepts for locations within and outside of the Designated Area.
7. Acquire, be acquired by, merge, affiliate with or engage in any transaction with other businesses (whether competitive or not) with outlets located anywhere and, even if such businesses are located in the Designated Area; (i) convert the other businesses to Port of Subs Restaurants, (ii) permit the other businesses to continue to operate under another name, and/or (iii) permit the businesses to operate under another name and convert existing Port of Subs Restaurants to such other name.
8. Offer and sell, and authorize others to offer and sell, products from Restaurants located outside the Designated Area to customers located within the Designated Area via take-out, catering, or delivery, including through an online ordering site or platform authorized by Franchisor; and
9. Engage in any other activity, action or undertaking that Franchisor or its affiliates are not expressly prohibited from taking under the Franchise Agreement.

Neither we nor any affiliate currently operates, franchises, or plans to operate or franchise any business under a different trademark that sells or will sell goods or services similar to those of Port of Subs Restaurants, but we and our affiliates have the right to do so under the Franchise Agreement.

The continuation of your rights within the Designated Area under the Franchise Agreement does not depend on the achievement of a certain sales volume, market penetration, or any other contingency. If you commit a material breach of the Franchise Agreement that entitles us to terminate the Franchise Agreement, we may, in lieu of termination, modify or eliminate the Designated Area. The restrictions on our right to operate in your Designated Area do not apply to any Port of Subs Restaurant existing or under development on the date the Franchise Agreement is signed. We are not required to pay you if we or our affiliates exercise any of the rights specified above inside or outside your Designated Area.

#### [Area Development Agreement](#)

[Under an Area Development Agreement, you are assigned a geographic area \(the “Development Territory”\) within which you are required to develop three or more Port of Subs Restaurants under a prescribed Development Schedule. The size of the Development Territory may range from a portion of a city or an unincorporated area to a single or multi-county or single state area and will be described in the Area Development Agreement by reference to a description, an area marked on a map, streets or highways, political jurisdiction boundaries, by an area encompassed within a radius of a specific distance \(or a range](#)

of distances) or of a distance sufficient to encompass a specified population (or range of populations) or by such other method of delineation as we may prescribe.

You will not receive an exclusive territory. You may face competition from other franchisees, from outlets that we own, or from other channels of distribution or competitive brands that we control.

Subject to your full compliance with the Area Development Agreement and any Franchise Agreements or other contracts with us or our affiliates, we will not establish, or authorize any other person or entity other than you, to establish a Port of Subs Restaurant in the Development Territory (subject to the reservations and limitations described below) until the earlier of: (i) the expiration or termination of the Area Development Agreement; or (ii) our modification of your development rights in the Development Territory (including without limitation your exclusivity in the Development Territory) following your failure to satisfy the Development Schedule in your Area Development Agreement (as further described below).

We and our affiliates reserve the following rights:

(i) Advertise and promote the Brand and the System within and outside of the Development Territory;

(ii) Develop and operate, and grant any Person the right to develop and operate, Restaurants outside the Development Territory, including at locations that are adjacent to the Development Territory despite the proximity of such Restaurants to the Development Territory or their actual or threatened impact on sales at the Restaurant;

(iii) Offer and sell, and authorize others to offer and sell, approved products and services, including those offered and sold at any of the Restaurants (such as pre-packaged food products, clothing and other Brand memorabilia), under the Proprietary Marks or other marks at or from any location or through any channel of distribution (excluding Restaurants but including, but not limited to, grocery stores, catalogs, the Internet, other retail or restaurant locations and other food service facilities such as kiosks, concessions, food trucks, or multi-brand facilities);

(iv) Develop and operate, and license others to develop and operate, any business, other than the Restaurants, including other branded restaurants or food-related businesses, under the Proprietary Marks or under other marks, whether or not located within the Development Territory and despite the proximity of such businesses to the Development Territory or their actual or threatened impact on sales at any of the Restaurants;

(v) Develop and operate, and license others to develop and operate, any restaurants or other businesses that Franchisor or its Affiliates may operate or license as a result of any acquisition, consolidation or merger, whether or not located within the Development Territory and despite the proximity of such restaurants to the Development Territory or their actual or threatened impact on sales at any of the Restaurants, whether or not such other restaurants or business operate under the Proprietary Marks or under other marks;

(vi) Acquire, be acquired by, merge, affiliate with, or engage in any transaction with other businesses (whether competitive or not) with outlets located anywhere and, even if such businesses are located in the Development Territory: (i) convert the other businesses to Restaurants, (ii) permit the other businesses to continue to operate under another name, and/or (iii) permit the businesses to operate under another name and convert existing Restaurants to such other name. Developer or its Affiliates agree to participate at solely their expense in any such conversion as may be required by Franchisor and to waive any claims, demands or damages arising from or related to the loss of the "Port of Subs" name, the Proprietary Marks (or any variation thereof) and the System and/or the loss of association with or identification of Franchisor under this Agreement;

(vii) Develop and operate, and license others to develop and operate, Restaurants and other food service facilities in any Alternative Point of Distribution, whether or not located within the Development Territory, and use the System in connection with these Alternative Points of Distribution; and

(viii) Offer and sell, and authorize others to offer and sell, products from Restaurants located outside the Development Territory to customers located within the Development Territory via take-out, catering, or delivery, including through an online ordering site or platform authorized by Franchisor.

(ix) Engage in any other activity, action, or undertaking that Franchisor or its Affiliates are not expressly prohibited from taking under this Agreement.

The restrictions on our right to operate in your Development Territory do not apply to any Port of Subs Restaurant existing or under development on the date the Area Development Agreement is signed. We are not required to pay you if we or our affiliates exercise any of the rights specified above inside or outside your Development Territory.

As a condition to exercising your development rights under your Area Development Agreement, you must remain in full compliance with all provisions of your Area Development Agreement and any other agreements (including any Franchise Agreements) between you and your affiliates and us and our affiliates. You must execute a separate Franchise Agreement, on our then-current form of franchise agreement, for each Restaurant. Each proposed site must satisfy our then-current site selection criteria, and you must submit to us in a timely manner all information and documents requested by us in connection with the Area Development Agreement or any other agreements to be executed between you and any of your affiliates and us or any of our affiliates, and you must have taken such additional actions in connection therewith as may be requested by us.

You must develop your Restaurants in accordance with the Development Schedule set forth in your Area Development Agreement. If you fail to comply with your development obligations under the Area Development Agreement in accordance with the Development Schedule, we may, in addition to other available remedies, terminate the Area Development Agreement, terminate or modify your exclusivity in the Development Territory, reduce the geographic scope of your Development Territory, or reduce the number of remaining Restaurants you may develop within the Development Territory. Except as stated in this paragraph, the territorial rights granted to you under the Area Development Agreement are not dependent upon the achievement of a certain sales volume, market penetration, or other contingency. Also, except as stated in this paragraph, there are no circumstances under which the Development Territory may be altered prior to the expiration or termination of the Area Development Agreement.

### ITEM 13 TRADEMARKS

We grant you the right to operate a Port of Subs Restaurant under the name “Port of Subs” and to use the Proprietary Marks that we designate for the operation of your Port of Subs Restaurant.

Our affiliate, POS IP, LLC, owns the following Proprietary Marks on the Principal Register of the United States Patent and Trademark Office (“USPTO”). POS IP, LLC has renewed or intends to renew the registrations for the Proprietary Marks listed below. All required affidavits have been filed.

Mark	Registration Number	Registration Date
	1,255,645	October 25, 1983

Mark	Registration Number	Registration Date
	1,802,417	November 2, 1993
	3,135,258	August 29, 2006
<u>PORT OF SUBS</u>	1,255,638	October 25, 1983
	3,111,551	July 4, 2006
	3,114,003	July 11, 2006
	3,119,680	July 25, 2006
Sliced fresh to Go!	3,405,227	April 1, 2008
We slice it fresh because sliced fresh is better!	3,425,861	May 13, 2008
PORT OF SUBS CRAFTED TO GO	5,681,156	February 19, 2019
Slicing It Forward	5,769,253	June 4, 2019
Your Neighborhood Sandwich Shop	6,034,719	April 14, 2020
	5,867,467	September 24, 2019
PIZZA ZONE	4,435,698	November 19, 2013

There is no presently effective determination of the USPTO, the trademark administrator of any state, or any court, and no pending interference, opposition, or cancellation proceeding or any pending material litigation involving the Proprietary Marks.

Our rights to use and sublicense the Proprietary Marks and System are derived from a nonexclusive, perpetual license between us and POS IP, LLC (“Intercompany License Agreement”). The Intercompany License Agreement grants us the right to use the Proprietary Marks and System, and to sublicense the use of the Proprietary Marks and System, in connection with the development and operation of Port of Subs Restaurants and regional developer businesses, and the advertising, marketing, and promotion of the services and products that Port of Subs Restaurants offer. The Intercompany License Agreement may be terminated for material defaults or bankruptcy in which case any active and then-effective franchise agreements and regional developer agreements would be assigned from us to POS IP, LLC, which would assume our rights and obligations as franchisor under such agreements. We know of no superior prior rights or infringing use that could materially affect your use of the Proprietary Marks, and we know of no other agreements currently in effect that significantly limit our rights to use or license the use of the Proprietary Marks in any manner material to you.

You must promptly notify us of any unauthorized use of the Proprietary Marks, any challenge to the validity of the Proprietary Marks, or any challenge to our ownership of, right to use and to license others to use, or your right to use, the Proprietary Marks. As between you and us, we have the right to direct and control any administrative proceeding or litigation involving the Proprietary Marks, including any settlement. As between you and us, we also have the right, but not the obligation, to take action against uses by others that may constitute infringement of the Proprietary Marks. We have no obligation to protect or defend your right to use the Proprietary Marks or protect you against claims of infringement or unfair competition arising out of your use of the Proprietary Marks, although we intend to do so when in the best interest of the System. If we undertake the defense or prosecution of any litigation concerning the Proprietary Marks, you must sign any documents and do the things as may, in our counsel’s opinion, be necessary to carry out that defense or prosecution, such as becoming a nominal party to any legal action. Unless the litigation is the result of your use of the Proprietary Marks in a manner inconsistent with the terms of the Franchise Agreement, we will reimburse you for your out-of-pocket costs in doing these things (although you will still be responsible for the salary costs of your employees) and we will bear the costs of any judgment or settlement. However, if the litigation results from your use of the Proprietary Marks in a manner inconsistent with the terms of the Franchise Agreement, then you must reimburse us for the cost of the litigation, including attorneys’ fees, as well as the cost of any judgment or settlement. We do not have to indemnify you against, or reimburse you for, any damages in any proceeding arising out of the use of any name or Proprietary Mark or for any costs incurred by you in the defense of any of those claims.

We may substitute different marks for use in identifying the System and the businesses operating under it. You must bear the costs of modifying your signs and advertising materials to conform to our new Proprietary Marks as a result of this substitution.

#### **ITEM 14 PATENTS, COPYRIGHTS AND PROPRIETARY INFORMATION**

We do not own any patents and do not have any pending patent applications that are material to a Port of Subs Restaurant franchise.

Our affiliate, POS IP, LLC owns a copyright for the Port of Subs menu obtained October 6, 1992 under registration TX-3,416,531, which pertains to the franchise. If it becomes advisable at any time for us our affiliate to acquire any other patent or copyrights related to the franchisee, you are obligated to use such patent or copyright as we prescribe.

Except as noted above, we do not own any copyrights and do not have any pending copyright applications that are material to the franchise. However, we or our affiliate, POS IP, LLC, do claim copyright protection and proprietary rights in the original materials used in the System, including our Manuals, recipes, bulletins, correspondence, and communications with our franchisees, training, advertising, and promotional materials, and other written materials relating to the operation of Port of Subs Restaurants and the System. Our rights to use and sublicense the intellectual property regarding the System are derived from the nonexclusive, perpetual Intercompany License Agreement. The Intercompany License Agreement may be terminated for material defaults or bankruptcy in which case any active and then-effective franchise [agreements or area development](#) agreements would be assigned from us to POS IP, LLC, which would assume our rights and obligations as franchisor under such agreements. We consider the Manuals and related materials to be confidential and proprietary. You may use them only in the [development and operation of your Port of Subs Restaurant as provided in the Franchise Agreement and/or Area Development Agreement](#). You may not use our and our affiliate's confidential and proprietary information in any unauthorized manner and must take reasonable steps to prevent its disclosure to others. Your right to use those materials continues as long as the Franchise Agreement [and/or Area Development Agreement](#) remains in effect.

Neither the United States Copyright Office nor any court has made any currently effective determinations regarding any of our copyrighted materials. We have no agreements in effect that significantly limit our right to use or license the use of our copyrighted materials. We have no obligation to protect or defend our copyrights or confidential information, although we intend to do so when in the best interest of the System. Finally, we know of no infringing uses that could materially affect your use of our copyrighted materials in any state.

During the term of the Franchise [Agreement and/or Area Development](#) Agreement, you will receive information that we consider to be our trade secrets and confidential information, including confidential information, trade secrets, knowledge, or know how concerning the System or the methods of operation of your Port of Subs Restaurant, which may be communicated to you or which you may be apprised of by virtue of your operation under the terms of the Franchise Agreement [and/or Area Development Agreement](#) ("Confidential Information"). You may only divulge Confidential Information to your owners, directors, members, officers, managers, or employees as must have access to it in order to operate your Port of Subs Restaurant. Your employees who may have access to our Confidential Information must sign a confidentiality agreement. Our current form of confidentiality agreement ([Non-Disclosure Agreement](#)) is attached to the Franchise Agreement as Exhibit F [and to the Area Development Agreement as Exhibit C](#). You will be liable for any unauthorized disclosure of our Confidential Information by your principals, employees, and agents. Upon expiration, non-renewal, or termination of a Franchise [Agreement and/or Area Development](#) Agreement, you must immediately stop using the Confidential Information in any business or otherwise and must return all proprietary or confidential materials to us.

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

We do not require you to participate personally in the direct operation of your Port of Subs Restaurant, provided you have designated an Operating Principal in an ownership position to participate, but we do recommend it. In any case, your designated Operating Principal must be approved by us and must supervise and participate personally in the day-to-day operations of your Port of Subs Restaurant. You (or your designated Operating Principal) must attend and satisfactorily complete the initial training program conducted by us as described in Item 11. To ensure a consistent brand experience, we require that the person responsible for the direct operation of the franchise (1) have at least five years of management experience in the operation of a quick service restaurant (or, if you or your affiliate operates at least one Port of Subs Restaurant as of the effective date of the Franchise Agreement, the Operating Principal of your Port of Subs Restaurant must have at least two years of management experience in the operation of a quick

service restaurant), (2) have an equity interest of at least 5% in the business, if you are a legal entity, and (3) live no more than a two-hour drive from your Restaurant. You will control and be solely responsible for the day-to-day operation of your Restaurant and the terms and conditions and employment of your personnel, including the soliciting, hiring, firing, disciplining, paying, scheduling, and managing of your employees.

We may require that you and each person who is actively involved in the operation of the franchise, including the manager, execute an agreement in the form provided by us, under which each agree not to divulge any of our trade secrets or confidential or proprietary information, including the contents of any of our manuals, or to participate in or have any interest in any competitive business.

All individuals owning a direct or indirect interest in you [or your Restaurant\(s\)](#) must execute the Guarantee, Indemnification, and Acknowledgment, covering all of your obligations under the [Franchise Agreement and Area Development Agreement](#). We may also require that the spouse (or domestic partner or other immediate family member) of an owner sign the Guarantee, Indemnification and Acknowledgment. The current form of Guarantee, Indemnification, and Acknowledgment is attached to the Franchise Agreement as Exhibit E [and to the Area Development Agreement as Exhibit B](#).

#### **ITEM 16 RESTRICTIONS ON WHAT THE FRANCHISEE MAY SELL**

All products you use or sell at the Port of Subs Restaurant must conform to our standards and specifications. These are described in our Manuals and other writings. You must not deviate from our standards and specifications unless we first give you our written consent. You must also comply with all applicable laws and regulations and secure all appropriate governmental approvals for the Restaurant.

You must offer and sell only the menu items, products, and services that we have expressly approved in writing. You may not offer for sale any products or perform any services that we have not authorized previously in writing, and you must stop selling any menu items, products, or services that we disapprove in writing. We may change the types of authorized products and services, without limitation. There is no limit on our right to add or remove items from our standard menu, and you must promptly comply with any changes that we make to the menu. You must prepare all menu items using the procedures for preparation contained in our Manuals or other written instructions. You must not use or offer nonconforming items unless we first give you our written consent.

We do not restrict whom you may serve. You must open and operate the Restaurant during the hours we specify in the Manuals or otherwise in writing.

You must participate in all market research programs that we require, which includes test-marketing new products, purchasing a reasonable quantity of new products for test-marketing, and promoting the sale of the new products. You must provide us with timely reports and test results for all such programs.

You may not install and offer vending machines, ATM machines, or other activities (such as cigarette machines, pool, darts, gambling activities, video games, slot machines, and other gaming devices) unless we have given our prior written consent to you to do so. We reserve the right to require you to use specified game consoles, vending machines, jukeboxes, or other entertainment devices or services that we designate.

We reserve the right to require you to only play such music and video programming at your Restaurant that we have designated in the Manuals or approved in writing. We reserve the right to require you to subscribe to specific music and television offerings at your Restaurant that we designate, including designated playlists, streaming services, specific television packages, premium channels, and/or other customized content distribution.

We reserve the right to establish minimum and/or maximum prices you may charge for food and beverage products, as permitted by law. If we establish maximum or minimum prices, you will charge prices no higher than the maximum prices we specify and no lower than the minimum prices we specify.

We may change, supplement, improve, or modify the System at any time, as we deem appropriate. These changes may include, among others, the adoption and use of new or modified products, services, equipment and furnishings and new techniques and methodologies relating to the preparation, sale, promotion and marketing of food and beverage products and services, and new trademarks, service marks, and copyrighted materials. You must, upon reasonable notice, accept, adopt, implement, use, and display any change to the System we may make, at your expense. There are no limits on our right to make changes.

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

**THE FRANCHISE RELATIONSHIP**

The following table lists certain important provisions of the Franchise Agreement [and Area Development Agreement](#) pertaining to renewals, terminations, transfers and dispute resolutions. You should read those provisions in the Franchise Agreement [and Area Development Agreement](#) attached ~~as Exhibit C~~ to this Disclosure Document.

[Franchise Agreement](#)

Provision	Section in Franchise Agreement	Summary
a. Term of the franchise	2.1	The initial term expires 10 years after the effective date of the Franchise Agreement.
b. Renewal or extension of the term	2.2	One additional term, which will be the lesser of (a) 10 years or (b) the remaining term of the lease for the Restaurant premises.
c. Requirements for you to renew or extend	2.2.1–2.2.9	Renewal means the right to sign a successor franchise agreement to remain a franchisee. Requirements for renewal include: No default may exist under the existing agreement; you must provide notice of renewal at least 12 months in advance; you must sign our then-current franchise agreement, which may contain materially different terms and conditions than your original franchise agreement (including a different Designated Area); you must sign a general release (see Exhibit F); you must satisfy all monetary obligations to us; you must pay a renewal fee; and you must present evidence that you have the right to remain in possession of the premises of the Restaurant for the duration of the renewal term (or obtain our approval of new premises for the duration of the renewal term). We also may require that you remodel your Restaurant and complete additional training.
d. Termination by you	Not Applicable	Not Applicable, subject to state law.
e. Termination by us without cause	Not Applicable	Not Applicable

Provision	Section in Franchise Agreement	Summary
f. Termination by us with cause	13	We may terminate upon default.
g. "Cause" defined – defaults which can be cured	13.3	You have 30 days to cure operational defaults and 5 days to cure monetary defaults, subject to state law.
h. "Cause" defined – defaults which cannot be cured	13.1–13.2	The term "cause," among other defaults, includes danger to health or safety; bankruptcy; assignment for the benefit of creditors; felony conviction; repeated violations; execution of levy not discharged within five days; attachment of property; failure to obtain approval of the site for your Restaurant; failure to repair or renovate your Restaurant premises; failure to complete initial training; abandonment of your Restaurant; fraud; unauthorized transfer; failure to comply with non-compete and confidentiality obligations; default under lease or sublease for your Restaurant; and unsatisfied final judgments of \$10,000 or more for 30 days or longer, and default under any other agreement between you and us or our affiliates.
i. Your obligations on termination and non-renewal	14	Among other obligations, you must cease to operate your Restaurant, pay amounts due, cease the use of our System and Proprietary Marks, return our manuals, de-identify the Restaurant, and comply with the post-term covenant not to compete.
j. Assignment of contract by us	12.1	The Franchise Agreement has no restriction on our right to assign.
k. "Transfer" by you – definition	12.3	The term "transfer" includes the transfer of the Franchise Agreement, the Restaurant's assets, the leases or interest in the Restaurant, or any interest in you.
l. Our approval of transfer by you	12.4	We have the right to approve all transfers; we will not withhold our consent unreasonably.
m. Conditions for our approval of transfer	12.4	Among other conditions, no default may exist and you pay all amounts due, sign a general release, and pay a transfer fee <a href="#">and grand re-opening fee</a> . The transferee must complete our training and meet all of our qualifications and other requirements and sign our then-current form of franchise agreement.
n. Our right of first refusal to acquire your business	12.6	We have an option for 30 days to purchase upon same terms and conditions offered to the third party.

Provision	Section in Franchise Agreement	Summary
o. Our option to purchase your business	14.1.7 and 14.1.8	We have an option to acquire the leases to, or the right to acquire, the premises upon the termination or expiration of your Franchise Agreement. We have an option to purchase any or all of your business's equipment or inventory related to the operation of the Restaurant upon the termination or expiration of your Franchise Agreement.
p. Your death or disability	12.7 and 12.8	Within six months of your death or disability, your interest in the Franchise Agreement, or in you, must be transferred to a third party whom we approve.
q. Non-competition covenants during the term of the franchise	10.5	You cannot divert business to a competitor. You cannot operate any "Competitive Business," which means any quick service, fast food, or fast casual dining restaurant or food service establishment that, as determined by Franchisor in its sole determination, is the same as or substantially similar to the Restaurant or the Port of Subs brand, including, without limitation, any in which grillers, submarine, hoagie, hero-type, and/or other deli-style sandwiches account accounts for twenty-five percent (25%) or more of its menu items or gross sales, within two miles of your Designated Area or any other existing Port of Subs Restaurant (subject to state law).
r. Non-competition covenants after the franchise terminates or expires	10.6	For a period of two years, you cannot operate a Competitive Business within two miles of your original location or any other existing Port of Subs Restaurant (subject to state law).
s. Modification of the agreement	23	No changes to agreement can take place unless mutually agreed to in writing, except we can unilaterally modify the Manual and System.
t. Integration / merger clause	23	Only the written terms of the agreement and exhibits bind the parties (subject to applicable state law). However, nothing in the Franchise Agreement will exclude any representations we make in this Disclosure Document.
u. Dispute resolution by arbitration or mediation	17	The parties must arbitrate any controversy or claim, except that either party may file for temporary or preliminary injunctive relief, a restraining order, or order of specific performance, including, without limitation, injunctive relief pertaining to the use of the Port of Subs System, Proprietary Marks, and Confidential Information, subject to applicable state law.

Provision	Section in Franchise Agreement	Summary
v. Choice of forum	17.2 and 17.3	All litigation must take place in federal or state court encompassing Castle Rock, Colorado, and all arbitration must take place in the Denver, Colorado metropolitan area, subject to applicable state law. See Exhibit D.
w. Choice of law	17.1	Colorado law applies, subject to applicable state law. See Exhibit D.

Area Development Agreement

Provision	Section in Area Development Agreement	Summary
a. <u>Length of area development term</u>	<u>3(a) and Exhibit A</u>	<u>Term ends on the last day of the last development period or on the opening date of the final Restaurant on the Development Schedule, whichever occurs first.</u>
b. <u>Renewal or extension of the area development term</u>	<u>Not Applicable</u>	<u>Not Applicable</u>
c. <u>Requirements for developer to renew or extend</u>	<u>Not Applicable</u>	<u>Not Applicable</u>
d. <u>Termination by developer</u>	<u>Not Applicable</u>	<u>Not Applicable</u>
e. <u>Termination by franchisor without cause</u>	<u>Not Applicable</u>	<u>Not Applicable</u>
f. <u>Termination by franchisor with cause</u>	<u>18</u>	<u>We can terminate the Area Development Agreement only if you default or fail to comply with your obligations. The Franchise Agreement and Area Development Agreement contain cross-default provisions.</u>
g. <u>“Cause” defined – curable defaults</u>	<u>18(b)</u>	<u>Curable defaults include: failure to pay when due any amounts owed to us; or failure to comply with any other provision of contract between the parties.</u>
h. <u>“Cause” defined – noncurable defaults</u>	<u>18(a)</u>	<u>Non-curable defaults for which we may immediately terminate the Area Development Agreement upon notice to you include: failure to comply with development obligations under Development Schedule; material misrepresentations or omissions; conviction of or pleading no contest to a felony or other unlawful act or engaging in dishonest or unethical conduct that may harm</u>

<u>Provision</u>		<u>Section in Area Development Agreement</u>	<u>Summary</u>
			<u>the reputation or goodwill of Franchisor, the Restaurants, System, or the Marks; unauthorized transfer; unauthorized use or disclosure of the Marks or Confidential Information; failure on three or more separate occasions within any 12 month period or on 10 or more separate occasions during the term to materially comply with the Area Development Agreement (regardless of type of default or whether corrected); or we terminate any of your or your affiliate's rights under any franchise agreement. Non-curable defaults for which the Area Development Agreement will automatically terminate include: insolvency or inability to pay creditors; commencement of a bankruptcy proceeding by or against you; you make an assignment for the benefit of creditors; appointment of a receiver, trustee, or liquidator; or any Restaurant is attached, seized, or levied upon.</u>
i.	<u>Developer's obligations on termination/non-renewal</u>	<u>19</u>	<u>Obligations include ceasing development activities under the Area Development Agreement; discontinuing the use of all Marks, the System, the Manuals, and our Confidential Information; comply with all post-termination covenants and obligations, including without limitation confidentiality and competition.</u>
j.	<u>Assignment of contract by franchisor</u>	<u>12(a)</u>	<u>No restriction on our right to assign.</u>
k.	<u>"Transfer" by developer – defined</u>	<u>1(ccc) and 12(b)</u>	<u>Transfer means to sell, assign, transfer, convey, or otherwise dispose of your interest in the Area Development Agreement or a controlling ownership interest in you or substantially all of your assets.</u>
l.	<u>Franchisor approval of transfer by developer</u>	<u>12(b)</u>	<u>We have the right to approve all transfers under the Area Development Agreement, which approval will not be unreasonably withheld.</u>
m.	<u>Conditions for franchisor approval of transfer</u>	<u>12(c)</u>	<u>You must be in full compliance with the Area Development Agreement (including Development Schedule); you must also transfer all Franchise Agreements to transferee; you and each of your Principals must execute a general release in favor of us; we must approve the material terms of the transfer; you agree to subordinate transferee's obligations to you to the transferee's obligations to us; the transferee must execute our then-current form of area development agreement and any ancillary agreements; the proposed transferee must meet all of our then-current requirements for new developers; we do not elect to exercise our right of first refusal; and you satisfy any other conditions we require.</u>

<u>Provision</u>		<u>Section in Area Development Agreement</u>	<u>Summary</u>
n.	<u>Franchisor's right of first refusal to acquire developer's business</u>	<u>12(e)</u>	<u>We can match any offer for the rights or interests you propose to transfer.</u>
o.	<u>Franchisor's option to purchase developer's business</u>	<u>Not Applicable</u>	<u>Not Applicable</u>
p.	<u>Death or disability of developer</u>	<u>12(d)</u>	<u>Upon death or permanent disability of any of your Principals that holds a controlling interest in you and that adversely affects the development of the Restaurants, you must transfer such Principal's interest to a third party approved by us within 6 months of such death or permanent disability.</u>
q.	<u>Non-competition covenants during the term of the franchise</u>	<u>13(a)-(b)</u>	<u>You cannot invest in any other business or restaurant franchise relationship after the Effective Date. You cannot divert business to a competing business or engage in or provide assistance to any competing business.</u>
r.	<u>Non-competition covenants after the franchise is terminated or expires</u>	<u>13(c)</u>	<u>For the two-year period following the expiration, termination, or transfer of the Area Development Agreement, you, your affiliates, and your Principals will not be involved in a Competitive Business located (1) within the Development Territory defined in your Area Development Agreement; or (2) within 2 miles of any Port of Subs Restaurant operating or under construction.</u>
s.	<u>Modification of the agreement</u>	<u>23(f)</u>	<u>The Area Development Agreement may only be modified or amended in a writing signed by the parties.</u>
t.	<u>Integration/merger clause</u>	<u>23(f)</u>	<u>Only the terms of the Area Development Agreement are binding (subject to state law). Notwithstanding the foregoing, nothing in the Area Development Agreement is intended to disclaim the representations made in this Disclosure Document or its attachments and addenda. Any other promises or representations may not be enforceable.</u>
u.	<u>Dispute resolution by arbitration or mediation</u>	<u>20</u>	<u>Except for certain claims, all disputes must be arbitrated. Such binding arbitration will be conducted by the American Arbitration Association in the Denver, Colorado metropolitan area, subject to applicable state law.</u>
v.	<u>Choice of forum</u>	<u>20(c)</u>	<u>Notwithstanding the arbitration provisions, any litigation must be in a court of competent jurisdiction.</u>
w.	<u>Choice of law</u>	<u>21</u>	<u>Colorado law applies (subject to state law).</u>

**ITEM 18  
PUBLIC FIGURES**

We do not use any public figure to promote Port of Subs franchises.

**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 only be given if: (1) a franchisor provides the actual records of an existing outlet you are considering buying; or (2) a franchisor supplements the information provided in this Item 19, for example, by providing information about possible performance at a particular location or under particular circumstances.

The following table includes historical Gross Sales information for the ~~2023~~2024 calendar year regarding all franchised and company-owned traditional Port of Subs Restaurants that were open for all of ~~2023~~2024. Not included are franchised and company-owned Restaurants that were not open and operating for all of the ~~2023~~2024 calendar year, and non-traditional Restaurants. The franchised Restaurant Gross Sales information presented in the following table is based on sales information directly pulled from the franchisee’s point-of-sales system.

<del>2023</del> 2024 Gross Sales for Traditional Port of Subs Restaurant Open and Operating Throughout <del>2023</del> 2024				
	Franchised Restaurants		Company-Owned Restaurants	
	Average	Median	Average	Median
<b>All</b>	<del>\$582,149</del> 551,542	<del>\$543,001</del> 512,334	<del>\$594,055</del> 686,088	<del>\$442,369</del> 623,746
<b>First (Highest) Quartile</b>	<del>\$886,835</del> 856,601	<del>\$854,947</del> 801,843	<del>\$799,655</del> 949,287	<del>\$799,655</del> 949,287
<b>Second Quartile</b>	<del>\$610,298</del> 593,219	<del>\$607,675</del> 584,859	<del>\$579,735</del> 909,192	<del>\$577,005</del> 909,192
<b>Third Quartile</b>	<del>\$474,526</del> 487,185	<del>\$476,607</del> 473,576	<del>\$440,932</del> 623,746	<del>\$440,295</del> 623,746
<b>Fourth (Lowest) Quartile</b>	<del>\$345,676</del> 325,117	<del>\$363,578</del> 329,477	<del>\$388,316</del> 474,107	<del>\$387,541</del> 474,107

**Notes**

- (1) A “traditional” Restaurant is a Port of Subs Restaurant developed and operated within a leased or owned facility of at least 1,000 square feet. A “non-traditional” Restaurant is a Port of Subs Restaurant located within a host location, such as a convenience store, airport terminal, college, hospital, gas station, or other types of alternative venues. Non-traditional Restaurants often have restricted, expanded, or alternative menus and other operational differences as compared to traditional Restaurants. For purposes of this Item 19, “Gross Sales” has the same meaning as defined in the Franchise Agreement and means all revenue from the sale of products and services, and all other income of every kind and nature related to, derived from, or originating from the Restaurant, less any customer refunds, discounts, sales tax or other taxes, and third-party delivery fees. The term “average” refers to the sum of all data points in a set, divided by the number of data points in that set. The term “median” is the numerical value separating the higher half of the sample from the lower half of the sample. As a result, in all cases when a median number is stated, approximately 50% of the Restaurants met or exceeded the stated median.

- (2) As of December 31, ~~2023~~2024, we had ~~114~~119 franchised Port of Subs Restaurants open and operating in the United States, ~~specifically, Arizona, California, Idaho, Nevada, Oregon, Utah, and Washington.~~ Of those, ~~85~~89 are “traditional” Restaurants and ~~29~~30 are “non-traditional” Restaurants (which are not included in the above table). Of those ~~85~~89 traditional franchised Restaurants, ~~83~~87 were open and operating for all of ~~2023.~~ ~~Five~~2024. ~~Two~~ traditional franchised Restaurants (and 1 non-traditional franchised Restaurant) permanently closed during ~~2023,~~ and ~~2~~ traditional franchised Restaurants (and 0 non-traditional franchised Restaurants) temporarily closed for remodeling but later reopened. ~~Of the 2 traditional franchised Restaurants that temporarily closed for remodeling in 2023, one was closed for approximately seven months and one was closed for approximately five months; during the time they were not closed for remodeling in 2023, they earned \$58,187 and \$305,937 in Gross Sales in 2023, respectively.~~ ~~2024.~~ All ~~three~~ of the franchised Restaurants that ~~permanently or temporarily~~ closed in ~~2023~~2024 had been open for more than 12 months and ~~none~~0 had been open for less than 12 months.
- (3) As of December 31, ~~2023~~2024, we had ~~12~~7 company-owned Port of Subs Restaurants open and operating in the United States, ~~specifically, Arizona, Idaho, and Nevada.~~ Of those, ~~10~~5 are “traditional” Restaurants and 2 are “non-traditional” Restaurants (which are not included in the above table). Of those ~~10~~5 traditional company-owned Restaurants, ~~9~~5 were open and operating as company-owned traditional Restaurants for all of ~~2023~~ (one traditional company-owned Restaurant, which is not included in the above table, temporarily closed for remodeling in 2023 but later reopened). ~~One~~2024. ~~No~~ traditional franchised Restaurant (which had been open for more than 12 months) permanently closed during ~~2023.~~ ~~(Two non-traditional Restaurants, both of which had been open for more than 12 months, that previously were company-owned Restaurants were sold to franchisees in 2023 and thus are no longer considered company-owned Restaurants.)~~ Since March 31, 2023, company-owned Port of Subs Restaurants have been owned and operated by our affiliate, POS Operations, LLC; prior to March 31, 2023, company-owned Port of Subs Restaurants were owned and operated by our predecessor, Port of Subs, Inc. ~~2024.~~ Company-owned Port of Subs Restaurants offer and sell the same or substantially the same products and services as offered and sold by traditional franchised Port of Subs Restaurants. Company-owned Restaurants do not pay royalties but do contribute to the Brand Development Fund at the same rate as franchisees. Except as otherwise noted, in our experience, the financial or operational characteristics of the included company-owned Restaurants do not differ materially from traditional franchised Restaurants.
- (4) In our experience, the characteristics of the included franchised Restaurants do not differ materially from those of a Restaurant that may be offered under this Disclosure Document.
- (5) Of the ~~83~~87 traditional franchised Restaurants that were open and operating for all of ~~2023,~~ ~~35~~422024, ~~37~~ (43%) met or exceeded the Average Gross Sales for ~~2023~~2024, and ~~42~~44 (51%) met or exceeded the Median Gross Sales for ~~2023~~2024. The range of annual Gross Sales for all included franchised Restaurants was \$~~205,647~~143,190 (lowest) to \$1,~~221,313~~173,298 (highest) in ~~2023~~2024.
- (6) Of the ~~9~~5 traditional company-owned Restaurants that were open and operating for all of ~~2023,~~ ~~4~~442024, ~~2~~ (40%) met or exceeded the Average Gross Sales for ~~2023~~2024, and ~~5~~ (56%) met or exceeded the Median Gross Sales for ~~2023~~2024. The range of annual Gross Sales for all included company-owned Restaurants was \$~~387,541~~388,874 (lowest) to \$~~994,555~~949,287 (highest) in ~~2023~~2024.
- (7) Of the ~~21~~22 franchised Restaurants in the First (Highest) Quartile, 8 (~~38~~36%) met or exceeded the Average Gross Sales for ~~2023~~2024, and 11 (~~52~~50%) met or exceeded the Median Gross Sales for ~~2023~~2024. The range of annual Gross Sales for the First Quartile of included franchised Restaurants was \$~~730,527~~801,260 (lowest) to \$1,~~221,313~~1,173,298 (highest) in ~~2023~~2024.
- (8) Of the ~~2~~1 company-owned ~~Restaurants~~Restaurant in the First (Highest) Quartile, 1 (~~50~~100%) met or

exceeded the Average Gross Sales for ~~2023~~2024, and 1 (~~50~~100%) met or exceeded the Median Gross Sales for ~~2023~~2024. The range of annual Gross Sales for the First Quartile of included company-owned Restaurants was \$~~604,754~~949,287 (lowest) to \$~~994,555~~949,287 (highest) in ~~2023~~2024.

- (9) Of the ~~21~~22 franchised Restaurants in the Second Quartile, ~~10~~(48)9 (41%) met or exceeded the Average Gross Sales for ~~2023~~2024, and ~~11~~(52)9 (41%) met or exceeded the Median Gross Sales for ~~2023~~2024. The range of annual Gross Sales for the Second Quartile of included franchised Restaurants was \$~~543,004~~515,717 (lowest) to ~~706,447~~655,220 (highest) in ~~2023~~2024.
- (10) Of the ~~2~~1 company-owned ~~Restaurants~~Restaurant in the Second Quartile, 1 (~~50~~100%) met or exceeded the Average Gross Sales for ~~2023~~2024, and 1 (~~50~~100%) met or exceeded the Median Gross Sales for ~~2023~~2024. The range of annual Gross Sales for the Second Quartile of included company-owned Restaurants was \$~~577,005~~909,192 (lowest) to \$~~557,445~~909,192 (highest) in ~~2023~~2024.
- (11) Of the 21 franchised Restaurants in the Third Quartile, 11 (52%) met or exceeded the Average Gross Sales for ~~2023~~2024, and ~~11~~(52)10 (48%) met or exceeded the Median Gross Sales for ~~2023~~2024. The range of annual Gross Sales for the Third Quartile of included franchised Restaurants was \$~~415,498~~411,863 (lowest) to \$~~531,666~~512,334 (highest) in ~~2023~~2024.
- (12) Of the ~~2~~1 company-owned ~~Restaurants~~Restaurant in the Third Quartile, 1 (~~50~~%)100%) met or exceeded the Average Gross Sales for ~~2023~~2024, and 1 (~~50~~100%) met or exceeded the Median Gross Sales for ~~2023~~2024. The range of annual Gross Sales for the Third Quartile of included company-owned Restaurants was \$~~440,295~~623,746 (lowest) to \$~~442,369~~623,746 (highest) in ~~2023~~2024.
- (13) Of the ~~20~~22 franchised Restaurants in the Fourth (Lowest) Quartile, ~~12~~(60)11 (50%) met or exceeded the Average Gross Sales for ~~2023~~2024, and 10 (~~50~~45%) met or exceeded the Median Gross Sales for ~~2023~~2024. The range of annual Gross Sales for the Fourth Quartile of included franchised Restaurants was \$~~205,647~~143,490 (lowest) to \$~~412,793~~406,536 (highest) in ~~2023~~2024.
- (14) Of the ~~3~~2 company-owned Restaurants in the Fourth (Lowest) Quartile, 1 (~~33~~50%) met or exceeded the Average Gross Sales for ~~2023~~2024, and ~~2~~(66)1 (50%) met or exceeded the Median Gross Sales for ~~2023~~2024. The range of annual Gross Sales for the Fourth Quartile of included company-owned Restaurants was \$~~387,541~~388,874 (lowest) to \$~~440,131~~599,340 (highest) in ~~2023~~2024.

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

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

Other than the preceding financial performance representation, we do not make any representations about a franchisee's future financial performance or the past financial performance of company-owned or franchised outlets. We also do not authorize our employees or representatives to make any such representations either orally or in writing. If you are purchasing an existing outlet, however, we may provide you with the actual records of that outlet. If you receive any other financial performance information or projections of your future income, you should report it to the franchisor's management by contacting Andrew Beach, 480 East Happy Canyon Road, Castle Rock, Colorado 80108, [abeach@portofsubs.com](mailto:abeach@portofsubs.com) or 800.245.0245, the Federal Trade Commission, and the appropriate state regulatory agencies.

**ITEM 20  
OUTLETS AND FRANCHISEE INFORMATION**

**TABLE NO. 1  
SYSTEM-WIDE OUTLET SUMMARY  
FOR FISCAL YEARS ~~2021~~2022 TO ~~2023~~2024**

Outlet Type	Year	Outlets at Start of Year	Outlets at End of Year	Net Change
Franchised	<del>2021</del> 2022	<del>108</del> 113	<del>113</del> 117	<del>+5</del> 4
	<del>2022</del> 2023	<del>113</del> 117	<del>117</del> 114	<del>+4</del> 3
	<del>2023</del> 2024	<del>117</del> 114	<del>114</del> 119	<del>-3</del> +5
Company-Owned*	<del>2021</del> 2022	<del>18</del> 16	<del>16</del> 15	<del>-2</del> 1
	<del>2022</del> 2023	<del>16</del> 15	<del>15</del> 12	<del>-1</del> 3
	<del>2023</del> 2024	<del>15</del> 12	<del>12</del> 7	<del>-3</del> 5
Total Outlets	<del>2021</del> 2022	<del>126</del> 129	<del>129</del> 132	<del>+3</del>
	<del>2022</del> 2023	<del>129</del> 132	<del>132</del> 126	<del>+3</del> 6
	<del>2023</del> 2024	<del>132</del> 126	126	<del>-6</del> 0

\*For purposes of this Disclosure Document, the term “company-owned” refers to Port of Subs Restaurants currently owned and operated by our affiliate, POS Operations, LLC. Prior to March 31, 2023, such Restaurants were owned and operated by our predecessor, Port of Subs, Inc.

**TABLE NO. 2  
TRANSFERS OF OUTLETS FROM FRANCHISEES TO NEW OWNERS  
(OTHER THAN FRANCHISOR)  
FOR FISCAL YEARS ~~2021~~2022 TO ~~2023~~2024**

State	Year	Number of Transfers
Arizona	<del>2021</del> 2022	<del>0</del> 1
	<del>2022</del>	<del>1</del>
	2023	1
	<del>2024</del>	<del>0</del>
California	<del>2021</del> 2022	<del>3</del> 2
	<del>2023</del>	<del>2</del>
	<del>2024</del>	<del>5</del>
<del>Idaho</del>	2022	<del>2</del> 0
	2023	<del>2</del> 0
<del>Nevada</del>	<del>2021</del> 2024	<del>6</del> 0
<del>Nevada</del>	2022	10
	2023	6
	<del>2024</del>	<del>2</del>
Oregon	<del>2021</del> 2022	0
	<del>2022</del>	<del>0</del>

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State	Year	Number of Transfers
	2023	1
<del>Utah</del>	<del>2021</del> <u>2024</u>	<del>2</del> <u>1</u>
<u>Utah</u>	2022	0
	2023	0
	<u>2024</u>	<u>0</u>
Washington	<del>2021</del> <u>2022</u>	<del>0</del> <u>1</u>
	<del>2022</del>	<del>1</del>
	2023	0
<del>Totals</del>	<del>2021</del> <u>2024</u>	<del>11</del> <u>1</u>
<u>Totals</u>	2022	14
	2023	10
	<u>2024</u>	<u>2</u>

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**TABLE NO. 3  
FRANCHISED OUTLETS STATUS SUMMARY  
FOR FISCAL YEARS ~~2021~~2022 TO ~~2023~~2024**

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
Arizona	<del>2021</del> <u>2022</u>	7	<del>0</del> <u>1</u>	0	0	0	0	<del>7</del> <u>8</u>
	<del>2022</del> <u>2023</u>	<del>7</del> <u>8</u>	<del>1</del> <u>0</u>	0	0	0	0	8
	<del>2023</del> <u>2024</u>	8	<del>0</del> <u>1</u>	0	0	0	0	<del>8</del> <u>9</u>
California	<del>2021</del> <u>2022</u>	<del>32</del> <u>33</u>	<del>2</del> <u>1</u>	0	<del>0</del> <u>1</u>	0	<del>1</del> <u>0</u>	33
	<del>2022</del> <u>2023</u>	33	<del>1</del> <u>0</u>	<del>0</del> <u>2</u>	<del>1</del> <u>0</u>	0	0	<del>33</del> <u>31</u>
	<u>2024</u>	<u>31</u>	<u>1</u>	<u>0</u>	<u>1</u>	<u>0</u>	<u>1</u>	<u>30</u>
<u>Colorado</u>	<u>2022</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
	2023	<del>3</del> <u>0</u>	0	<del>2</del> <u>0</u>	0	0	0	<del>3</del> <u>0</u>
<del>Idaho</del>	<del>2021</del> <u>2024</u>	<del>1</del> <u>0</u>	<del>0</del> <u>1</u>	0	0	0	0	<del>1</del>
<u>Idaho</u>	2022	1	0	0	0	0	0	1
	2023	1	0	0	0	0	0	1
<del>Nevada</del>	<del>2021</del> <u>2024</u>	<del>57</del> <u>62</u>	<del>6</del> <u>2</u>	0	0	0	<del>1</del> <u>0</u>	<del>62</del> <u>63</u>
<u>Nevada</u>	2022	62	4	0	0	0	0	66
	2023	66	2	0	0	0	4	64
<del>Oregon</del>	<del>2021</del> <u>2024</u>	<del>1</del> <u>64</u>	<del>0</del> <u>3</u>	0	0	0	<del>0</del> <u>1</u>	<del>1</del> <u>66</u>
<u>Oregon</u>	2022	1	0	0	0	0	0	1
	2023	1	0	0	0	0	0	1
<del>Utah</del>	<del>2021</del> <u>2024</u>	<del>5</del> <u>1</u>	0	0	0	0	0	<del>5</del> <u>1</u>

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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
Urah	2022	5	0	0	1	0	0	4
	2023	4	1	0	0	0	0	5
	2024	5	0	0	0	0	0	5
Washington	<del>2021</del> 2022	<del>5</del> 4	0	0	0	0	<del>1</del> 0	4
	<del>2022</del> 2023	4	0	0	0	0	0	4
	<del>2023</del> 2024	4	0	0	0	0	0	4
<b>Totals</b>	<b>2021</b>	<b>108</b>	<b>8</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>3</b>	<b>113</b>
<b>Totals</b>	<b>2022</b>	<b>113</b>	<b>6</b>	<b>0</b>	<b>2</b>	<b>0</b>	<b>0</b>	<b>117</b>
	2023	117	3	2	0	0	4	114
	2024	114	8	0	1	0	2	119

**TABLE NO. 4  
COMPANY-OWNED OUTLETS STATUS SUMMARY  
FOR FISCAL YEARS ~~2021~~2022 TO ~~2023~~2024**

State	Year	Outlets at Start of Year	Outlets Opened	Outlets Reacquired From Franchisee	Outlets Closed	Outlets Sold to Franchisee	Outlets At End of Year
Arizona	<del>2021</del> 2022	3	0	0	0	0	3
	<del>2022</del> 2023	3	0	0	0	0	3
	<del>2023</del> 2024	3	0	0	0	<del>0</del> 1	<del>3</del> 2
Idaho	<del>2021</del> 2022	3	0	0	0	0	3
	<del>2022</del> 2023	3	0	0	<del>0</del> 1	0	<del>3</del> 2
	<del>2023</del> 2024	<del>3</del> 2	0	0	<del>1</del> 0	<del>0</del> 2	<del>2</del> 0
Nevada	<del>2021</del> 2022	<del>12</del> 10	1	0	0	<del>3</del> 2	<del>10</del> 9
	<del>2022</del> 2023	<del>10</del> 9	<del>1</del> 0	0	0	2	<del>9</del> 7
	<del>2023</del> 2024	<del>9</del> 7	0	0	0	2	<del>7</del> 5
<b>Totals</b>	<b><del>2021</del>2022</b>	<b><del>18</del>16</b>	<b>1</b>	<b>0</b>	<b>0</b>	<b><del>3</del>2</b>	<b><del>16</del>15</b>
	<b><del>2022</del>2023</b>	<b><del>16</del>15</b>	<b><del>1</del>0</b>	<b>0</b>	<b><del>0</del>1</b>	<b>2</b>	<b><del>15</del>12</b>
	<b><del>2023</del>2024</b>	<b><del>15</del>12</b>	<b>0</b>	<b>0</b>	<b><del>1</del>0</b>	<b><del>2</del>5</b>	<b><del>12</del>7</b>

**TABLE NO. 5  
PROJECTED OPENINGS  
AS OF DECEMBER 31, ~~2023~~2024**

State	Franchise Agreement Signed But Outlet Not Opened	Projected New Franchised Outlets in the Next Fiscal Year	Projected New Company-Owned Outlets in the Next Fiscal Year
Arizona	<del>0</del> <u>2</u>	<del>3</del> <u>3</u>	0
California	<del>2</del> <u>0</u>	<del>0</del> <u>1</u>	0
Colorado	<del>0</del> <u>2</u>	<del>3</del> <u>3</u>	0
<a href="#">Florida</a>	<u>1</u>	<u>2</u>	<u>0</u>
Idaho	0	1	0
<a href="#">Maryland</a>	<u>1</u>	<u>1</u>	<u>0</u>
<a href="#">Minnesota</a>	<u>1</u>	<u>1</u>	<u>0</u>
Nevada	<del>1</del> <u>0</u>	0	0
<a href="#">Oregon</a>	<u>2</u>	<u>2</u>	<u>0</u>
<a href="#">Texas</a>	<u>1</u>	<u>2</u>	<u>0</u>
Utah	<del>0</del> <u>1</u>	<del>2</del> <u>1</u>	0
<b>Totals</b>	<b><del>3</del><u>11</u></b>	<b><del>5</del><u>17</u></b>	<b>0</b>

Our fiscal year ends on December 31<sup>st</sup>.

#### Lists of Current and Former Franchisees

Exhibit ~~EF~~ to this Disclosure Document reflects the name of each of our franchisees and the address and telephone numbers of their businesses as of December 31, ~~2023~~2024. Exhibit ~~EF~~ also reflects the name, city, state, and current business telephone number of every franchisee who ceased to do business under the Franchise Agreement or had an outlet terminated, canceled, not renewed, or transferred within the last fiscal year ended December 31, ~~2023~~2024, or who has not communicated with us within 10 weeks of the issuance date of this Disclosure Document.

If you buy this franchise, your contact information may be disclosed to other buyers when you leave the franchise system.

#### Purchase of Previously-Owned Franchise

If you are purchasing a previously-owned franchised outlet, we will provide you additional information on the previously-owned franchised outlet in an addendum to this Disclosure Document.

#### Confidentiality Clauses

During the last three fiscal years, franchisees have signed confidentiality clauses. In some instances, current and former franchisees sign provisions restricting their ability to speak openly about their experience with Port of Subs. 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.

#### Trademark-Specific Franchisee Organizations

We formed, endorse, and sponsor the National Advisory Council (“NAC”). The current contact information for the NAC is: ~~Glenn Hitchrick~~Robert Leonhardt, National Advisory Council Chairperson, ~~542-E Redwood St., Hanford, CA 93230; 559-284-6031; Ghitchrick@comcast.net~~3600 West Idaho Street, Elko,

[NV 89801; 775-299-8840; robert.leonhardt@hotmail.com](mailto:NV 89801; 775-299-8840; robert.leonhardt@hotmail.com). The NAC serves in an advisory capacity only. We may change or dissolve the NAC whenever we choose.

## ITEM 21 FINANCIAL STATEMENTS

Attached as Exhibit B to this Disclosure Document ~~is~~are our audited financial statements ~~for the year ended~~as of December 31, ~~2024 and 2023, and for the years ending December 31, 2024 and 2023~~. We have not been in business for three years or more, and therefore cannot include all financial statements otherwise required to be disclosed in this Item. In addition, we have included unaudited financial statements for the period beginning January 1, ~~2024~~2025 through ~~February 29, 2024~~March 31, 2025. Our fiscal year ends December 31<sup>st</sup>.

## ITEM 22 CONTRACTS

The following agreements are attached as exhibits to this Disclosure Document:

Exhibit C	Franchise Agreement
Exhibit D	<del>State Specific Addenda</del> <a href="#">Area Development Agreement</a>
Exhibit <del>F</del> E	<a href="#">State Specific Addenda</a>
<a href="#">Exhibit G</a>	Form of General Release

## ITEM 23 RECEIPTS

The last two pages of this Disclosure Document are detachable duplicate Receipts. Please sign and date both copies of the Receipt. Keep one signed copy of the Receipt for your file and return the other signed copy of the Receipt to us. The Receipt contains the names of our franchise sellers.

**EXHIBIT A  
TO THE FRANCHISE DISCLOSURE DOCUMENT**

**STATE ADMINISTRATORS AND AGENTS FOR SERVICE OF PROCESS**

<b>STATE</b>	<b>STATE ADMINISTRATOR/AGENT</b>	<b>ADDRESS</b>
California	Commissioner of Financial Protection and Innovation California Department of Financial Protection and Innovation	320 West 4 <sup>th</sup> Street, Suite 750 Los Angeles, CA 90013-2344 1-866-275-2677 www.dfpi.ca.gov Ask.DFPI@ca.gov
Hawaii (State Administrator)	Commissioner of Securities Dept. of Commerce and Consumer Affairs Business Registration Division Securities Compliance Branch	335 Merchant Street Room 203 Honolulu, HI 96813
Illinois	Illinois Attorney General	500 South Second Street Springfield, IL 62706
Indiana (State Administrator)	Indiana Securities Commissioner Securities Division	302 West Washington Street, Room E111 Indianapolis, IN 46204
Indiana (Agent)	Indiana Secretary of State	302 West Washington Street, Room E018 Indianapolis, IN 46204
Maryland (State Administrator)	Office of the Attorney General Division of Securities	200 St. Paul Place Baltimore, MD 21202-2020
Maryland (Agent)	Maryland Securities Commissioner	200 St. Paul Place Baltimore, MD 21202-2020
Michigan	Michigan Department of Attorney General Consumer Protection Division	G. Mennen Williams Building, 1 <sup>st</sup> Floor 525 West Ottawa Street Lansing, MI 48933
Minnesota	Commissioner of Commerce Minnesota Department of Commerce	85 7 <sup>th</sup> Place East, Suite 280 St. Paul, MN 55101-2198
New York (State Administrator)	NYS Department of Law Investor Protection Bureau	28 Liberty Street, 21st Floor New York, NY 10005 212-416-8222
New York (Agent)	New York Secretary of State	One Commerce Plaza 99 Washington Avenue, 6th Floor Albany, NY 12231-0001
North Dakota	Securities Commissioner North Dakota Securities Department	600 East Boulevard Avenue State Capitol, Fourteenth Floor, Dept. 414 Bismarck, ND 58505-0510 701-328-4712
Rhode Island	Director, Department of Business Regulation, Securities Division	1511 Pontiac Avenue John O. Pastore Complex – Building 69-1 Cranston, RI 02920
South Dakota	Department of Labor and Regulation Division of Insurance - Securities Regulation	124 S. Euclid, Suite 104 Pierre, SD 57501-3185
Virginia (State Administrator)	State Corporation Commission Division of Securities and Retail Franchising	1300 East Main Street, 9 <sup>th</sup> Floor Richmond, VA 23219 804-371-9051
Virginia (Agent)	Clerk of the State Corporation Commission	1300 East Main Street, 1st Floor Richmond, VA 23219-3630
<a href="#">Washington</a> (State Administrator)	<a href="#">Securities Division, Department of Financial Institutions</a>	<a href="#">PO Box 41200,</a> <a href="#">Olympia, WA 98504-1200</a>
Washington (Agent)	Department of Financial Institutions Securities Division	150 Israel Road SW Tumwater, WA 98501 360-902-8760
Wisconsin	Commissioner of Securities	Department of Financial Institutions Division of Securities 201 W. Washington Ave., Suite 300 Madison, WI 53703

**EXHIBIT B**  
**TO THE FRANCHISE DISCLOSURE DOCUMENT**  
**FINANCIAL STATEMENTS**

**EXHIBIT C**  
**TO THE FRANCHISE DISCLOSURE DOCUMENT**  
**FRANCHISE AGREEMENT**



**POS FRANCHISING, LLC**

**FRANCHISE AGREEMENT**

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### **Exhibits:**

- A Identification of Franchisee
- B Site Selection Addendum
- C Authorization Agreement for Prearranged Payments (Direct Debits)
- D Statement of Ownership Interests
- E Guarantee, Indemnification, and Acknowledgment
- F Non-Disclosure ~~and Non-Competition~~ Agreement
- G Addendum to Lease

## FRANCHISE AGREEMENT

POS Franchising, LLC (“Franchisor”) and the undersigned (the “Franchisee”) enter into this Franchise Agreement (this “Agreement”) as of ~~the \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_~~ (the “Effective Date”).

### RECITALS

A. Franchisor, as the result of the expenditure of significant time, skill, effort, and money, has developed a distinctive and proprietary system (the “Port of Subs System” or “System”) for establishing and operating restaurant businesses, which specialize in the sale of a wide variety of made-to-order submarine-type sandwiches, hot sandwiches, salads, catering trays, wraps, desserts, beverages, and such additional or alternate menu and other items as Franchisor may designate from time to time for on-premises and off-premises consumption (“Menu Items”);

B. The distinguishing characteristics of the System include, among other things: one or more specially-designed buildings or facilities for restaurant operations with specified site furniture, fixtures, kitchen display systems and equipment; site selection and layout criteria; distinctive interior and exterior design, décor, signage, color scheme, and furnishings, trade dress elements; proprietary products; standards, specifications, policies, and procedures for construction and management; quality, distinctiveness, and uniformity of products and services; standards, specifications, policies, and procedures for restaurant operations; training and assistance; and advertising and promotional programs, all as more particularly described and designated in the Manuals (defined below) and all of which Franchisor may change, improve, and further develop at its option from time to time;

C. Franchisor identifies the System by means of certain licensed trade names, service marks, trademarks, logos, emblems, and indicia of origin, including the mark “Port of Subs” and such other trade names, service marks, and trademarks as are now designated (and may hereinafter be designated) by Franchisor in writing for use in connection with the System (the “Proprietary Marks”). Franchisor uses such Proprietary Marks in order to identify for the public the source of products and services marketed thereunder and under the System, and to represent the System’s high standards of quality, appearance, and service;

D. Franchisor is in the business of franchising others to operate restaurants that sell Menu Items and products and services that Franchisor designates under the System and the Proprietary Marks (each a “Port of Subs Restaurant”) and Franchisee desires to operate a Port of Subs Restaurant and to receive the training and other assistance provided by Franchisor in connection therewith; and

E. 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 under this Agreement in conformity with Franchisor’s standards and specifications.

Now, therefore, in consideration of the foregoing and of the covenants contained in this Agreement, the parties agree as follows:

### 1. GRANT

1.1 Grant of Rights. Upon the terms and conditions set forth in this Agreement, Franchisor hereby grants to Franchisee the right, and Franchisee accepts and undertakes the obligation, to: (a) operate one (1) Port of Subs Restaurant under the System (the “Restaurant”); (b) to use, only in connection with the Restaurant, the Proprietary Marks and the System, as they may be changed, improved, or further developed from time to time by Franchisor; and (c) and to do so only at or from a physical premises located

within the Designated Area (defined below in Section 1.2) at the location specified in Exhibit A. If, at the time of execution of this Agreement, a location for the Restaurant has not been obtained by Franchisee and approved by Franchisor, Franchisee shall lease, sublease, or acquire a site for the Restaurant, subject to Franchisor's written consent in accordance with the Site Selection Addendum attached as Exhibit B (the "Site Selection Addendum"). Franchisee shall not relocate the Restaurant without Franchisor's prior written consent. Franchisor shall grant or withhold consent of the location of the Restaurant under this Section 1.1. at its sole option. In connection with Franchisor's consent to the location, Franchisee shall execute, and cause the landlord to execute, the Addendum to Lease appended hereto as Exhibit G. Franchisee acknowledges and agrees that Franchisor's consent to Franchisee's proposed location, under this Section 1.1 or pursuant to the Site Selection Addendum, does not constitute any assurance, representation, or warranty of Franchisor of any kind.

1.2 Designated Area. Except as otherwise described in this Agreement, for so long as Franchisee is in full compliance with this Agreement, Franchisor will not, during the term of this Agreement, operate or license others to operate a Port of Subs Restaurant at a physical premises located within the Designated Area. "Designated Area" shall mean the area described in Exhibit A, with the exception of any outlet that is defined in this Agreement as an Alternative Point of Distribution (defined below) that is developed, constructed, operated, merchandised, sold, licensed, and/or franchised to others by Franchisor to sell Menu Items, products, and services to the public within the Designated Area, as may be revised in accordance with Section 1.2.2 hereof. "Alternative Point(s) of Distribution" shall mean any outlet described in Section 1.2.2 of this Agreement. Franchisor retains all other rights not expressly granted in this Agreement. Without obligation to Franchisee, Franchisor and its affiliates may, among other things, and regardless of proximity to or economic impact upon the Restaurant:

1.2.1 Advertise and promote the brand and System within and outside of the Designated Area;

1.2.2 Sell or authorize others to sell Menu Items, products, and services to customers within and outside the Designated Area through Alternative Points of Distribution, which include outlets (whether mobile or fixed, permanent, or temporary) located on military bases, institutional outlets (including college campuses, hospitals and school lunch programs), fairs, athletic contests, or other special events, convenience stores, casinos, airports, and larger retail outlets, including Wal-Mart and Home Depot, toll roads, limited access highways, schools, universities, enclosed shopping malls, hotels, industrial or government facilities, amusement or theme park complexes, train stations, bus stations, or other transportation facilities, and other locations owned or operated by major institutions with sites throughout the country or a particular state, or any other outlet and to use the System in connection with those Alternative Points of Distribution.

1.2.3 Operate, and license others to operate, Restaurants at any location outside the Designated Area, including at locations that are adjacent to the Designated Area and despite the proximity of such Restaurants to the Designated Area or Franchisee's Restaurant or their actual or threatened impact on sales at Franchisee's Restaurant.

1.2.4 Offer and sell, or license others to offer and sell, any products or services (including those offered by the Restaurant), under any marks (including the Proprietary Marks) outside of the Designated Area, and through any means (including through a Port of Subs Restaurant);

1.2.5 Offer and sell, and authorize others to offer and sell, approved collateral products and services, including those offered and sold at the Restaurant (such as pre-packaged food products, clothing, and other branded merchandise and memorabilia), under the Proprietary Marks or other marks at or from any location or through any channel of distribution ([excluding Restaurants but](#) including, but not

limited to, grocery stores, catalogs, the Internet, other retail or restaurant locations and other food service facilities such as kiosks, concessions, food trucks, or multi-brand facilities) ~~and provide a limited number or representative sample of the products and services normally offered by the Restaurant;~~);

1.2.6 Establish, operate, and license others to establish and operate, businesses other than Port of Subs Restaurants, including other food-related businesses, which businesses may be identified by other trademarks, and/or may offer or sell products and services that are the same as or similar to the products and services offered by Port of Subs Restaurants, within and outside of the Designated Area and despite the proximity of such businesses to the Designated Area or Franchisee's Restaurant or their actual or threatened impact on sales at Franchisee's Restaurant;

1.2.7 Develop or become associated with other concepts (including other franchise systems), whether or not using the System and/or the Proprietary Marks, and/or offer or sell franchises under such concepts for locations within and outside of the Designated Area;

1.2.8 Acquire, be acquired by, merge, affiliate with, or engage in any transaction with other businesses (whether competitive or not) with outlets located anywhere and, even if such businesses are located in the Designated Area; (i) convert the other businesses to Port of Subs Restaurants, (ii) permit the other businesses to continue to operate under another name, and/or (iii) permit the businesses to operate under another name and convert existing Port of Subs Restaurants to such other name. Franchisee agrees to participate at Franchisee's expense in any such conversion as may be required by Franchisor and to waive any claims, demands or damages arising from or related to the loss of the "Port of Subs" name, the Proprietary Marks (or any variation thereof) and the System and/or the loss of association with or identification of Franchisor under this Agreement;

1.2.9 Offer and sell, and authorize others to offer and sell, products from Restaurants located outside the Designated Area to customers located within the Designated Area via take-out, catering, or delivery, including through an online ordering site or platform authorized by Franchisor; and

1.2.10 Engage in any other activity, action, or undertaking that Franchisor or its affiliates are not expressly prohibited from taking under this Agreement.

1.3 No Right to ~~Subfranchise~~ Sub-franchise. Franchisee may not ~~subfranchise~~ sub-franchise, sublicense, or relicense to others any right to use the System or the Proprietary Marks.

1.4 Goodwill and Port of Subs Name. Except as expressly provided by this Agreement, Franchisee shall acquire no right, title, or interest in and to the System. Any and all goodwill associated with the System or Proprietary Marks shall inure exclusively to Franchisor's benefit; and, upon the expiration or termination of this Agreement for any cause whatsoever, Franchisor shall not have any obligation to pay any money for any goodwill associated with Franchisee's use of the System. Franchisee shall not take any action whatsoever to contest the validity or ownership of the System or the goodwill associated with the System. Franchisee shall have no right to use in its name the name "Port of Subs" or any other names used by Franchisor.

## **2. TERM AND RENEWAL**

2.1 Term. Except as otherwise provided herein and unless sooner terminated in accordance with the provisions hereof, the initial term of this Agreement shall commence on the Effective Date and expire on the date that is ten (10) years after the Effective Date.

2.2 **Renewal.** Franchisee may, at its option, renew Franchisee's right to operate the Restaurant for one (1) additional term which shall be the lesser of (a) ten (10) years or (b) the remaining term of the lease for the Restaurant premises, including all applicable extensions or renewals, subject to the following conditions, each of which Franchisee must meet prior to such renewal:

2.2.1 Franchisee shall deliver to Franchisor a written notice of Franchisee's election to renew no fewer than twelve (12) months nor more than eighteen (18) months prior to the end of the initial term;

2.2.2 Franchisee shall pay in lieu of the initial franchise fee, a renewal fee equal to twenty five percent (25%) of Franchisor's then-current initial franchise fee for a new Port of Subs Restaurant when it delivers the written notice required under Section 2.2.1;

2.2.3 Franchisee shall not have received, prior to its election to renew, written notice of three (3) or more separate defaults under this Agreement or written notice of default on more than three (3) separate occasions and, from the time of Franchisee's election to renew through the expiration of the initial term, Franchisee shall not have been in default of any provision of this Agreement, any amendment to this Agreement, or any other agreement between Franchisee or its affiliates and Franchisor or its affiliates; and, in the reasonable judgment of Franchisor, Franchisee shall have substantially complied with all the terms and conditions of this Agreement, such other agreements, as well as the operating standards prescribed by Franchisor during the term of this Agreement;

2.2.4 Franchisee shall present evidence to Franchisor that Franchisee has the right to remain in possession of the premises of the Restaurant for the duration of the renewal term, or shall obtain approval by Franchisor of a new location for the Restaurant for the duration of the renewal term;

2.2.5 Franchisee shall refurbish, remodel, renovate, and upgrade the Restaurant to comply with Franchisor's then-current specifications for new Port of Subs Restaurants of the same or similar type, including fixtures, furnishings, technology and kitchen equipment, which may differ materially from the specifications in effect as of the Effective Date of this Agreement.

2.2.6 Franchisee shall have satisfied all monetary obligations owed by Franchisee to Franchisor and its affiliates, and shall have timely met those obligations throughout the term of this Agreement;

2.2.7 Franchisee shall execute a general release, in a form satisfactory to Franchisor of any and all claims against Franchisor and its current and former affiliates, and their respective past and present owners, officers, directors, agents, and employees;

2.2.8 Franchisee shall execute Franchisor's then-current form of franchise agreement, which agreement shall supersede this Agreement in all respects (except with respect to the renewal provisions of the new franchise agreement, which shall not supersede this Section 2.2), and Franchisee acknowledges that the terms, conditions, and provisions of which, and the obligations of the parties thereto, may differ substantially from the terms, conditions, provisions and obligations in this Agreement, including a higher percentage Royalty Fee and Brand Development Fund Contribution or local advertising expenditure, and a different or modified Designated Area;

2.2.9 Franchisee and its personnel shall comply with Franchisor's then-current qualification and training requirements, prior to commencement of operations under the renewal form of franchise agreement.

2.3 No assurances of a renewal franchise agreement. Franchisee accepts this Agreement with the full and complete understanding that the grant of rights to operate a franchise hereunder is not a promise or assurance that Franchisee will be granted a renewal franchise agreement.

### **3. FEES AND PAYMENTS**

3.1 Franchise Fee. Franchisee shall pay Franchisor an initial franchise fee of Twenty-Five Thousand Dollars (\$25,000), upon execution of this Agreement. Except as otherwise stated in this Agreement, the Franchise Fee is fully earned and non-refundable in consideration of the administrative and other expenses incurred by Franchisor in granting this franchise and for Franchisor's lost or deferred opportunity to offer the rights to this franchise to others.

3.2 Training Fee. Franchisee shall pay to Franchisor a training fee of Five Thousand Dollars (\$5,000) (the "Training Fee") upon execution of this Agreement. The Training Fee is consideration for initial training for Franchisee's Principal Trainees, as described in Section 5.4.

3.3 Royalty Fees. Franchisee shall pay Franchisor a continuing royalty fee in an amount equal to six percent (6%) of the Restaurant's Gross Sales ("Royalty Fees"). Franchisee shall pay the Royalty Fees by the Wednesday after the close of each Sales Week (defined below), based on the Gross Sales of the Restaurant for the immediately preceding Sales Week, or for such other period or due date as Franchisor may specify in the Manuals or otherwise in writing.

3.3.1 "Gross Sales" means all revenue from the sale of all products, including all Menu Items and all other products or services offered at or from the Restaurant, and all other income of every kind and nature related to, derived from, or originating from the Restaurant, including proceeds of every business interruption insurance policies, whether at retail, delivery, catering, or wholesale (whether such sales are permitted or not), whether for cash, check, or credit, and regardless of collection in the case of check or credit; provided, however, that "Gross Sales" excludes any customer refunds, discounts from coupon sales, sales taxes, and/or other taxes collected from customers by Franchisee and actually transmitted to the appropriate taxing authorities, and third-party delivery fees (e.g., Uber Eats) paid by Franchisee or Restaurant customers for the delivery of Menu Items to Restaurant customers.

3.3.2 The term "Sales Week" means the period starting with the commencement of business on Monday and concluding at the close of business on the following Sunday (or, if the Restaurant is not open on a Sunday, the immediately preceding business day); however, Franchisor shall have the right to designate in writing any other period of not less than seven days to constitute a "Week" under this Agreement.

3.4 Brand Development Fund Contribution. Franchisee shall pay Franchisor or its designee a Brand Development Fund Contribution (defined in Section 6.2) in an amount designated by Franchisor, but in no event no more than five percent (5%) of Gross Sales. The Brand Development Fund Contribution is payable monthly by Franchisee in the manner designated or prescribed by Franchisor in Sections 3.5 and 6.2 below and/or in the Manuals.

3.5 Continuing Payments, EFT, and Reporting Obligations. All payments required by Section 3.3 based on the Gross Sales for the preceding Sales Week (or for such other period as Franchisor may specify in the Manuals or otherwise in writing), shall be paid and submitted by electronic funds transfer so as to be received by Franchisor within two (2) days after the close of the Sales Week. All payments required by Section 3.4 based on the Gross Sales for the preceding month (or for such other period as Franchisor may specify in the Manuals or otherwise in writing) and any other monthly payments required hereunder, shall be paid and submitted by electronic funds transfer so as to be received by Franchisor within fifteen

(15) days after the close of the applicable month. Franchisee shall execute a form of electronic funds transfer (“EFT”) authorization (in the form attached as Exhibit C to this Agreement or such other forms that Franchisor designates) for direct debits from Franchisee’s business bank operating account. Franchisee shall deliver to Franchisor any and all reports, statements and/or other information required under Section 7 below, at the time and in the format reasonably requested by Franchisor, which may include electronically polled data from Franchisee’s point-of-sale system. Franchisee shall comply with the payment and reporting procedures specified by Franchisor in this Agreement and the Manuals. To ensure that payments are received by Franchisor on a timely basis, such policies and procedures may require that Franchisee have sufficient funds in its account by a date certain, as the EFT process may sweep such account the day before for payment on the preceding day. Franchisee’s obligations for the full and timely payment of Royalty Fees and Brand Development Fund Contributions, and all other amounts provided for in this Agreement, shall be absolute, unconditional, fully earned, and due upon Franchisee’s generation of Gross Sales. Franchisee shall not for any reason delay or withhold the payment of all or any part of those or any other payments due hereunder, put the same in escrow, or set off same against any claims or alleged claims Franchisee may allege against Franchisor or others. Franchisee shall not, on grounds of any alleged nonperformance by Franchisor or others, withhold payment of any fee, including Royalty Fees or Brand Development Fund Contributions, nor withhold or delay submission of any reports due hereunder. Franchisor reserves the right to change the due date of any fees upon ten (10) days’ prior written notice to Franchisee.

3.6 Technology Fee. Franchisee acknowledges and agrees that changes to technology are dynamic and not predictable within the term of this Agreement. In order to provide for inevitable but unpredictable changes to technological needs and opportunities, Franchisee agrees that Franchisor will have the right to establish, in writing, reasonable new standards for the implementation of technology in the System; and Franchisee agrees to comply with those new standards that Franchisor establishes. Franchisee will be solely responsible for all costs regarding required software, necessary hardware, installation, upgrades, enhancements, or replacements. Franchisor reserves the right to charge a technology fee in connection with the implementation of new or updated technology in the System, including any aspects of the Computer System or related technology systems, services, platforms, and software that Franchisor requires Franchisee to obtain from or access through Franchisor. If Franchisor establishes such a fee, Franchisee must pay Franchisor a monthly technology fee (“Technology Fee”) in its then-current amount for access to and/or use of technology systems, services, platforms, and software that Franchisor requires Franchisee to obtain or access through Franchisor, as Franchisor deems necessary and advisable in its sole determination, which may include, for example, licenses, subscriptions, development, maintenance, and/or access to point-of-sale software and platform, intranet, online ordering system, streaming music software, learning management system, and a Port of Subs email address. Franchisor reserves the right to change, add to, remove from, or substitute the types, nature, and ultimate vendor of technology systems, services, platforms, and software that Franchisee must obtain or access through Franchisor. Franchisor may increase or otherwise change the amount of the Technology Fee upon prior written notice to Franchisee, including upon changes in the technology systems, services, platforms, and software that Franchisee must obtain or access through or from Franchisor or changes in Franchisor’s costs regarding such technology systems, services, platforms, and software.

3.7 Real Estate and Construction Support Fee. Franchisee must pay Franchisor a fee of Five Thousand Dollars (\$5,000) (the “Real Estate and Construction Support Fee”) ~~ninety (90) days after~~ upon execution of this Agreement via EFT.

3.8 No Subordination. Franchisee shall not subordinate to any other obligation its obligation to pay Franchisor the Royalty Fees and/or any other fee or charge payable to Franchisor, whether under this Agreement or otherwise.

3.9 Overdue Payments and Reports; Interest. Any payment or report not actually received by Franchisor (or the appropriate brand development fund) on or before the date such payment or report is due shall be deemed overdue. If any payment or report is overdue, Franchisee shall pay Franchisor, in addition to the overdue amount, a late payment/late report charge of one hundred dollars (\$100) for each week or part thereof that the payment or report is late, and interest on such amount from the date it was due until paid, at the rate of one and one-half percent (1.5%) per month, or the maximum rate permitted by law, whichever is less. Entitlement to such interest shall be in addition to any other remedies Franchisor may have.

3.10 Payments on Behalf of Franchisee. Franchisee shall pay to Franchisor, within fifteen (15) days of any written request by Franchisor which is accompanied by reasonable substantiating material, any monies which Franchisor has paid, or has become obligated to pay, on behalf of Franchisee, by consent or otherwise under this Agreement.

3.11 Other Payments. All payments and fees owed by Franchisee to Franchisor shall be paid by Franchisee in the manner and within the time periods as provided for in this Agreement or in the Manuals. Franchisor reserves the right to collect all fees and payments due by Franchisee by EFT as provided for in Section 3.5 or otherwise in the Manuals.

3.12 No Refunds. Upon the expiration or termination of this Agreement, Franchisor shall not refund any amounts paid pursuant to this Agreement for any reason whatsoever.

#### **4. SERVICES BY FRANCHISOR**

4.1 Development of the Restaurant. Franchisor or its designee shall make available to Franchisee a copy of its standard construction/build-out package, as modified from time to time, including plans and specifications, site criteria, and sample site plans, which Franchisee must adapt, at Franchisee's expense, for use at the site selected by Franchisee and approved by Franchisor, and a copy of Franchisor's specifications for the furniture, fixtures, furnishings, equipment, signs, and all other property that Franchisor may specify for use in the Restaurant. Franchisee acknowledges that such specifications shall not contain the requirements of any federal, state or local law, code or regulation (including those concerning the Americans with Disabilities Act (the "ADA") or similar rules governing public accommodations or commercial facilities for persons with disabilities), nor shall such plans contain the requirements of, or be used for, construction/build-out drawings or other documentation necessary to obtain permits or authorization to build a specific Port of Subs Restaurant, compliance with all of which shall be Franchisee's responsibility and at Franchisee's expense. Franchisee shall adapt, at Franchisee's expense, the standard specifications to the Restaurant location, subject to Franchisor's approval, as provided in Section 5.1 below, which will not be unreasonably withheld, provided that such plans and specifications conform to Franchisor's general criteria. Franchisee understands and acknowledges that Franchisor has the right to modify the architectural plans and specifications as Franchisor deems appropriate from time to time.

4.2 Initial and Ongoing Assistance. Prior to the Restaurant opening, Franchisor shall provide to Franchisee's Operating Principal (as defined in Section 5.27.4.1 below), General Manager (as defined in Section 5.27.4.3 below) and to such of Franchisee's other employees of which Franchisor shall approve for training, such training programs as Franchisor may designate, to be conducted at such time(s) and location(s) designated by Franchisor. Franchisor shall also provide such ongoing training as it may, from time to time, deem appropriate. Franchisor shall be responsible for the cost of instruction and materials, subject to the terms set forth in Section 3.2 above and Section 5.4.7 below.

4.3 Opening Assistance. Franchisor will provide such pre-opening assistance to Franchisee as Franchisor deems advisable, which may include assisting Franchisee in formulating its initial opening

orders for equipment, inventory, and supplies. Franchisor may have one of its representatives present at the Restaurant for such assistance and consultation as it deems appropriate. The date, time, and nature of the pre-opening support will be determined by Franchisor at its sole option. Franchisor will provide such additional onsite preopening and opening supervision and assistance as Franchisor deems advisable.

4.4 Manuals. Franchisor shall loan or otherwise provide Franchisee access to Franchisor's confidential Standard Operating Procedures Manual and other manuals (the "Manuals"), which may be revised from Franchisor from time to time.

4.5 Merchandising and Marketing Advice. Franchisor shall provide Franchisee such merchandising, marketing and other related advice as Franchisor deems advisable and as Franchisor may develop from time to time.

4.6 Ongoing Assistance. Franchisor shall provide such periodic individual or group advice, consultation, and assistance, rendered by personal visit, telephone, mail, or e-mail and made available from time to time as Franchisor deems advisable at the time(s) and in the manner determined by Franchisor.

4.7 Bulletins and Reports. Franchisor shall provide Franchisee such bulletins, intranet information, brochures, and reports published by Franchisor from time to time as Franchisor deems advisable regarding its plans, policies, research, developments, and activities.

4.8 Computer System. Franchisor shall have the right to specify or require that certain brands, types, makes, and/or models of communications, computer systems, kitchen display systems, software, and hardware to be used by, between, or among Port of Subs Restaurants, including: (a) back office and point-of-sale systems, learning management system, data, audio, video, and voice storage, retrieval, and transmission systems for use at Franchisee's Restaurant, between or among Port of Subs Restaurants, and between and among Franchisee's Restaurant and Franchisor and/or Franchisee; (b) physical, electronic, and other security systems; (c) printers and other peripheral devices; (d) archival back-up systems; (e) e-mail systems; and (f) Internet access mode and speed (collectively, the "Computer System").

4.9 Inspection. Franchisor shall have the right to inspect the Restaurant prior to the opening of the Restaurant and periodically throughout the term of this Agreement as described in Section 5.13 below.

4.10 Delegation of Duties. Franchisee acknowledges and agrees that any designee, employee, or agent of Franchisor may perform any duty or obligation imposed on or available to Franchisor by this Agreement, as Franchisor may direct.

## **5. OBLIGATIONS OF FRANCHISEE; OPERATIONAL STANDARDS**

5.1 System Standards and Development of Restaurant. Franchisee understands and acknowledges that every detail of the Restaurant is important to Franchisor, Franchisee, and other franchisees in order to develop and maintain high operating standards, to increase the demand for the products sold by all franchisees, and to protect Franchisor's reputation and goodwill. Franchisee shall construct, furnish, and open the Restaurant according to the requirements contained herein, and Franchisee shall open the Restaurant at the later of (a) one hundred eighty (180) days after the Effective Date, or (b) if upon execution of this Agreement, a location for the Restaurant has not been obtained by Franchisee and approved by Franchisor, one hundred eighty (180) days after the later of (i) Franchisor's approval of the location for the Restaurant pursuant to the Site Selection Addendum, or (ii) Franchisee's access to the leased premises as permitted by the lessor under the lease.

5.2 Pre-Opening Obligations. Before commencing any construction of the Restaurant, Franchisee, at its expense, shall comply, to Franchisor's satisfaction, with all of the following requirements:

5.2.1 Franchisee shall employ a qualified, licensed architect or engineer who is approved by Franchisor to prepare, for Franchisor's approval, preliminary plans and specifications for site improvement and construction of the Restaurant based upon the site construction package furnished by Franchisor or its designee pursuant to Section 4.1, and as may otherwise be authorized by Franchisor due to the particularities of the site of the proposed location. Franchisor's approval shall be limited to conformance with Franchisor's standard image specifications and layout and shall not relate to Franchisee's obligations with respect to any federal, state and local laws, codes and regulations including the applicable provisions of the ADA regarding the construction, design and operation of the Restaurant, which subjects shall be Franchisee's sole responsibility.

5.2.2 Franchisee shall comply, at Franchisee's expense, with all federal, state, and local laws, codes, and regulations, including the applicable provisions of the ADA regarding the construction/build-out, design, and operation of the Restaurant.

5.2.3 Franchisee shall be responsible for obtaining all zoning classifications and clearances which may be required by state or local laws, ordinances, or regulations or which may be necessary or advisable owing to any restrictive covenants relating to Franchisee's location. After having obtained such approvals and clearances, Franchisee shall submit to Franchisor, for Franchisor's approval, final plans for construction based upon the preliminary plans and specifications. Franchisor's review and approval of plans shall be limited to review of such plans to assess compliance with Franchisor's design standards for Port of Subs Restaurants. Once approved by Franchisor, such final plans shall not thereafter be changed or modified without the prior written permission of Franchisor. Any such change made without Franchisor's prior written permission shall constitute a material default under this Agreement and Franchisor may withhold its authorization to open the Restaurant for business until the unauthorized change is rectified (or reversed) to Franchisor's reasonable satisfaction.

5.2.4 Franchisee shall obtain all permits and certifications required for the lawful construction and operation of the Restaurant and shall certify in writing to Franchisor that all such permits and certifications have been obtained. Franchisee shall provide copies of all such permits and certificates to Franchisor within ten (10) days of Franchisor's request for same.

5.2.5 Franchisee shall employ a qualified licensed general contractor approved by Franchisor to construct/build-out the Restaurant and to complete all improvements. Franchisee shall obtain and maintain in force during the entire period of construction the insurance required under Section 11 below; and Franchisee shall deliver to Franchisor such proof of such insurance as Franchisor shall require.

5.2.6 Prior to signing a lease, Franchisee shall submit to Franchisor a final draft of the lease for the Restaurant premises. The lease must contain the provisions contained in Exhibit G (Addendum to Lease) hereof and be approved in writing by Franchisor prior to Franchisee's signing of the final lease. Within fifteen (15) days following Franchisee's execution of the lease for the Restaurant premises, Franchisee shall provide to Franchisor copies of (i) the fully-executed lease for the premises and the executed Addendum to Lease and (ii) the landlord's and property management company's notice address and contact information.

5.3 Restaurant Opening. In connection with the opening of the Restaurant:

5.3.1 Franchisee shall not open the Restaurant for business without first complying with all of Franchisor's pre-opening requirements and obligations contained in this Agreement and the Manuals and obtaining Franchisor's prior written consent.

5.3.2 Franchisee shall draw upon the Grand Opening Program Amount as described in Section 6.1.1 to conduct such grand opening and promotional activities as Franchisor may require.

5.3.3 Franchisee shall not open the Restaurant until Franchisor has determined that all construction/build out has been substantially completed, and that such construction/build out conforms to Franchisor's standards, including materials, quality of work, signage, decor, paint, and equipment.

5.3.4 Franchisee shall not open the Restaurant until Franchisee's Principal Trainees (as defined in Section 5.4 below) have successfully completed all training required by Franchisor, and Franchisee has hired and trained a sufficient number of employees to service the anticipated level of the Restaurant's customers.

5.3.5 Franchisee shall not open the Restaurant until all amounts due to Franchisor under this Agreement or any other related agreements have been paid.

5.4 Training. Franchisee acknowledges that its owners and managers must be knowledgeable regarding the operation of Port of Subs Restaurants, including the preparation and delivery of Menu Items and the provision of customer service in accordance with the brand standards established by Franchisor, which may be modified by Franchisor from time to time. Franchisee acknowledges that successful completion of Franchisor's training programs by Franchisee's owners and managers is critical to properly own, operate, and manage the Restaurant. Franchisee acknowledges that applicable laws and regulations require that at least one person on the staff at a food service business must satisfactorily complete state and/or local mandated food handling training, and be certified as having successfully completed the training. Franchisee (or the Operating Principal) and the General Manager (or at least one other employee that attends Franchisor's initial training program) must also successfully complete a state and/or local mandated food handling program before commencing training with Franchisor, and each trainee must provide a certificate of successful completion of such program prior to commencing training. Also, Franchisee's employees must be covered by Franchisee's workers' compensation insurance policy prior to commencing training with Franchisor, and Franchisee must provide evidence of such coverage upon request by Franchisor. At least two (2) individuals must attend and successfully complete Franchisor's initial training program: (1) Franchisee or Franchisee's Operating Principal; and (2) Franchisee's full-time General Manager (or another managerial employee of Franchisee as approved by Franchisor if Franchisee's Operating Principal and General Manager are the same individual) (collectively, the "Franchisee's Principal Trainees").

5.4.1 Initial Training. Prior to the opening of the Restaurant, the Franchisee's Principal Trainees, and such other management-level employees of Franchisee who Franchisor shall have the right to designate and approve, shall attend and successfully complete, to Franchisor's satisfaction, the initial training program offered by Franchisor. All aspects of the Restaurant shall be conducted under the management and supervision of the Operating Principal. In addition, the daily operations of the Restaurant shall be supervised under the active full-time management of the Operating Principal or General Manager who has successfully completed (to Franchisor's satisfaction) Franchisor's initial training program.

5.4.2 Operating Principal and General Manager. If the Operating Principal or the General Manager cease active management of or employment at the Restaurant, Franchisee shall enroll a qualified replacement (who shall be reasonably acceptable to Franchisor) in Franchisor's initial training program not more than thirty (30) days after the cessation of the former person's full-time employment

and/or management responsibilities. The replacement shall attend and successfully complete the initial training program, to Franchisor's reasonable satisfaction, as soon as it is practical to do so. Franchisee shall pay Franchisor's then-current training fees and per diem expenses for such training.

5.4.3 Refresher Training. The Franchisee's Principal Trainees may also be required to attend such refresher courses, seminars, and other training programs as Franchisor may reasonably specify from time to time, including up to twenty (20) days of refresher programs each year during the term of the Agreement. In addition, such of the Franchisee's Principal Trainees as Franchisor may require, may be required to attend Franchisor's annual or periodic conventions or conference, as applicable, for up to three (3) days per year.

5.4.4 Annual Convention. If Franchisor elects to hold an annual convention, Franchisee shall attend Franchisor's annual convention, and attend the annual convention at Franchisee's expense. Franchisee shall be responsible for Franchisee's and any approved attendees' costs and expenses to attend the convention, including transportation, meals and lodging. Franchisor reserves the right to charge a registration fee for franchisees to attend the annual conference in the future.

5.4.5 Training Costs. In exchange for Franchisee's payment of the Training Fee set forth in Section 3.2, the cost of all initial training instruction and required materials shall be borne by Franchisor for up to three attendees (the Franchisee's two Principal Trainees plus one other management-level employee whom we approve). Franchisee must pay Franchisor's then-current training fee for additional attendees to attend initial training. All other expenses incurred in connection with training and, if required, attendance at Franchisor's conventions and conferences, including the costs of transportation, lodging, meals, wages, workers' compensation insurance and trainees' meals during training sessions, for Franchisee, its investors, and all of its employees, shall be borne by Franchisee.

5.4.6 Additional Training. If Franchisee requests that Franchisor provide on-site training in addition to that described in this Section 5.4, and Franchisor agrees to do so, then Franchisee shall pay Franchisor's then-current per diem charges and out-of-pocket expenses, which shall be as set forth in the Manual or otherwise in writing.

5.5 Restaurant Premises. Franchisee shall use the Restaurant premises solely for the operation of the Restaurant; shall keep the Restaurant open and in normal operation for such hours and days as Franchisor may from time to time specify in the Manuals or as Franchisor may otherwise approve in writing; and shall refrain from using or permitting the use of the Restaurant premises for any other purpose or activity at any time. As used in this Section 5.5, the term "premises" shall include the grounds surrounding the Restaurant. Franchisee shall comply with all terms and conditions of the lease for the Restaurant, and shall provide Franchisor with copies of all notices of default or breach of the lease, notices regarding the renewal or extension of the lease, and all other notices or correspondence related to Franchisee compliance with lease and Franchisee's right to remain in possession of the premises not later than two (2) days after receipt thereof by Franchisee.

5.6 Personnel. Franchisee agrees to maintain a competent, conscientious, trained staff in numbers sufficient to promptly service customers, including at least one (1) General Manager on duty at all times 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. Franchisee shall comply with all applicable employment, personnel, and wage and hour laws and regulations. Franchisee is solely responsible for all employment and personnel decisions and functions of the Restaurant, including those related to hiring, firing, training, compliance with wage and hour requirements, personnel policies, scheduling, benefits, recordkeeping, supervision, and discipline of employees, regardless of whether Franchisee receives advice from Franchisor on these subjects. Franchisee acknowledges and agrees that all employment and personnel

decisions, including hiring, firing, disciplining, compensation, benefits, and scheduling, shall be made by Franchisee, without any influence from Franchisor, and such decisions and actions shall not be, nor be deemed to be, a decision or action of Franchisor. Further, it is the intention of the parties to this Agreement that Franchisor shall not be deemed an employer or joint employer of Franchisee or Franchisee's employees for any reason. Franchisee is solely responsible for ensuring its managers and employees are adequately trained and supervised.

5.7 Health, Sanitation, and Safety Standards. Franchisee shall meet and maintain the highest health, sanitation, and safety standards and ratings applicable to the operation of the Restaurant. Franchisee shall furnish to Franchisor, within five (5) days after receipt thereof, a copy of all inspection reports, warnings, citations, certificates, and/or ratings resulting from inspections conducted by any federal, state, or municipal agency with jurisdiction over the Restaurant. Without limiting the foregoing, Franchisee and all required personnel shall obtain and maintain all necessary and required licenses and certificates for food service and food handling as may be required by applicable local rules and regulations and/or the Manual.

5.8 Restaurant Maintenance. Franchisee shall at all times maintain the Restaurant in a high degree of sanitation, repair, and condition, and in connection therewith shall make such additions, alterations, repairs, and replacements thereto (but no others without Franchisor's prior written consent) as may be required for that purpose, including such periodic repainting or replacement of obsolete signs, furnishings, equipment, and décor as Franchisor may reasonably direct.

5.9 Remodeling. Without limiting Section 5.10 below, Franchisor shall have the right (the "Remodel Right") to require Franchisee to perform such remodeling, repairs, replacements, and redecoration in and upon the premises and equipment as Franchisor may deem necessary and practical to bring the premises and equipment up to the then-current operational standards and image of Franchisor. Franchisor may exercise its Remodel Right upon (a) the expiration of every 5-year period following the opening of the Restaurant for business with the public. The expenditure required to remodel the Restaurant will not exceed One Hundred Twenty-Five Thousand Dollars (\$125,000) indexed pursuant to the Consumer Price Index (CPI); (b) the sale, assignment, transfer, or encumbrance (collectively, the "Transfer") of any of the rights created by this Agreement, any part of the System, or any other interest created under this Agreement, including if Franchisee is a legal entity, the sale, resale, pledge, assignment, transfer or encumbrance of any ownership interest in Franchisee that, alone or together with any other related, previous, simultaneous or proposed transfers, would result in a change in "control" of Franchisee within the meaning of the Securities Act of 1933, as amended, and the rules and regulations promulgated under that act; or (c) the issuance of a renewal or successor franchise agreement. If Franchisor chooses to exercise its Remodel Right upon the occurrence of a Transfer, then, after the Transfer, Franchisor may exercise its Remodel Right upon the occurrence of any of the following events: (a) the expiration of every 5-year period following the Transfer; (b) a subsequent Transfer; or (c) the issuance of a renewal or successor franchise agreement. Franchisor reserves the right to designate the type and scheduling of the refurbishing, remodeling and/or renovation referred to above. If Franchisee at any time deems it necessary and practical to replace any equipment or repair or remodel the premises or take any similar action, Franchisee shall perform the replacement, repairs or remodeling in accordance with Franchisor's then-current standards and specifications. The obligations imposed under this Section 5.9 supplement any obligation to maintain, restore or repair the premises imposed under any lease or sublease with respect to the Restaurant.

5.10 Equipment Upgrades. In addition to the Remodel Right, Franchisee shall make, from time to time, such upgrades, replacements, or other changes to the electronic equipment utilized in the Restaurant and the Computer System as Franchisor may request in writing (and as also specified above) (collectively, "Equipment Upgrades"). Franchisor shall have the right to require any Equipment Upgrades it deems necessary for Franchisee's Restaurant.

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

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

5.11.2 To sell or offer for sale only such products and services as have been expressly approved for sale in writing by Franchisor; to sell or offer for sale all such products and services, utilizing the ingredients and employing the preparation standards and techniques, as specified by Franchisor; to refrain from any deviation from Franchisor's standards and specifications, including the manner of preparation of products and services, without Franchisor's prior written consent; and to discontinue selling and offering for sale any products and services, which Franchisor shall have the right to disapprove, in writing, at any time.

5.11.3 To permit Franchisor or its agents, at any reasonable time, to remove samples of products and to observe and receive the delivery of services, without payment therefor, in amounts reasonably necessary for testing by Franchisor or an independent laboratory to determine whether said samples and services 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 or service fails to conform to Franchisor's specifications.

5.11.4 To purchase and install, at Franchisee's expense, all fixtures, kitchen display systems, furnishings, equipment (including the Computer System), décor, and signs as Franchisor shall specify; and to refrain from installing or permitting to be installed on or about the Restaurant premises, without Franchisor's prior written consent, any fixtures, furnishings, equipment, decor, signs, or other items not previously approved as meeting Franchisor's standards and specifications.

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

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

5.12 Supplies and Suppliers. Franchisee shall purchase, lease, or license all equipment (including the Computer System), supplies, ingredients, products, fixtures, furnishings, décor, signs, goods, and services (including payment processing services) that are designated or prescribed in the Manuals (“goods” and “services”). Such purchase may include the purchase of software licenses and the entry into software license agreements. Franchisee shall purchase, lease, or license such goods and services solely from suppliers that Franchisor has approved in writing, which may be Franchisor or its affiliate. In determining whether it will approve any particular good or service or supplier, Franchisor shall consider various factors, including, for goods and services, those that meet Franchisor’s then-current standards and specifications, and have not thereafter been disapproved, and for suppliers, suppliers who can demonstrate, to Franchisor’s continuing reasonable satisfaction, the ability to meet Franchisor’s then-current standards and specifications for such items; who possesses adequate quality controls and capacity to supply Franchisee’s needs promptly and reliably; who would enable the network of Port of Subs Restaurants, in Franchisor’s sole opinion, to take advantage of marketplace efficiencies; and who have been approved in writing by Franchisor prior to any purchases by Franchisee from any such supplier, and have not thereafter been disapproved. For the purpose of this Agreement, the term “supplier” shall include, but not be limited to, manufacturers, distributors, resellers, and other vendors. Franchisor shall have the right to appoint only one manufacturer, distributor, reseller, and/or other vendor for any particular good or service, and Franchisor may designate itself or its affiliate as the only, or one of a limited number of, suppliers for any goods or services. Franchisor or its affiliate(s) may earn a profit from the sale of any goods or services.

5.12.1 If Franchisee wishes to purchase any unapproved goods or services, or any goods or services from an unapproved supplier, Franchisee shall first submit to Franchisor a written request for such approval. Franchisee shall not purchase any unapproved goods or services or any goods or services from any unapproved supplier unless and until such goods or services or such supplier has been approved in writing by Franchisor. Franchisor shall have the right to require that its representatives be permitted to inspect the unapproved goods or services, or in the case of an unapproved supplier, the supplier’s facilities, and that samples of the goods 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. For approval of unapproved suppliers, Franchisor may also require that the supplier comply with such other requirements as Franchisor may deem appropriate, including payment of reasonable continuing inspection fees and administrative costs, or other payment to Franchisor by the supplier on account of their dealings with Franchisee or other franchisees, for use, without restriction (unless otherwise instructed by the supplier) and for services that Franchisor may render to such suppliers. Franchisor reserves the right, at its option, to reinspect from time to time the facilities and goods or services of any approved supplier and to revoke its approval upon the supplier’s failure to continue to meet any of Franchisor’s then-current criteria.

5.12.2 Nothing in the foregoing shall be construed to require Franchisor to approve any particular goods or supply or supplier, nor to require Franchisor to make available to prospective suppliers, standards, and specifications, which Franchisor shall have the right to deem confidential.

5.12.3 Notwithstanding anything to the contrary contained in this Agreement, Franchisee acknowledges and agrees that, at Franchisor’s sole option, Franchisor may establish one or more strategic alliances or preferred vendor programs with one or more nationally or regionally-known suppliers who are willing to supply all or some Port of Subs Restaurants with some or all of the goods and services that Franchisor requires for use and/or sale in the development and/or operation of Port of Subs Restaurants. In this event, Franchisor may limit the number of approved suppliers with whom Franchisee may deal, designate sources that Franchisee must use for some or all goods and services, and/or refuse any of Franchisee’s requests if Franchisor believes that this action is in the best interests of the System or the network of Port of Subs Restaurants. Franchisor shall have the sole option to approve or disapprove of the suppliers who may be permitted to sell goods and services to Franchisee.

5.12.4 Franchisee acknowledges and agrees that Franchisor shall have the right to collect and retain all manufacturing allowances, distribution allowances, marketing allowances, rebates, credits, monies, payments or benefits (collectively, “Allowances”) offered by suppliers to Franchisee or to Franchisor or its affiliates based upon Franchisee’s purchases of goods and services. These Allowances are based on network-wide purchases of goods and services. Franchisee assigns to Franchisor or its designee all of Franchisee’s right, title, and interest in and to any and all such Allowances and authorizes Franchisor or its designee to collect and retain any or all such Allowances without restriction (unless otherwise instructed by the supplier); provided, however, that Franchisor’s current policy is to utilize such funds for purposes that Franchisor believes, in its sole determination, may enhance the “Port of Subs” brand and/or public awareness of the brand.

5.12.5 Franchisee shall comply with all terms, conditions, and obligations of all contracts and arrangements with suppliers, including contracts and arrangements negotiated by Franchisor or third parties as part of a network or multiple-franchise or multiple-Port of Subs Restaurant supply and distribution arrangement, and Franchisee’s contracts with and obligations to suppliers. Franchisee shall promptly pay all suppliers in accordance with the agreed-upon terms. In the event Franchisee fails to promptly pay one or more suppliers as required, Franchisor may, but is not required to, pay such supplier(s) on behalf of Franchisee, and Franchisee shall promptly reimburse Franchisor for such payment following notice from Franchisor, or Franchisor may obtain payment through the EFT process described in Section 3.10 above and the Manuals.

5.13 Inspections. Franchisee grants Franchisor and its agents the right to enter upon the Restaurant premises at any time for the purpose of conducting inspections, for among other purposes, preserving validity of the Proprietary Marks, and verifying Franchisee’s compliance with this Agreement and the policies and procedures outlined in the Manuals. Franchisor shall also have the right to take and maintain photographs and videos, in any medium, of the Restaurant and the operations at the Restaurant. Franchisee shall 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, Franchisee shall take such steps as may be necessary to correct immediately any deficiencies detected during any such inspection. Franchisee shall reimburse Franchisor for all of Franchisor’s costs and expenses, including labor and travel expenses, incurred in conducting all such follow-up inspections after the first follow-up inspection. Franchisee shall make such payments within fifteen (15) days of receipt of an invoice from Franchisor, or Franchisor may elect to obtain payment through the EFT provisions of Section 3.5.

5.14 Technology and Computer System. At Franchisor’s request, Franchisee must purchase, lease, license, and/or subscribe to solely from suppliers that Franchisor has approved in writing, which may be Franchisor or its affiliate, and thereafter maintain, the Computer System, and comply with Franchisor’s requirements, specifications, and policies concerning the use of technology, as they may be specified in this Agreement, or specified or modified in the Manuals or otherwise in writing. Such purchase may include the purchase of software licenses and the entry into such software license agreements as Franchisor may prescribe. Franchisee must pay the then-current Technology Fee in connection with any aspects of the Computer System or related technology systems, services, platforms, and software that Franchisor requires Franchisee to obtain from or access through Franchisor.

5.14.1 Franchisor shall have the right at any time to retrieve and use such data and information from Franchisee’s Computer System that Franchisor deems necessary or desirable. In view of the contemplated interconnection of computer systems and the necessity that such systems be compatible with each other, Franchisee expressly agrees that it shall strictly comply with Franchisor’s standards and specifications for all item(s) associated with Franchisee’s Computer System, and will otherwise operate its Computer System in accordance with Franchisor’s standards and specifications. To ensure full operational

efficiency and optimum communication capability between and among equipment and computer systems installed by Franchisee, Franchisor, and other franchisees, Franchisee agrees, at its expense, that Franchisee shall keep its Computer System in good maintenance and repair, and, at its expense, and following the determination that Franchisor shall have the right to make, to the effect that same will prove economically or otherwise beneficial to all System franchisees, that Franchisee shall promptly install such additions, changes, modifications, substitutions, and/or replacement to Franchisee's computer hardware, software, telephone and power lines, and other related facilities, as Franchisor directs periodically in writing. Franchisee shall provide to Franchisor, upon Franchisor's request, all e-mail lists and customer lists used or maintained by Franchisee on the Computer System or elsewhere.

5.14.2 Franchisor has the right, but not the obligation, to develop or have developed for it, or to designate, any or all of the following: (a) computer software programs and accounting system software that Franchisee must use in connection with the Computer System ("Required Software"), which Franchisee must install; (b) updates, supplements, modifications, or enhancements to the Required Software, which Franchisee must install; (c) the tangible media upon which such Franchisee must record or receive data; (d) the database file structure of Franchisee's Computer System; (e) an Extranet for informational assistance, which may include the Manuals, training other assistance materials, and management reporting solutions; and (f) answering service requirements and/or system-wide phone order processing of all delivery orders, and/or to designate vendors that will provide such order processing.

5.14.3 Franchisee agrees to install and use the Computer System and Required Software in the manner that Franchisor requires and to use only the Computer System and Required Software that Franchisor designates.

5.14.4 Franchisee agrees to implement and periodically upgrade and make other changes to the Computer System and Required Software as Franchisor may reasonably request in writing (collectively, "Computer Upgrades"), at Franchisee's own expense.

5.14.5 Franchisee agrees to comply with Franchisor's written specifications (whether in the Manuals or otherwise) with respect to the Computer System and the Required Software, and with respect to Computer Upgrades, at Franchisee's own expense.

5.14.6 Franchisee agrees to afford Franchisor unimpeded access to its Computer System and Required Software in the manner, form, and at the times that Franchisor requests.

5.14.7 Because changes to technology are dynamic and not predictable during the term of this Agreement, and in order to provide for inevitable but unpredictable changes to technological needs and opportunities, Franchisee agrees: (a) that Franchisor has the right to establish, in writing, reasonable new standards to address new technologies, whether published in the Manuals or otherwise in writing, and that Franchisor has the right to implement those changes in technology into the System; and (b) to abide by Franchisor's reasonable new standards as if this Section 5.14, and other technology provisions in this Agreement, were periodically revised for that purpose.

5.15 Customer Data. Franchisee may collect information from customers and potential customers in connection with the operation of the Restaurant, including personally-identifiable names and addresses, payment information and other information ("Customer Data"). All data provided by Franchisee in any form, and whether required by this Section 5.15 or any other requirement under the System or in the Manuals, including data uploaded to Franchisee's Computer System, and/or downloaded from Franchisee's Computer System to Franchisor's computer system, is and will be owned exclusively by Franchisor, including without limitation, Customer Data, customer lists, and e-mail lists, and Franchisor will have the right to use such data in any manner that Franchisor deems appropriate without compensation to Franchisee.

In addition, all other data created or collected by Franchisee in connection with the System, or in connection with Franchisee's operation of the Restaurant (including but not limited to consumer and transaction data), is and will be owned exclusively by Franchisor during the term of, and following termination or expiration of, this Agreement. Copies and/or originals of such data must be provided to Franchisor upon its request. Franchisor hereby licenses use of such data back to Franchisee, at no additional cost, solely for the term of this Agreement and solely for Franchisee's use in connection with the Restaurant. Franchisee shall not sell, share, or otherwise disseminate such data without Franchisor's prior written consent. Franchisor may use all such information, data, and reports in any manner, including, without limitation, providing financial and operating reports to franchisees and operators operating under the System, preparing franchise disclosure documents, and providing information to prospective franchisees, and/or in complying with government regulations. Franchisee must secure from its vendors, customers, prospective customers, and others all consents and authorizations, and provide them all disclosures, that applicable law (including any Applicable Data Protection Laws) requires to transmit the Customer Data to Franchisor and its affiliates and for Franchisor and its affiliates to use that Customer Data in the manner that this Agreement contemplates.

5.16 Data Protection Obligations. For purposes of this Section 5.16, "Personal Information" means information that identifies, relates to, or could reasonably be linked to individuals, including but not limited to, Franchisee's customers, employees, independent contractors, and business contacts, and/or otherwise including particular elements of "personal information" as defined under Cal. Civ. Code § 1798.140.

5.16.1 Franchisee acknowledges and agrees that it will collect, process, and otherwise use Personal Information, and transfer Personal Information to Franchisor, in compliance with all applicable laws, rules, and regulations applicable to privacy and security of Personal Information, including, but not limited to, the California Consumer Privacy Act of 2018, as amended by the California Privacy Rights Act ("Applicable Data Protection Laws"). Franchisee agrees to hold Franchisor and its affiliates harmless of any liability and losses and expenses incurred, suffered or sustained by Franchisor and its affiliates, shareholders, officers, directors, employees and agents, as a result of Franchisee's non-compliance with Applicable Data Protection Laws.

5.16.2 Franchisee agrees to comply with Franchisor's standards and policies pertaining to Applicable Data Protection Laws. If there is a conflict between Franchisor's standards and policies pertaining to Applicable Data Protection Laws and actual applicable law, Franchisee shall: (i) comply with the requirements of applicable law; (ii) immediately give Franchisor written notice of said conflict; and (iii) promptly and fully cooperate with Franchisor and its counsel in determining the most effective way, if possible, to meet its standards and policies pertaining to Applicable Data Protection Laws within the bounds of applicable law. Franchisee agrees not to publish, disseminate, implement, revise, or rescind a data privacy policy without Franchisor's prior written consent as to said policy.

5.16.3 With regard to Personal Information that Franchisee may collect, receive, or otherwise process as a result of any agreements between Franchisee and Franchisor (or its subsidiaries or affiliates), including this Agreement, Franchisee agrees and certifies that it will:

5.16.3.1 Process Personal Information only for the limited and specified purposes of providing services requested by Franchisor.

5.16.3.2 Assist Franchisor with the resolution of any request or inquiries that Franchisor receives from individuals and/or data protection regulators relating to Franchisee's processing of Personal Information and, if and to the extent requested by Franchisor, cooperate with any regulators' requests.

5.16.3.3 Implement and maintain reasonable and appropriate physical, technical, and administrative safeguards, procedures, and practices to protect and maintain the confidentiality, security, accuracy, integrity, availability, and authenticity of Personal Information.

5.16.3.4 Notify Franchisor, and provide Franchisor with the ability to object, before transmitting Personal Information to a service provider, sub-processor, subcontractor, or other vendor.

5.16.3.5 Require any service provider, sub-processor, subcontractor, or other vendor that receives Personal Information to agree to provisions materially similar to those found within this Section 5.16.

5.16.3.6 Notify Franchisor if it believes that it can no longer meet the obligations of this Section 5.16.

5.16.3.7 Allow and contribute to reasonable audits by Franchisor, including inspections by the Franchisor or its auditor, to verify Franchisee's compliance with data processing and security obligations and Applicable Data Protection Laws.

5.16.4 For purposes of this Section 5.16, "Security Incident" means any actual or reasonably suspected unauthorized disclosure, release, access, or acquisition of Personal Information. In the event of any Security Incident, Franchisee shall notify Franchisor immediately but no later than forty-eight (48) hours after Franchisee or any of its vendors become aware of a Security Incident. Such notifications shall include, at a minimum, the following information to the extent known by Franchisee and as it becomes available: (i) detailed description of the Security Incident, (ii) the date or estimated date of the Security Incident, (iii) the date range of the Security Incident within which the Security Incident occurred, (iv) the type of Personal Information that was the subject of the Security Incident, whether the notification was delayed as a result of a law enforcement investigation, and (v) the identity of each impacted individual. Franchisee shall take immediate action to investigate the Security Incident and shall use industry standard, reasonable efforts to mitigate the effects of any such Security Incident. Franchisee shall also provide Franchisor with reasonable assistance to satisfy any legal obligations (including obligations to notify impacted individuals and any data protection regulator) of Franchisor in relation to such Security Incident.

5.16.5 To the extent Franchisee's activities require a restricted transfer (as such term is defined under Applicable Data Protection Laws) of Personal Information to Franchisor, such restricted transfer shall be undertaken pursuant to a legal mechanism for transfer as approved under Applicable Data Protection Laws (which legal mechanism may include, without limitation, the entry into standard contract clauses for restricted transfers).

5.16.6 Franchisee further agrees and certifies that it will not:

5.16.6.1 Sell, rent, release, disclose, disseminate, make available, transfer, or otherwise communicate orally, in writing, or by electronic or other means, Personal Information to another business or a third party for monetary or other valuable consideration.

5.16.6.2 Retain, use, disclose, collect, sell, or otherwise process Personal Information for any purpose other than for the specific purpose of, and as necessary for, performing services for Franchisor pursuant to a written agreement(s). For clarity, Franchisee may not retain, use, or disclose the Personal Information for any other commercial purposes or outside of the direct business relationship between Franchisee and Franchisor.

5.16.6.3 Combine the Personal Information that it receives from Franchisor with the Personal Information that it receives from another company or business (or that it collects from its own interaction with individuals), except if expressly permitted to do so by Franchisor or required to do so by law.

5.16.6.4 Share, rent, release, disclose, disseminate, make available, transfer, or otherwise communicate orally, in writing, or by electronic or other means, Personal Information for the purpose of cross-context behavioral advertising.

5.16.7 This Section 5.16 will survive expiration or termination of this Agreement and any other agreement(s) that may exist between Franchisee and Franchisor (or its subsidiaries or affiliates). Existing terms in such agreement(s) remain in effect except that this Section 5.16 controls in the event of a conflict with such terms. In the event of a breach of this Section 5.16, Franchisor may take reasonable and appropriate steps to stop and remediate the unauthorized use by Franchisee of Personal Information. Franchisee will make available to Franchisor all information requested by Franchisor to demonstrate Franchisee's compliance with the obligations set out in this Section 5.16.

5.17 Website and Internet Advertising. Franchisor shall have the right to establish and maintain an Internet website that provides information about the System, brand, and the products and services that Port of Subs Restaurants offer. Franchisor will have sole control over the website's design and contents and may modify the content of and/or discontinue the website at any time. Franchisor may use part of the Brand Development Fund Contributions it collects and part of the Brand Development Fund's revenues to pay or reimburse itself for the costs of maintaining and updating the website, except that Franchisor may not use Brand Development Fund Contributions to pay for those components of the website that are devoted to the sale of franchises for new Port of Subs Restaurants. The website may include a section that provides the address, telephone number, and e-mail address of each Port of Subs Restaurant in the System, including the Restaurant; provided, the Restaurant may be referenced on the website only while Franchisee is in full compliance with this Agreement. In addition, Franchisor's approved supplier may establish an individual webpage identifying the Restaurant's location and services. Franchisor must approve all content on the individual webpage. Franchisor will own the website (including any webpages for the Restaurant) and domain name at all times. Franchisee will not have any independent right to advertise the Restaurant on the Internet or in any form of social media, without Franchisor's prior written consent. If Franchisee desires to advertise online, Franchisee must follow Franchisor's online policy, which is contained in the Manuals. Franchisee will not be permitted to operate a separate website or social media page (including without limitation Facebook, Instagram, Snapchat, or TikTok) without Franchisor's prior written approval and without sharing the administrative rights with Franchisor. Franchisee must provide administrator passwords and privileges to Franchisor, and shall not change or update either the administrator or password without first notifying Franchisor in writing. (The term "website" as used in this Agreement means one or more related documents, designs, pages, or other communications that can be accessed through electronic means, including the Internet, World Wide Web, social networking sites (including Facebook, X (formerly known as Twitter), LinkedIn, Instagram, YouTube, etc.), blogs, vlogs, and other applications, etc.).

5.18 POS or Cash Register Systems. Franchisee agrees to record all sales on computer-based point-of-sale systems or such other types of cash register systems that Franchisor has the right to designate or approve in the Manual or otherwise in writing ("POS System"). The POS System is deemed to be part of Franchisee's Computer System. Franchisee must utilize computer-based point-of-sale devices that are fully compatible with any program or system that Franchisor has the right to designate, and Franchisee must record all Gross Sales and all revenue information on such equipment.

5.19 Gift Cards/Stored Value Cards. Franchisor shall have the right to require Franchisee to participate in such gift card/stored value card program(s) that Franchisor specifies. For this purpose,

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

5.20 E-Mail, Internet, and Other Media. Franchisee must comply with Franchisor's requirements and policies (as described in the Manuals or otherwise in writing) with respect to the transmission of all e-mails and other electronic communications in connection with the Restaurant and the business, and in connection with discussing, advertising, or disseminating any information, or otherwise having a presence, on the Internet, or in any other media, regarding the Restaurant and the business. Such activities include participation in any Internet "blogs" or social networking sites. Any such activities which are not expressly permitted in the Manuals or otherwise in writing, or for which Franchisee has not previously received approval from Franchisor, shall be subject to Franchisor's approval as described in Section 6 below.

5.20.1 Franchisee agrees that exchanging information with Franchisor by e-mail and fax is an important way to enable quick, effective, and efficient communication, and that Franchisor and Franchisee are entitled to rely upon each other's use of e-mail and faxes for communicating as part of the economic bargain underlying this Agreement. To facilitate the use of e-mail and fax to exchange information, Franchisee authorizes the transmission of e-mail by Franchisor and Franchisor's employees, vendors, and affiliates (on matters pertaining to the business contemplated hereunder) (together, "Official Senders") to Franchisee and Franchisee's employees during the term of this Agreement. Franchisor's list of Official Senders shall be the master and official list of Official Senders.

5.20.2 Franchisee shall not transmit or cause any other party to transmit advertisements or solicitations by telephone, text, e-mail, or other electronic media without Franchisor's prior written consent as to: (a) the content of such advertisements or solicitations; and (b) Franchisee's plan for transmitting such advertisements or solicitations. Franchisor's review of Franchisee's advertisements or solicitations, or of Franchisee's plan for transmitting such advertisements or solicitations, is only for Franchisor's benefit and Franchisor's review will pertain to whether the proposed advertisements or solicitations comply with Franchisor's specifications. Franchisee agrees that it will be solely responsible for complying with any laws pertaining to sending such advertisements and solicitations, including the Controlling the Assault of Non-Solicited Pornography and Proprietary Marketing Act of 2003 (known as the "CAN-SPAM Act of 2003") and the Telephone Consumer Protection Act of 1991.

5.20.3 Franchisee agrees that: (a) Official Senders are authorized to send e-mails and faxes to Franchisee and its employees; (b) Franchisee will cause its officers, directors, and employees (as a condition of their employment or position with Franchisee) to give their consent (in an e-mail, electronically, or in a pen-and-paper writing, as Franchisor may reasonably require) to Official Senders' transmission of e-mails and faxes to those persons, and that such persons shall not opt-out, or otherwise ask to no longer receive e-mails, from Official Senders during the time that such person works for or is affiliated with Franchisee; and (c) Franchisee will not opt-out, or otherwise ask to no longer receive e-mails and/or faxes, from Official Senders during the term of this Agreement.

5.20.4 The consent given above in this Section 5.20 will not apply to the provision of formal notices under this Agreement by either party using e-mail unless and until the parties have otherwise agreed, in a pen-and-paper writing that both parties have signed.

5.21 Credit Cards and Other Methods of Payment. At all times, Franchisee must maintain credit-card relationships with the credit- and debit-card issuers or sponsors, check, or credit verification services, financial-center services, and electronic-funds-transfer systems that Franchisor designates as mandatory, and Franchisee must not use any such services or providers that Franchisor has not approved in writing or for which Franchisor has revoked its approval. Franchisor has the right to modify its requirements and designate additional approved or required methods of payment and vendors for processing such payments, and to revoke its approval of any service provider. Franchisee must comply with all credit-card policies as prescribed in the Manuals. Franchisee must comply with the Payment Card Industry Data Security Standards (“PCI DSS”) as they may be revised and modified by the Payment Card Industry Security Standards Council (see [www.pcisecuritystandards.org](http://www.pcisecuritystandards.org)), or such successor or replacement organization and/or in accordance with other standards as Franchisor may specify, and the Fair and Accurate Credit Transactions Act (“FACTA”). Franchisee shall also upgrade periodically its POS System and related software, at Franchisee’s expense, to maintain compliance with PCI DSS, FACTA, and all related laws and regulations.

5.22 Uniforms. To promote a uniform System image, Franchisee shall require all of its Restaurant personnel to dress during business hours in the attire specified in the Manuals. Franchisee shall purchase such attire only from approved suppliers.

5.23 Incentive Programs. Franchisee shall offer for sale, and will honor for purchases by customers, or otherwise fully participate in, any incentive, convenience, or customer loyalty programs that Franchisor may institute from time to time, and Franchisee shall do so in compliance with Franchisor’s standards and procedures for such programs.

5.24 Prices. With respect to the sale of all Menu Items, products, or services, Franchisee shall have sole discretion as to the prices to be charged to customers; provided, however, that Franchisor may establish, advertise, and promote minimum or maximum prices on such Menu Items, products, and services, subject to compliance with applicable laws. If Franchisor has imposed such a minimum or maximum price on a particular Menu Item, product, or service, and subject to applicable law, Franchisee may not charge a price for such Menu Item, product, or service below the minimum price or in excess of the maximum price set by Franchisor.

5.25 Compliance with Laws and Good Business Practices. Franchisee shall operate the Restaurant in full compliance, subject to its right to contest, with all applicable laws, ordinances, and regulations, including all government regulations relating to handling of food products, occupational hazards and health, workers’ compensation insurance, unemployment insurance and withholding and payment of federal and state income taxes, social security taxes, and sales taxes. All advertising and promotion by Franchisee shall be factually accurate and conform to the highest standards of ethical advertising. Franchisee shall in all dealings with its customers, suppliers, and the public adhere to the highest standards of honesty, integrity, fair dealing, and ethical conduct, and shall comply with all consumer protection and unfair competition laws and regulations. Franchisee shall refrain from any business or advertising practice which may be injurious to the business of Franchisor, the System, and/or the goodwill associated with the Proprietary Marks and other Restaurants.

5.26 Franchisee Structure; Operating Principal and Owners.

5.26.1 Except as otherwise approved in writing by Franchisor, if Franchisee is a corporation, it shall: (i) be newly organized, and confine its activities, and its governing documents shall at all times provide that its activities are confined, exclusively to operating the Restaurant; (ii) furnish Franchisor with a copy of its articles or certificates of incorporation and bylaws, as well as such other documents as Franchisor may reasonably request, and any amendment thereto; (iii) maintain stop transfer instructions on its records against the transfer of any equity securities and shall only issue securities upon the face of which a legend, in a form satisfactory to Franchisor, appears which references the transfer restrictions imposed by this Agreement; (iv) not issue any voting securities or securities convertible into voting securities; and (v) maintain a current list of all owners of record and all beneficial owners of any class of voting stock of Franchisee and furnish the list to Franchisor upon request, which list shall be amended to reflect changes in ownership, as permitted under this Agreement.

5.26.2 If Franchisee is a partnership or limited liability partnership it shall: (i) be newly organized, and confine its activities, and its governing documents shall at all times provide that its activities are confined, exclusively to operating the Restaurant; (ii) furnish Franchisor with its partnership agreement as well as such other documents as Franchisor may reasonably request, and any amendments thereto; (iii) prepare and furnish to Franchisor, upon request, a current list of all general and limited partners in Franchisee, which list shall be amended to reflect changes in ownership, as permitted under this Agreement; and (iv) maintain stop transfer instructions on its records and in its partnership agreement against the transfer of partnership interests and equity securities, and shall only issue securities or partnership interests with documentation which bears a notice or legend, in a form satisfactory to Franchisor, which references the transfer restrictions imposed by this Agreement.

5.26.3 If a Franchisee is a limited liability company, Franchisee shall: (i) be newly organized, and confine its activities, and its governing documents shall at all times provide that its activities are confined, exclusively to operating the Restaurant; (ii) furnish Franchisor with a copy of its articles of organization and operating agreement, as well as such other documents as Franchisor may reasonably request, and any amendments thereto; (iii) prepare and furnish to Franchisor, upon request, a current list of all members and managers in Franchisee, which list shall be amended to reflect changes in ownership, as permitted under this Agreement; and (iv) maintain stop transfer instructions on its records against the transfer of equity securities and shall only issue securities upon the face of which bear a legend, in a form satisfactory to Franchisor, which references the transfer restrictions imposed by this Agreement.

5.26.4 Franchisee shall designate, subject to the review and approval or disapproval by Franchisor, individuals to serve in the following positions:

5.26.4.1 Operating Principal. An Operating Principal shall participate personally in the direct operation of the Restaurant. If Franchisee is an individual and meets the required qualifications, Franchisee may serve as the Operating Principal for the Restaurant. Franchisee shall notify Franchisor promptly if the individual serving as the Operating Principal for the Restaurant no longer serves as an employee of Franchisee or no longer meets the requirements of being an Operating Principal for the Restaurant. “Operating Principal” shall mean an individual who (1) has at least five (5) years of management experience in the operation of a quick service restaurant (or, if Franchisee or Franchisee’s affiliate operates at least one Port of Subs Restaurant as of the Effective Date, the Operating Principal of the Restaurant must have at least two (2) years of management experience in the operation of a quick service restaurant), (2) has completed Franchisor’s required training program, (3) Franchisor has approved to supervise the day-to-day operations of the Restaurant, (4) owns at least five percent (5%) of the equity interest in Franchisee if Franchisee is a business entity, and (5) lives no more than a two (2) hour drive from the Restaurant.

5.26.4.2 Owners: An “owner” is any person that has any direct or indirect interest in Franchisee, or in any entity that has any direct or indirect ownership interest in Franchisee. All owners along with their ownership interests, shall be identified in Exhibit D hereto, and any change in ownership, whether subject to Section 12.3 or not, shall be provided to Franchisor, in advance and in writing, and Exhibit D shall be amended to reflect all changes in ownership.

5.26.4.3 General Manager: Franchisee shall designate a Restaurant general manager, subject to approval by Franchisor, and satisfactory completion of Franchisor’s training programs, who shall be responsible for the direct oversight and management of the day-to-day operations and personnel at the Restaurant (the “General Manager”). Franchisee at all times shall maintain at least one certified General Manager in the Restaurant trained and certified by Franchisor for the Restaurant. If the General Manager’s position becomes vacant, Franchisee shall fill the vacancy within 60 days with a fully-trained and certified general manager. The General Manager and the Operating Principal may be the same person, if he/she is qualified to perform both roles and duties, and is approved by Franchisor.

5.27 Personal Guarantee, Indemnification, and Acknowledgement. Concurrent with its execution of this Agreement, if Franchisee is a business entity, each owner shall execute the Guarantee, Indemnification and Acknowledgement in the form attached to this Agreement as Exhibit E, provided, however, that no guarantee shall be required from a person who acquires Franchisee’s securities (other than a controlling interest) if and after Franchisee becomes registered under the Securities Exchange Act of 1934. In addition, Franchisor may require that the spouse (or domestic partner or other immediate family member) of an owner sign the Guarantee, Indemnification, and Acknowledgment.

5.28 System Modifications. Franchisee acknowledges and agrees that from time-to-time hereafter Franchisor may change or modify the System as Franchisor deems appropriate, including to reflect the changing market and/or to meet new and changing customer demands, and that variations and additions to the System may be required from time to time to preserve and enhance the public image of the System and operations of Port of Subs Restaurants. Franchisor’s changes to the System may include the adoption and use of new or modified products, services, equipment, and furnishings, and new techniques and methodologies relating to the preparation, sale, promotion, and marketing of food and beverage products and services, and new trademarks, service marks, and copyrighted materials. Notwithstanding the provisions and limitations of Section 5.9, Franchisee shall, upon reasonable notice, accept, implement, use, and display in the operation of the Restaurant any such changes in the System, as if they were part of this Agreement at the time of execution hereof, at Franchisee’s sole expense. Additionally, Franchisor reserves the right, in its sole discretion, to vary the standards throughout the System, as well as the services and assistance that Franchisor may provide to some franchisees based upon the peculiarities of a particular circumstance, existing business practices, or other factors that Franchisor deems to be important to the operation of any Port of Subs Restaurant or the System. Franchisee shall not be entitled to require Franchisor to provide Franchisee with a like or similar variation hereunder.

5.29 No Third-Party Management. The Restaurant shall be operated under the control and supervision of Franchisee, its Operating Principal, the General Manager, or another general manager hired by and employed by Franchisee and approved by Franchisor. Franchisee shall not hire or retain a management company, manager (other than an employee manager trained and approved by Franchisor), or third party to undertake any of the management or operational functions of the Restaurant.

## **6. ADVERTISING AND MARKETING**

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

## 6.1 Grand Opening Program ~~and Grand Re-Opening Program.~~

6.1.1 Grand Opening Program. In addition to and not in lieu of the Brand Development Fund Contribution and any expenditures for ~~local advertising and promotion~~ Local Store Marketing, Franchisee shall spend a minimum of ~~Five~~ Fifteen Thousand Dollars (\$~~5~~ 15,000) for grand opening advertising and promotional programs in conjunction with the Restaurant's initial grand opening, pursuant to a grand opening marketing plan which Franchisor and Franchisee will collaborate and agree upon (the "Grand Opening Program"). Franchisor reserves the right to require that Franchisee pay to Franchisor the required and agreed upon Grand Opening Program amount ("Grand Opening Program Amount") ~~at a time that is sufficiently in advance of 90 days prior to the scheduled opening to expected~~ Restaurant Grand Opening to implement the Grand Opening Program. If Franchisor requires that Franchisee pay the Grand Opening Program Amount to Franchisor, Franchisor will use the Grand Opening Program Amount to develop and implement the Grand Opening Program for Franchisee's Restaurant. The Grand Opening Program may commence prior to opening the Restaurant and shall be completed within sixty (60) days after the Restaurant commences operation. If Franchisor spends additional amounts on advertising as part of the Grand Opening Program, in amounts that Franchisor and Franchisee agree are part of the Grand Opening Program, Franchisee must reimburse Franchisor for the additional costs within fifteen (15) days after the receipt of notice from Franchisor. Franchisee may spend such additional sums as Franchisee deems necessary or appropriate in connection with the opening of the Restaurant. Franchisee shall submit to Franchisor, for Franchisor's prior written approval, a Grand Opening Program marketing plan and samples of all advertising and promotional material not prepared or previously approved by Franchisor.

6.1.2 Grand Re-Opening Program. In connection with relocation of the Restaurant pursuant to Section 1.1 or a transfer pursuant to Section 12, the Franchisee (in connection with a relocation) or transferee (in connection with a transfer) must agree to spend at least \$5,000 ("Grand Re-Opening Program Amount") for the Restaurant's grand re-opening pursuant to a grand re-opening marketing plan to be mutually agreed upon by Franchisor and the Franchisee or transferee, as applicable ("Grand Re-Opening Program"). Franchisor reserves the right to require the Franchisee or transferee, as applicable, to pay to Franchisor the required and agreed-upon Grand Re-Opening Program Amount prior to the expected Restaurant re-opening date (in connection with a relocation) or upon the transferee's execution of a new franchise agreement (in connection with a transfer) to implement the Grand Re-Opening Program. If Franchisor requires to Franchisee or transferee, as applicable, to pay the Grand Re-Opening Program Amount to Franchisor, Franchisor will use the Grand Re-Opening Program Amount to develop and implement the Grand Re-Opening Program for the Restaurant. The Grand Re-Opening Program may commence prior to the Restaurant's re-opening, and shall be completed within sixty (60) days after the later of the date of transfer, if any, or the date the Restaurant re-commences operation. If Franchisor spends additional amounts on advertising as part of the Grand Re-Opening Program, in amounts that Franchisor and the Franchisee or transferee, as applicable, agree are part of the Grand Re-Opening Program, the Franchisee or transferee, as applicable, must reimburse Franchisor for the additional costs within fifteen (15) days after the receipt of notice from Franchisor. Franchisee or transferee, as applicable, may spend such additional sums as it deems necessary or appropriate in connection with the re-opening of the Restaurant. Franchisee or transferee, as applicable, must submit to Franchisor, for Franchisor's prior written approval, a Grand Re-Opening Program marketing plan and samples of all advertising and promotional material not prepared or previously approved by Franchisor.

6.2 Brand Development Fund Expenditure. Franchisor shall have the right to establish the Brand Development Fund and/or a Local Advertising Cooperative, as described in this Section 6.

6.2.1 Brand Development Fund. Franchisee shall pay to Franchisor an amount equal to one percent (1%) of the preceding month's Gross Sales (the "Brand Development Fund Contribution"). For all Port of Subs Restaurants owned by Franchisor, Franchisor shall contribute to the Brand

Development Fund on the same basis as franchisees. Franchisor shall have the right to increase the Brand Development Fund Contribution by not more than one percent (1%) of Gross Sales per year. During the term of this Agreement, the Brand Development Fund Contribution shall not exceed five percent (5%) of Gross Sales. The Brand Development Fund shall be maintained and administered by Franchisor or its designee, as follows:

6.2.2 Franchisor or its designee shall have the right to direct all advertising programs, as well as all aspects thereof, including the concepts, materials, and media used in such programs and the placement and allocation thereof. The Brand Development Fund is intended to maximize general public recognition, acceptance, perception of, and use of the System; and Franchisor and its designee are not obligated, in administering the Brand Development Fund, to make expenditures for Franchisee which are equivalent or proportionate to its contribution, or to ensure that any particular franchisee benefits directly or pro rata from expenditures by the Brand Development Fund.

6.2.3 Franchisor may use the Brand Development Fund Contribution for any and all costs of maintaining, administering, directing, conducting, creating, and/or otherwise preparing advertising, marketing, public relations, and/or promotional programs and materials, and any other activities which Franchisor believes will enhance the image of the System, including the costs of preparing and/or conducting: media advertising campaigns; social media campaigns; direct mail advertising; marketing surveys and other public relations activities; employing advertising and/or public relations agencies to assist therein; brand research and development; developing and hosting marketing, brand development and enhancement, and customer engagement seminars for franchisees; purchasing promotional items; creating menu boards; developing new or modified trade dress and marks; point-of-purchase (POP) materials; design and photographs; conducting and administering visual merchandising, and other merchandising programs; purchasing media space or time (including all associated fees and expenses); administering regional and multi-regional marketing and advertising programs; market research and customer satisfaction surveys; developing and implementing customer loyalty and gift card programs; customer retention programs; the creative development of, and actual production associated with, premium items, giveaways, promotions, contests, public relation events, and charitable or non-profit events; developing, implementing, and maintaining an electronic commerce website and/or related strategies; maintaining and developing one or more websites devoted to the System and/or the "Port of Subs" brand; providing promotional and other marketing materials and services to the Port of Subs restaurants operated under the System; the salaries of Franchisor's employees to the extent such employees provide services in conjunction with the System marketing activities; and all administrative and internal costs and expenses incurred in connection with the above. Franchisor or its designee shall have the right to direct all advertising programs, as well as all aspects thereof, including the concepts, materials, and media used in such programs and the placement and allocation thereof. Franchisee agrees and acknowledges that Franchisor's expenditures from the Brand Development Fund are intended to maximize general public recognition, acceptance, perception of, and use of the System; and that Franchisor and its designee are not obligated, in administering the Brand Development Fund, to make expenditures for Franchisee which are equivalent or proportionate to Franchisee's contribution, or to ensure that any particular franchisee benefits directly or pro rata from such expenditures.

6.3 ~~Local Advertising and Promotion~~ Store Marketing. Commencing on the Effective Date, Franchisee must spend at least two percent (~~2~~3%) of Gross Sales per month on Local ~~Advertising and Promotion~~ Store Marketing (defined below in Section 6.4) within the Designated Area. ~~All local advertising and promotion~~ All Local Store Marketing by Franchisee shall be in such media, and of such type and format as Franchisor may approve; shall be conducted in a dignified manner; shall conform to such standards and requirements as Franchisor may specify; and shall comply with all applicable laws. Franchisee shall not use any advertising or promotional plans or materials unless and until Franchisee has received written approval from Franchisor, pursuant to the procedures and terms set forth in Section 6.6 below. Franchisee

shall comply with all of Franchisor's written instructions, policies, procedures, and restrictions regarding advertising and marketing within the Designated Area, outside of the Designated Area, and in areas that may be territories assigned to other Port of Subs Restaurants or franchisees (including, without limitation, rules regarding honoring of gift certificates, stored value cards, and promotions).

6.4 Costs of Local Advertising and Promotion/Store Marketing. As used in this Agreement, the term "Local ~~Advertising and Promotion~~Store Marketing" shall consist only of the direct costs of purchasing and producing advertising materials (including, but not limited to, camera ready advertising and point-of-sale materials), media (space or time), and those direct out-of-pocket expenses related to costs of advertising and sales promotion spent by Franchisee in the Designated Area, advertising agency fees and expenses, postage, shipping, telephone, and photocopying; however, the parties expressly agree that advertising and sales promotion shall not include costs or expenses incurred by or on behalf of Franchisee in connection with any of the following:

6.4.1 Salaries and expenses of any employees of Franchisee, including salaries or expenses for attendance at advertising meetings or activities, or incentives provided or offered to such employees, including discount coupons;

6.4.2 Charitable, political, or other contributions or donations, whether in cash, food, or services;

6.4.3 The value of discounts provided to customers;

6.4.4 The cost of food items.

6.5 Local Advertising Cooperative. Franchisor shall have the right to designate any geographical area for the purpose of establishing a market brand development and promotional cooperative fund ("Local Advertising Cooperative"). If a Local Advertising Cooperative for the geographic area in which the Restaurant is located has been established at the time Franchisee commences operations hereunder, Franchisee shall immediately become a member of such Local Advertising Cooperative, unless otherwise permitted by Franchisor. If a Local Advertising Cooperative for the geographic area in which the Restaurant is located is established during the term of this Agreement, Franchisee shall become a member of such Local Advertising Cooperative within thirty (30) days after the date on which the Local Advertising Cooperative commences operation, unless otherwise permitted by Franchisor. In no event shall Franchisee be required to be a member of more than one (1) Local Advertising Cooperative relating to the Restaurant. Franchisee shall contribute to the Local Advertising Cooperative of which Franchisee is a member an amount each calendar month during the term of this Agreement that is determined by Franchisor, which shall not be more than three percent (3%) of the preceding month's Gross Sales (the "Local Advertising Cooperative Fee"); ~~provided that any amount paid by Franchisee toward the Local Advertising Cooperative Fee will be credited towards Franchisee's obligation to spend the Local Advertising Amount (as described in Section 6.3) up to a maximum of two percent (2%) of Gross Sales.~~ If a Local Advertising Cooperative for the geographic area in which a Port of Subs Restaurant owned or operated by Franchisor or its affiliate is located is established, Franchisor or such affiliate will contribute to the Local Advertising Cooperative on the same basis as franchisees. The following provisions shall apply to each such Local Advertising Cooperative:

6.5.1 Each Local Advertising Cooperative shall be organized (including bylaws and other formation documents) and governed in a form and manner, and shall commence operations on a date, approved in advance by Franchisor in writing. Unless otherwise specified by Franchisor, the activities carried on by each Local Advertising Cooperative shall be decided by a majority vote of its members. Any Port of Subs Restaurants that Franchisor or its affiliate operates in the region shall have the same voting

rights as those owned by franchisees. Each Port of Subs Restaurant owner shall be entitled to cast one (1) vote for each Port of Subs Restaurant owned.

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

6.5.3 No advertising or promotional plans or materials may be used by a Local Advertising Cooperative or furnished to its members without Franchisor's prior approval, pursuant to the procedures and terms as set forth in this Agreement.

6.5.4 Franchisee shall submit Franchisee's required contribution to the Local Advertising Cooperative at the time required under Section 3.5 above, together with such statements or reports as may be required by Franchisor or by the Local Advertising Cooperative with Franchisor's prior written approval. If so requested by Franchisor in writing, Franchisee shall submit Franchisee's payments and reports to the Local Advertising Cooperative directly to Franchisor for distribution to the Local Advertising Cooperative.

6.5.5 Although once established, each Local Advertising Cooperative is intended to be of perpetual duration, Franchisor shall maintain the right to terminate any Local Advertising Cooperative. A Local Advertising Cooperative shall not be terminated, however, until all monies in that Local Advertising Cooperative have been expended for advertising and/or promotional purposes or returned to its members.

6.6 Approvals. For all proposed Local ~~Advertising and Promotion~~ Store Marketing, Franchisee shall submit samples of such plans and materials to Franchisor in the manner that Franchisor prescribes, for Franchisor's review and prior written approval (except with respect to prices to be charged by Franchisee unless otherwise permitted in this Agreement). If written approval is not received by Franchisee from Franchisor within fifteen (15) days after the date of receipt by Franchisor of such samples or materials, Franchisor shall be deemed to have disapproved them. Franchisee acknowledges and agrees that any and all copyright in and to advertising and promotional materials developed by or on behalf of Franchisee shall be the sole property of Franchisor, and Franchisee agrees to execute such documents (and, if necessary, require its independent contractors to execute such documents) as may be deemed reasonably necessary by Franchisor to give effect to this provision.

6.7 Promotional Materials. Franchisor may make available to Franchisee from time to time, at Franchisee's expense, advertising plans and promotional materials, including newspaper mats, coupons, merchandising materials, sales aids, point of purchase materials, special promotions, direct mail materials, community relations programs, and similar advertising and promotional materials. Franchisor may provide periodic marketing assistance to Franchisee, including telephone and e-mail marketing assistance, and templates or other materials for e-mail-based marketing. Franchisor shall have the right to require all advertising and promotional materials, signs, decorations, paper goods (including disposable food and beverage containers, bags, napkins, menus, and all forms and stationery used in the Restaurant), any and all replacement trade dress products, and other items which may be designated by Franchisor, to bear the Franchisor's then-current Proprietary Marks and logos in the form, color, location, and manner then-prescribed by Franchisor.

## 7. RECORDS AND REPORTS

7.1 Records. Franchisee shall maintain for a period of not less than three (3) years during the term of this Agreement, and, for not less than three (3) years following the termination, expiration, or non-

renewal of this Agreement, full, complete, and accurate books, records, and accounts in accordance with generally accepted accounting principles, as required by law, and in the form and manner prescribed by Franchisor from time to time in the Manuals or otherwise in writing. Franchisee shall prepare and maintain all books and records required under this Agreement and as prescribed by Franchisor during each fiscal year during the term of this Agreement and for the three (3) years prior to each fiscal year. To the extent books and records are created and/or maintained in an electronic form, all such books and records must be capable of being reviewed by Franchisor or its designee without special hardware or software.

7.2 Periodic Reports. Franchisee shall, at its expense, provide to Franchisor, in a format specified by Franchisor, such financial and operating reports that Franchisor prescribes.

7.3 Reporting Requirements. In addition to the Sales Reports required pursuant to Section 3.5, Franchisee shall also submit to Franchisor such other forms, reports, records, information, and data as and when Franchisor may reasonably designate, in the form and format, and at the times and places reasonably required by Franchisor, upon request and as specified from time to time in the Manuals or otherwise in writing.

7.4 Audit. Franchisor or its designee shall have the right at all reasonable times to examine, copy, and/or personally review or audit, at Franchisor's expense, all books, records, and sales and income tax returns of Franchisee. Franchisee shall cooperate fully with all audits and requests for information made by Franchisor or its designees. Franchisor shall also have the right, at any time, to have an independent audit made of the books of Franchisee. If an inspection reveals that any payments have been understated or overstated in any report to Franchisor, then Franchisee shall immediately pay Franchisor, in the event of an understatement, the amount understated upon demand, in addition to interest from the date such amount was due until paid, at the rate of one and one-half percent (1.5%) per month, or the maximum rate permitted by law, whichever is less. If an inspection is necessitated because Franchisee fails to timely provide Sales Reports or if an inspection discloses an understatement in any report by Franchisee of two percent (2%) or more, Franchisee shall, in addition, reimburse Franchisor for any and all costs and expenses connected with the inspection (including, without limitation, travel, lodging, and wages expenses, and reasonable accounting and legal costs). The foregoing remedies shall be in addition to any other remedies Franchisor may have.

## **8. PROPRIETARY MARKS**

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

8.1.1 Franchisee shall use only the Proprietary Marks designated by Franchisor, and shall use them only in the manner authorized and permitted by Franchisor; all items bearing the Proprietary Marks shall bear the then-current logo.

8.1.2 Franchisee shall use the Proprietary Marks only for the operation of the business franchised hereunder and only at the location authorized hereunder, or in Franchisor-approved advertising for the business conducted at or from that location.

8.1.3 Unless Franchisor otherwise directs Franchisee, in writing, to do so, Franchisee shall operate and advertise the Restaurant only under the name "Port of Subs," without prefix or suffix.

8.1.4 Franchisee shall identify itself (in a manner reasonably acceptable to Franchisor) as the independent owner of the franchised Restaurant in conjunction with any use of the Proprietary Marks, including 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 as Franchisor may designate in writing.

8.1.5 Franchisee's right to use the Proprietary Marks is limited to such uses as are authorized under this Agreement, and any unauthorized use thereof shall constitute an infringement of Franchisor's rights.

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

8.1.7 Franchisee shall not use the Proprietary Marks or any variant thereof as part of its corporate or other legal name, or as part of any e-mail address, domain name, websites or other identification of Franchisee in any electronic medium (including e-mail addresses, account names in a social media site, and the like) of Franchisee or the Restaurant in any forum or medium. Franchisor reserves the right to require Franchisee to file or otherwise update its corporate or other legal name with state or local government authorities to reflect "Port of Subs" as a DBA.

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

8.1.9 With respect to litigation involving the Proprietary Marks, the parties agree that:

8.1.9.1 Franchisee shall promptly notify Franchisor of any suspected infringement of the Proprietary Marks, any known challenge to the validity of the Proprietary Marks, or any known challenge to Franchisor's ownership of, or Franchisee's right to use, the Proprietary Marks licensed hereunder. Franchisee acknowledges that Franchisor or its affiliate shall have the right to direct and control any administrative or arbitral proceeding or litigation involving the Proprietary Marks, including any settlement thereof. Franchisor or its affiliate shall also have the right, but not the obligation, to take action against uses by others that may constitute infringement of the Proprietary Marks.

8.1.9.2 Except to the extent that any litigation or arbitration involving the Proprietary Marks is the result of Franchisee's use of the Proprietary Marks in a manner inconsistent with the terms of this Agreement or involving any other claim against Franchisor, Franchisor agrees to reimburse Franchisee for its out-of-pocket litigation and arbitration costs in doing such acts and things, except that Franchisee shall bear the salary costs of its employees, and Franchisor or its affiliate shall bear the costs of any judgment or settlement but only if the claim on which the judgment or settlement is made is only related to the validity or ownership of the Proprietary Marks. To the extent that such litigation or arbitration is the result of Franchisee's use of the Proprietary Marks in a manner inconsistent with the terms of this Agreement, Franchisee shall reimburse Franchisor or its affiliate for the cost of such litigation or arbitration (or, upon Franchisor's written request, pay Franchisor's legal fees directly), including attorney's fees, as well as the cost of any judgment or settlement.

8.1.9.3 If Franchisor or its affiliate undertakes the defense or prosecution of any litigation or arbitration relating to the Proprietary Marks, Franchisee shall execute any and all documents and do such acts and things as may, in the opinion of counsel for Franchisor, be necessary to carry out such defense or prosecution, including becoming a nominal party to any legal action.

8.2 Franchisee Acknowledgements Regarding Proprietary Marks. Franchisee expressly understands and acknowledges that:

8.2.1 As between Franchisee and Franchisor, Franchisor or its affiliates are the exclusive owner of the Proprietary Marks. The Proprietary Marks are valid and serve to identify the System and those who are authorized by Franchisor to operate and/or develop under the System.

8.2.2 Neither Franchisee nor any owner of Franchisee shall directly or indirectly contest the validity of ownership of the Proprietary Marks by Franchisor or its affiliate, or Franchisor's license to use and sublicense the Proprietary Marks. Nor shall Franchisee or any owner of Franchisee, directly or indirectly, seek to register the Proprietary Marks with any government agency, except with the express prior written consent of Franchisor.

8.2.3 Franchisee's right to use Proprietary Marks is derived solely from this Agreement and limited to its operation of the Restaurant pursuant to and in compliance with this Agreement and Franchisor's standards and specifications. Franchisee's use of the Proprietary Marks does not give Franchisee any ownership interest or other interest in or to the Proprietary Marks, except the license granted by this Agreement.

8.2.4 Any and all goodwill arising from Franchisee's use of the Proprietary Marks shall inure solely and exclusively to the benefit of Franchisor. This Agreement does not confer any goodwill or other interests in Proprietary Marks upon Franchisee other than the limited right to operate the Restaurant in compliance with this Agreement. Upon expiration or earlier 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 System or the Proprietary Marks.

8.2.5 The right and license of the Proprietary Marks granted hereunder to Franchisee is nonexclusive, and Franchisor and its affiliates thus have and retain the rights, among others:

8.2.5.1 To use the Proprietary Marks itself in connection with selling products and services;

8.2.5.2 To grant other licenses for the Proprietary Marks, in addition to those licenses already granted to existing franchisees or other licensees authorized to operate using the Proprietary Marks;

8.2.5.3 To develop and establish other systems using the same or similar Proprietary Marks, or any other proprietary marks, and to grant licenses or franchises thereto without providing any rights therein to Franchisee.

8.2.6 Franchisor may, at any time, at its sole option, require Franchisee to use any additional, alternative, or substitute Proprietary Marks. If Franchisor for any reason is required to or deems it advisable to modify or discontinue the use of any Proprietary Marks and/or use one or more additional, alternative, or substitute trademarks or service marks, Franchisee will comply with Franchisor's directions within a reasonable time after receiving notice from Franchisor. All costs and expenses relating to the modification or discontinuance of the use of any Proprietary Marks and/or the use of one or more additional, alternative, or substitute trademarks or service marks will be paid by Franchisee. All provisions of this Agreement applicable to Proprietary Marks apply to any additional, alternative, or substitute trademarks and service marks or other commercial symbols that Franchisor authorizes Franchisee to use pursuant to this Agreement.

## **9. MANUALS**

9.1 Manuals. In order to protect the reputation and goodwill of Franchisor, its affiliates, and the Port of Subs brand and System and to maintain high standards of operation under Franchisor's Proprietary Marks, Franchisee shall conduct its business in accordance with the Manuals, one (1) copy of which Franchisee acknowledges having received on loan from Franchisor for the term of this Agreement. The Manuals may consist of multiple volumes of printed text, video and/or audio tapes and files, computer disks, and other electronically stored data, and various and periodic or episodic operational and/or management bulletins, in any format, and Franchisee acknowledges and agrees that Franchisor may provide a portion or all of the Manuals (including updates and amendments), and other instructional information and materials in, or via, electronic media, including through the Internet.

9.2 Confidentiality of the Manuals. Franchisee shall at all times treat the Manuals, any other manuals created for or approved for use in the operation of the Restaurant, and the information contained therein, as confidential, and shall use best efforts to maintain such information as secret and confidential, protect it from viewing by others, and treat the Manuals with the same degree of care as it would treat its most highly confidential documents. Franchisee shall not at any time copy, duplicate, record, or otherwise reproduce the foregoing materials, in whole or in part, nor otherwise make the same available to any unauthorized person.

9.3 Protection of the Manuals. The Manuals shall at all times remain the sole property of Franchisor and shall at all times be kept in a secure place on the Restaurant premises. Franchisee shall ensure that the Manuals are kept current and up to date; and, 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 home office shall be controlling.

9.4 Revisions to the Manuals. Franchisor may from time to time revise the contents of the Manuals, and Franchisee expressly agrees to make corresponding revisions to its copy of the Manuals and to comply with each new or changed standard immediately upon receipt of such revision.

## **10. CONFIDENTIALITY AND COVENANTS NOT TO COMPETE**

10.1 Confidential Information. Franchisee shall not, during the term of this Agreement or thereafter, communicate, divulge, or use for the benefit of any other person, persons, partnership, entity, association, or corporation any confidential information, trade secrets, knowledge, or know how concerning the System or the methods of operation of the business franchised hereunder which may be communicated to Franchisee or of which Franchisee may be apprised by virtue of Franchisee's operation under the terms of this Agreement (the "Confidential Information"). Franchisee shall divulge such Confidential Information only to such of its employees as must have access to it in order to operate the Restaurant. Any and all information, knowledge, know how, and techniques which Franchisor designates as confidential shall be deemed confidential for purposes of this Agreement, except information which Franchisee can demonstrate came to its attention prior to disclosure thereof by Franchisor; or which, at or after the time of disclosure by Franchisor to Franchisee, had become or later becomes a part of the public domain, through publication or communication by others. Any employee who may have access to any Confidential Information regarding the Restaurant shall execute a covenant that s/he will maintain the confidentiality of information they receive in connection with their association with Franchisee. Such covenants shall be on a form provided by Franchisor, which form may, among other things, designate Franchisor as a third-party beneficiary of such covenants with the independent right to enforce them.

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

10.3 Information Exchange. Franchisee agrees to disclose to Franchisor all ideas, concepts, methods, techniques, and products conceived or developed by Franchisee, its affiliates, owners, agents, or employees during the term of this Agreement relating to the development and/or operation of the Restaurant. Franchisee hereby grants to Franchisor, and agrees to procure from its affiliates, owners, agents, or employees, a perpetual, non-exclusive, and worldwide right to use any such ideas, concepts, methods, techniques, and products in all food service businesses operated by Franchisor or its affiliates, franchisees, and designees. Franchisor shall have no obligation to make any payments to Franchisee with respect to any such ideas, concepts, methods, techniques, or products. Franchisee agrees that Franchisee will not use or allow any other person or entity to use any such concept, method, technique, or product without obtaining Franchisor's prior written approval.

10.4 Full Time and Best Efforts. During the term of this Agreement, except as otherwise approved in writing by Franchisor, the Operating Principal or a General Manager appointed in accordance with Section 5 shall devote full time, energy, and best efforts to the management and operation of the Restaurant.

10.5 In-Term Covenants. Franchisee specifically acknowledges that, pursuant to this Agreement, Franchisee will receive valuable specialized training and Confidential Information, including information regarding Franchisor's operational, sales, promotional, and marketing methods and techniques and the System, and that the covenants set forth in this Section 10 (including Section 10.5 and Section 10.6) are made for the purchase and sale of a business or the assets of a business. During the term of this Agreement, except as otherwise approved in writing by Franchisor, Franchisee shall not (a) within the Designated Area or (b) within two (2) miles of any other Port of Subs Restaurant owned and/or operated or then under construction by Franchisor or any other franchisee or licensee of Franchisor, either directly or indirectly, for Franchisee, or through, on behalf of, or in conjunction with any person, persons, partnership, corporation, or entity:

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

10.5.2 Except as otherwise approved in writing by Franchisor, directly or indirectly, own, maintain, operate, engage in, have any interest in, or provide any assistance to (whether as owner, stockholder, partner, officer, director, employee, consultant, franchisor, franchisee, lessor, or otherwise) any "Competitive Business," which means any quick service, fast food, or fast casual dining restaurant or food service establishment that, as determined by Franchisor in its sole determination, is the same as or substantially similar to the Restaurant or the Port of Subs brand, including, without limitation, any in which grillers, submarine, hoagie, hero-type, and/or other deli-style sandwiches account accounts for twenty-five percent (25%) or more of its menu items or gross sales.

10.6 Post-Term Covenants. Except as otherwise approved in writing by Franchisor, Franchisee shall not, for a continuous uninterrupted period of two (2) years from the date of: (a) a transfer permitted under Section 12.3 below; (b) expiration or earlier termination of this Agreement (regardless of the cause for termination); or (c) a final order of a duly authorized arbitrator, panel of arbitrators, or a court of competent jurisdiction (after all appeals have been taken) with respect to any of the foregoing or with respect to the enforcement of this Section 10.6, either (1) directly or indirectly own, maintain, operate, engage in, have any interest in, or provide any assistance to (whether as owner, stockholder, partner, officer, director, employee, consultant, franchisor, franchisee, lessor, or otherwise) any Competitive Business which is, or is intended to be, located: (a) within the Designated Area of the Restaurant or (b) within two (2) miles of any other Port of Subs Restaurant owned and/or operated or then under construction by

Franchisor, Franchisor's affiliate, or any other franchisee or licensee of Franchisor as of the time that the obligations under this Section 10.6 commence, or (2) do or perform, directly or indirectly, any act injurious to the goodwill associated with the Proprietary Marks and the System. If Franchisee does not comply with the post-term covenants as specified in this Section 10.6, the post-term non-compete period shall not begin to run until Franchisee begins to comply.

10.7 Publicly-Held Corporations. Section 10.6 above shall not apply to ownership by Franchisee of less than a five percent (5%) beneficial interest in the outstanding equity securities of any publicly held corporation. As used in this Agreement, the term "publicly held corporation" shall be deemed to refer to a corporation which has securities that have been registered under the Securities Exchange Act of 1934.

10.8 Individual Covenants. Franchisee shall require and obtain execution of covenants similar to those set forth in Sections 8, 9, 10, ~~12.1~~, and ~~14~~10.2 (as modified to apply to an individual, if applicable) from any or all of Franchisee's owners holding a five percent (5%) or greater interest in Franchisee, the Operating Principal, and the General Manager. The covenants required by this Section 10.8 shall be in the form provided in Exhibit F to this Agreement. Franchisee shall deliver to Franchisor copies of such executed covenants immediately upon Franchisor's request. Failure by Franchisee to obtain execution of a covenant required by this Section 10.8 shall constitute a default under this Section 10.

10.9 Severability. The parties agree that each of the foregoing covenants shall be construed as independent of any other covenant or provision of this Agreement. If all or any portion of a covenant in this Section 10 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 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 Section 10.

10.10 Scope of Covenants. Franchisor shall have the right to reduce the scope of any covenant set forth in Sections 10.5 and 10.6 in this Agreement, or any portion thereof, without Franchisee's consent, effective immediately upon receipt by Franchisee of written notice thereof; and Franchisee agrees that it shall comply forthwith with any covenant as so modified, which shall be fully enforceable notwithstanding the provisions of Section 24 below.

10.11 Enforcement of Claims. The existence of any claims Franchisee 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 10. Franchisee agrees to pay all costs and expenses (including reasonable attorneys' fees, costs, and expenses (and interest on such fees, costs, and expenses)) incurred by Franchisor in connection with the enforcement of this Section 10.

10.12 Irreparable Injury. Franchisee acknowledges that Franchisee's violation of the terms of this Section 10 would result in irreparable injury to Franchisor for which no adequate remedy at law may be available, and Franchisee accordingly consents to the issuance of an injunction prohibiting any conduct by Franchisee in violation of the terms of this Section 10.

10.13 Remedies Not Exclusive. The remedies in this Section 10 are in addition to the other right and remedies available to Franchisor and shall not serve as an election of remedies or a waiver of any other rights.

## 11. INSURANCE

11.1 Franchisee shall comply with the following insurance provisions:

11.1.1 Insurance Requirements. Prior to the commencement of any activities or operations pursuant to this Agreement, Franchisee shall procure and maintain in full force and effect during the term of this Agreement (and for such period thereafter as is necessary to provide the coverages required hereunder for events having occurred during the term of this Agreement), at Franchisee's expense, the following insurance policy or policies in connection with the Restaurant or other facilities on premises, or by reason of the construction, operation, or occupancy of the Restaurant or other facilities on premises. Such policy or policies shall be written by an insurance company or companies approved by Franchisor, having a rating of at least "A" in the most recent Key Rating Guide published by the A.M. Best Company (or another rating that Franchisor reasonably designates if A.M. Best Company no longer publishes the Key Rating Guide) and licensed to do business in the state in which the Restaurant is located. All policies will be primary and non-contributory to any insurance that Franchisor may carry and include a waiver of subrogation in Franchisor's favor. Such policy or policies shall include, at a minimum (except as additional coverages and higher policy limits may reasonably be specified for all franchisees from time to time by Franchisor in the Manuals or otherwise in writing to reflect inflation, identification of new risks, changes in the law or standards of liability, higher damage awards and other relevant changes in circumstances), the following:

11.1.1.1 Liability. A comprehensive general liability policy in the amount of not less than \$2,000,000 bodily injury liability and property damage aggregate and \$1,000,000 liability per occurrence, including premises, operations, products, and completed operations, broad form property damage, blanket contractual owner's and contractor's protective, personal injury, and non-owned or hired automobiles.

11.1.1.2 Fire. Fire, extended coverage, and "all risk" or direct physical loss, subject to standard exclusions, in an amount not less than 100% of the replacement value of the premises (exclusive of foundation and excavation costs), including all Equipment and any additions to or substitutions for the premises and Equipment. The replacement cost values as defined in said policy shall include the replacement value of stated items then being constructed or purchased by Franchisor at the time of loss.

11.1.1.3 Business Income and Extra Expense. Business income and extra expense insurance in an amount not less than adequate to pay for the monthly rent reserved under any real property lease or sublease, restaurant equipment lease or sublease, sign lease or sublease, royalties, and other continuing expenses for a limit of fifty percent (50%) of annual sales or twelve (12) months actual loss sustained basis and an extended period of indemnity for not less than one hundred eighty (180) days.

11.1.1.4 Business Automobile Liability Insurance. Business automobile liability insurance, including a combined single bodily injury and property damage coverage for all owned, non-owned, and hired vehicles, with limits of liability not less than One Million Dollars (\$1,000,000) per occurrence for both bodily injury and property damage.

11.1.1.5 Statutory Workers' Compensation Insurance. Statutory workers' compensation insurance and employer's liability insurance for a minimum limit of at least One Million Dollars (\$1,000,000), as well as such other disability benefits type insurance as may be required by statute or rule of the state in which the Restaurant is located. Franchisee shall have and maintain such insurance for all of its employees prior to any employee commencing any training with Franchisor. Franchisee agrees to obtain a waiver of subrogation endorsement on its workers' compensation policy, and shall provide to Franchisor proof of both (i) the effective workers' compensation policy, and (ii) the endorsement to such policy waiving the insurer's right of subrogation.

11.1.1.6 Commercial Umbrella Liability Insurance. Commercial umbrella liability insurance with limits which bring the total of all primary underlying coverages to not less than Three Million Dollars (\$3,000,000) total limit of liability.

11.1.1.7 Property Insurance. Property insurance providing coverage for direct physical loss or damage to real and personal property for all risk perils, including the perils of flood and earthquake.

11.1.1.8 Products Liability Insurance. Products liability insurance in an amount not less than One Million Dollars (\$1,000,000), which policy shall be considered primary.

11.1.1.9 Cyber Liability Insurance. ~~Cyber liability insurance in an amount that Franchisor designates~~ One Million Dollars (\$1,000,000) for first and third party cyber claims including but not limited to identity theft, data breaches, bricking, ransomware, and social engineering, and must include crisis management and defense expenses.

11.1.1.10 Employment Practices Liability Insurance. Liability for employment-related wrongful acts of Franchisee's employees and harassment and discrimination from non-employees for a minimum limit of not less than One Million Dollars (\$1,000,000). This shall also include third party coverage and wage & hour defense costs of at least One Hundred Thousand Dollars (\$100,000).

11.1.1.11 Other Insurance. Any other insurance coverage that is required by federal, state, or municipal law.

11.2 Referenced in Manuals. All policies listed in Section 11.1 (unless otherwise noted below) shall contain such endorsements as shall, from time to time, be provided in the Manuals.

11.3 Policy Cancellation. In the event of cancellation, material change, removal, or non-renewal of any policy, thirty (30) days' advance written notice must be provided to Franchisor in the manner provided in Section 11.7 below. Franchisee shall arrange for a copy of such notification to be sent to Franchisor by the insurance company.

11.4 Construction and Remodeling Insurance. In connection with all significant construction, reconstruction, or remodeling of the Restaurant during the term of this Agreement, Franchisee will cause the general contractor, its subcontractors, and any other contractor, to effect and maintain at general contractor's and all other contractor's own expense, such insurance policies and bonds with such endorsements as are set forth in the Manuals, all written by insurance or bonding companies approved by Franchisor, having a rating as set forth in Section 11.1.1 above.

11.5 No Waiver of Obligations. 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 which may be maintained by Franchisor, nor shall Franchisee's performance of that obligation relieve it of liability under the indemnity provisions set forth in Section 16.1.3 below.

11.6 Franchisor to be Additional Named Insured. All insurance policies shall list Franchisor and its affiliates, and their respective officers, directors, partners, members, subsidiaries, employees, and agents as additional named insureds, and shall also contain a provision that Franchisor, although named as an insured, shall nevertheless be entitled to recover under said policies on any loss occasioned to Franchisor or its servants, agents, or employees by reason of the negligence of Franchisee or its servants, agents, or employees. Additional insured status shall include coverage for ongoing and completed operations. The additional insured endorsement form shall be ISO CG 20-26 or such other form that Franchisor approves

in writing that provides comparable coverage. Additional insured coverage shall not be limited to vicarious liability and shall extend to (and there shall be no endorsement limiting coverage for) Franchisor's negligent acts, errors, or omissions or other additional insureds. Franchisee shall maintain such additional insured status for Franchisor on Franchisee's general liability policies continuously during the term of this Agreement. The Employment Practices Liability policy shall name Franchisor and its affiliates, and their respective officers, directors, partners, members, subsidiaries, employees, and agents as a co-defendant.

11.7 Evidence of Insurance. At least thirty (30) days prior to the time any insurance is first required to be carried by Franchisee, and thereafter at least thirty (30) days prior to the expiration or renewal of any such policy, Franchisee shall deliver to Franchisor, certificates of insurance, endorsements, insurance declarations, and/or other documents requested by Franchisor (collectively, "certificates"), evidencing the proper coverage with limits not less than those required hereunder. All certificates shall expressly provide that no less than thirty (30) days' prior written notice shall be given Franchisor in the event of material alteration to, cancellation, or non-renewal of the coverages evidenced by such certificates. Further certificates evidencing the insurance required by Section 11.1.1 above shall name Franchisor, and each of its affiliates, directors, agents, and employees as additional insureds, and shall expressly provide that any interest of same therein shall not be affected by any breach by Franchisee of any policy provisions for which such certificates evidence coverage. In the event that Franchisee fails to obtain the required insurance or to provide evidence reasonably satisfactory to Franchisor of the insurance policies required by this Section 11.7, Franchisor shall have the right to obtain such required policies on Franchisee's behalf, and Franchisee agrees that it will promptly reimburse Franchisor for all costs related to obtaining such policies upon notice from Franchisor.

11.8 Proof of Insurance. In addition to its obligations under Section 11.7 above, on the first (1st) anniversary of the Effective Date, and on each subsequent anniversary thereof during the term of this Agreement and any renewal hereof, Franchisee shall provide Franchisor with proof of insurance evidencing the proper coverage with limits not less than those required hereunder, in such form as Franchisor may reasonably require.

11.9 Policy Limit Changes. Franchisor shall have the right, from time to time, to make such changes in minimum policy limits, endorsements, and types of coverage as it deems advisable.

11.10 Franchisor's Insurance. Franchisee acknowledges and agrees that any insurance policies maintained by Franchisor for Franchisor's benefit shall have no effect upon Franchisee's obligation to obtain any insurance required by this Section 11.

## **12. TRANSFER OF INTEREST**

12.1 Franchisor Transfers. Franchisor has the right to transfer or assign this Agreement, the System, Confidential Information, and all or any part of Franchisor's rights or obligations under this Agreement or Franchisor's interest in the System and Confidential Information to any person or legal entity without Franchisee's consent. Any transferee or assignee of this Agreement from Franchisor will become solely responsible for all of Franchisor's obligations under this Agreement from the date of the transfer or assignment. Without limiting the foregoing, Franchisor may sell its assets (including its rights in the Proprietary Marks and the System) to a third party; may offer its securities privately or publicly; may merge with or acquire other legal entities, or be acquired by another legal entity; and may undertake a refinancing, recapitalization, leveraged buyout, or other economic or financial restructuring. Nothing contained in this Agreement will require Franchisor to remain in the business of operating or licensing the operation of Port of Subs Restaurants or other businesses or to offer any services or products to Franchisee, whether or not bearing the Proprietary Marks, if Franchisor transfers or assigns its rights in or obligations under this Agreement and the System.

12.2 Owners. Each owner of Franchisee, and the interest of each of them in Franchisee, is identified in Exhibit D hereto. Franchisee represents and warrants that its owners are set forth on Exhibit D attached to this Agreement, and covenants that Franchisee will not permit the identity of such owners, or their respective interests in Franchisee, to change without Franchisor's consent and without complying with this Agreement.

12.3 Franchisee Transfers. Franchisee understands and acknowledges that the rights and duties set forth in this Agreement are personal to Franchisee, and that Franchisor has granted this franchise in reliance on Franchisee or its owners' business skill, financial capacity, and personal character. Accordingly:

12.3.1 Franchisee and its owners shall not, without Franchisor's prior written consent, transfer, assign, sell, convey, pledge, gift, or otherwise encumber: (a) this Agreement or any of Franchisee's rights and obligations under this Agreement; (b) the Restaurant or all or substantially all of the assets of the Restaurant; (c) the leases or any other interest in the Restaurant; (d) Franchisee; or (e) any direct or indirect ownership interest in Franchisee (individually and collectively, a "Transfer").

12.3.2 If Franchisee is a corporation or limited liability company, Franchisee shall not, without Franchisor's prior written consent, issue any voting securities or securities convertible into voting securities, and the recipient of any such securities shall become an owner under this Agreement, if so designated by Franchisor.

12.3.3 If Franchisee is a partnership or limited partnership, the partners of the partnership shall not, without Franchisor's prior written consent, admit additional general partners, remove a general partner, or otherwise materially alter the powers of any general partner.

12.3.4 Franchisee's owner shall not, without Franchisor's prior written consent, transfer, assign, sell, convey, pledge, gift, or otherwise encumber any interest of an owner in Franchisee as shown in Exhibit D.

12.3.5 Franchisee shall not transfer or assign the lease for the Restaurant, or permit a default or surrender of the lease that will or may cause the Restaurant to be owned, leased, or operated by, any person or entity that will not operate a Port of Subs Restaurant, without Franchisor's prior written consent.

12.4 Conditions for Approval. No Transfer is permitted or authorized without Franchisor's prior written consent. Franchisor will not unreasonably withhold any consent required by Section 12.3 above; provided, Franchisor may require, among other things, any or all of the following as conditions of Franchisor's consent:

12.4.1 Franchisee and the proposed transferee shall comply with Franchisor's then-current transfer policies. Franchisee and the proposed transferee shall provide Franchisor with all information and documents requested by Franchisor for its evaluation of the proposed transfer, transaction, and transferee, including the business and financial terms of the proposed transaction including the leases and/or any assignments, renewal, or extension of the leases and any necessary landlord consents, financial and operational information regarding the proposed transferee, and evidence of any financing that may be required to complete the transaction and/or fund the transferee's operation after the transfer.

12.4.2 Franchisee and its owners shall execute a general release (which shall include a release from the transferor, Franchisee, Franchisee's owners, and guarantors), in a form satisfactory to Franchisor, of any and all claims against Franchisor and its affiliates, successors, and assigns, and their

respective owners, directors, officers, shareholders, partners, agents, representatives, servants, and employees in their corporate and individual capacities including claims arising under this Agreement, any other agreement between Franchisor and Franchisee or their affiliates, and federal, state, and local laws and rules.

12.4.3 The transferee of an owner shall be designated as an owner and each transferee who is designated as an owner shall enter into a written agreement, in a form satisfactory to Franchisor, agreeing to be bound as an owner under the terms of this Agreement as long as such person or entity owns any interest in Franchisee; and, if Franchisee's obligations were guaranteed by the transferor, the owner shall guarantee the performance of all such obligations in writing in a form satisfactory to Franchisor.

12.4.4 Prior to, and after the transfer, the transferee and its owners shall meet Franchisor's educational, managerial, and business standards; each shall possess a good moral character, business reputation, and credit rating; have the aptitude and ability to operate the Restaurant, as may be evidenced by prior related business experience or otherwise; and have adequate financial resources and capital to operate the Restaurant. The price, consideration, and other proposed terms of the proposed transfer must not, in Franchisor's reasonable business judgment, have the effect of negatively impacting the future viability of the Restaurant.

12.4.5 At Franchisor's option, the transferee shall execute the form of franchise agreement then being offered to new franchisees, and such other ancillary agreements required by Franchisor for the business franchised hereunder, which agreements shall supersede this Agreement and its ancillary documents in all respects, and the terms of which may differ from the terms of this Agreement including higher Royalty Fees and Brand Development Fund Contributions, and a different or modified Designated Area, provided however that the term of such franchise agreement shall be equal to the then unexpired term of this Agreement.

12.4.6 At Franchisor's option, Franchisee or transferee, at the sole cost and expense of Franchisee or transferee, shall upgrade the Restaurant to conform to the then-current standards and specifications of new Restaurant then being established in the System, and shall complete the upgrading and other requirements set forth in this Section 12.4.6 or as required under Section 5.9 above within the time specified by Franchisor.

12.4.7 All of Franchisee's monetary obligations hereunder shall be paid in full on a current basis, and Franchisee must not be otherwise in default of any of Franchisee's obligations hereunder including Franchisee's reporting obligations.

12.4.8 The transferor shall remain liable for all of the obligations to Franchisor in connection with the Restaurant that arose prior to the effective date of the transfer, and any covenants that survive the termination or expiration of this Agreement, and shall execute any and all instruments reasonably requested by Franchisor to evidence such liability.

12.4.9 Transferee and its Operating Principal, and such other owners or managers as specified by Franchisor, shall successfully complete (to Franchisor's satisfaction) all training programs required by Franchisor (including the Initial Training Program) upon such terms and conditions as Franchisor may reasonably require (and while Franchisor will not charge a training fee for attendance at such training programs, the transferee shall be responsible for the salary and all expenses of all persons who attend such training).

12.4.10 To compensate Franchisor for Franchisor's legal, accounting, training, and other expenses incurred in connection with the transfer, Franchisee shall pay Franchisor a non-refundable transfer

fee in the amount of Ten Thousand Dollars (\$10,000). The transfer fee shall be paid at the earlier of (a) when the transferee signs the new franchise agreement, or (b) when the transferee begins training. The transfer fee is non-refundable. In addition, in the event a proposed transfer is not consummated or closed, for any reason except for disapproval by Franchisor, Franchisee or the proposed transferee shall reimburse Franchisor for all of Franchisor's costs and expenses incurred in connection with Franchisor's evaluation of the proposed transfer, including attorneys' and accountants' fees, background checks, site evaluation, and training, if applicable, to the extent the portion of the transfer fee paid does not cover those costs and expenses.

12.4.11 The transferor must certify to Franchisor that the transferor has provided to the transferee true, complete, and accurate copies of Franchisee's financial information and documents regarding the operation of the Restaurant, including the trailing two years of financial statements and monthly cash reports, the lease for the Restaurant premises, material contracts, and such other information as may be specified by Franchisor.

12.4.12 The ~~transferor~~ transferee must ~~acknowledge and agree that~~ pay the ~~transferor shall remain bound by~~ Grand Re-Opening Program Amount to Franchisor when the ~~covenants contained in Section 10 above~~ transferee signed the new franchise agreement.

12.5 Transfers to Entities for the Convenience of Ownership. If Franchisee desires to transfer all of Franchisee's interest in this Agreement, or if all of Franchisee's owners desire to transfer all of their ownership interests in Franchisee, to a corporation, limited liability company, or other entity, solely for the convenience of ownership and/or for tax or estate planning reasons, Franchisor shall not unreasonably withhold Franchisor's consent to such transfer, and Franchisor shall not require that Franchisee comply with the provisions and conditions of Section 12.4 or 12.6, if Franchisee complies with all of the following conditions:

12.5.1 Franchisee shall provide written notice to Franchisor not less than thirty (30) days prior to the date of the proposed transfer, and shall provide Franchisor with such documents and information as Franchisor may request in support of Franchisee's request, which may include, among other things, entity formation and good standing certifications, evidence of insurance in the name of the new franchisee entity, and bank information for the new franchisee entity.

12.5.2 Franchisee and Franchisee's owners shall own all of the outstanding equity interests in the new franchisee entity, and shall own the same percentage ownership interests in the new franchisee entity as they own in Franchisee, and if Franchisee is an individual, Franchisee shall own 100% of the outstanding voting equity interests in the new franchisee entity.

12.5.3 Each owner of the outstanding equity interests in the new franchisee entity shall execute a Guarantee, Indemnification, and Acknowledgement in the form attached as Exhibit E hereto.

12.5.4 Franchisee and Franchisee's owners shall comply with the provisions of Sections 12.4.1, 12.4.2, 12.4.6, 12.4.7, and 12.4.11 of this Agreement, and the new entity and its owners shall comply with Sections 5.26 through 5.29 of this Agreement.

12.5.5 Franchisee and Franchisee's owners shall execute such transfer documents, agreements, and other materials as Franchisor may require.

## 12.6 Right of First Refusal.

12.6.1 If Franchisee or any owner desires to accept any bona fide offer from a third party to purchase Franchisee, all or substantially all of the assets of the Restaurant, or any direct or indirect interest in Franchisee, Franchisee or such owner shall promptly notify Franchisor of 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 all such information, 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, the closing on such purchase shall occur within sixty (60) days from the date of notice to the seller of the election to purchase by Franchisor.

12.6.2 Any material change in the terms of the bona fide offer prior to closing shall constitute a new offer subject to the same rights of first refusal by Franchisor as in the case of the third party's initial offer. Franchisor's failure to exercise the option afforded by this Section 12.6 shall not constitute consent to a proposed transfer, a waiver of any other provision of this Agreement, including all of the requirements of this Section 12 with respect to a proposed transfer, or a waiver of any subsequent offer.

12.6.3 In the event the consideration, terms, and/or conditions offered by a third party are such that Franchisor may not reasonably be required to furnish the same consideration, terms, and/or conditions, then Franchisor may purchase the interest proposed to be sold for the reasonable equivalent in cash. If the parties cannot agree within a reasonable time on the reasonable equivalent in cash of the consideration, terms, and/or conditions offered by the third party, they must attempt to appoint a mutually-acceptable independent appraiser to make a binding determination. If the parties are unable to agree upon one (1) independent appraiser, then an independent appraiser shall be promptly designated by Franchisor and another independent appraiser shall be promptly designated by Franchisee, which two (2) appraisers shall, in turn, promptly designate a third appraiser; all three (3) appraisers shall promptly confer and reach a single determination, which determination shall be binding upon Franchisor and Franchisee. The cost of any such appraisal shall be shared equally by Franchisor and Franchisee. If Franchisor elects to exercise its right under this Section 12.6, Franchisor shall have the right to set off all amounts due from Franchisee, and one-half (1/2) of the cost of the appraisal, if any, against any payment to the seller.

12.7 Transfer Upon Death. Within six (6) months after Franchisee's death (if a natural person) or the death of an owner of Franchisee, the executor, administrator, or other personal representative of the deceased will transfer the interest of the deceased in this Agreement or Franchisee to a third party approved by Franchisor in accordance with Section 12.4. If no personal representative is designated or appointed and no probate proceedings are instituted with respect to the estate of the deceased, the distributee of the interest of the deceased must be approved by Franchisor. If the distributee is not approved by Franchisor, the distributee will transfer the interest of the deceased to a third party approved by Franchisor within six (6) months after the date of death of the deceased in accordance with Section 12.4.

12.8 Transfer Upon Permanent Disability. Upon Franchisee's permanent disability or the permanent disability of any owner with a controlling interest in Franchisee, Franchisor may require Franchisee's or the owner's interest to be transferred to a third party approved by Franchisor 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 for at least six (6) consecutive months and from which condition recovery within six (6) consecutive months from the date of determination of disability is unlikely. If Franchisor and Franchisee or Franchisee's representative disagree as to whether a person has a permanent disability, the existence of the permanent disability shall be determined by a licensed practicing physician selected by Franchisor upon examination of such person or, if such person refuses to be examined, then such person shall automatically

be deemed permanently disabled for the purposes of this Section 12.8 as of the date of refusal. Franchisor shall pay the cost of the required examination.

12.9 Notification Upon Death or Permanent Disability. Within ten (10) days after the death or permanent disability of Franchisee (if a natural person) or an owner, Franchisee or Franchisee's representative shall notify Franchisor of the death or permanent disability in writing. Any transfer upon death or permanent disability will be subject to the same terms and conditions set out in this Section 12 for any transfer.

12.10 No Waiver of Claims. Franchisor's consent to a transfer which is the subject of this Section 12 shall not constitute a waiver of any claims Franchisor may have against the transferring party, nor shall it be deemed a waiver of Franchisor's right to demand exact compliance with any of the terms of this Agreement by the transferor or transferee.

12.11 Insolvency. If Franchisee or any person holding any interest (direct or indirect) in Franchisee becomes a debtor in a proceeding under the U.S. Bankruptcy Code or any similar law in the U.S. or elsewhere, it is the parties' understanding, intent, and agreement that any transfer in this Agreement, Franchisee, Franchisee's obligations and/or rights hereunder, all or substantially all of the assets of the Restaurant, or any indirect or direct interest in Franchisee shall be subject to all of the terms of this Section 12.

12.12 Securities Offerings. All materials for an offering of stock or partnership interests in Franchisee or any of Franchisee's affiliates which are required by federal or state law shall be submitted to Franchisor for review as described below before such materials are filed with any government agency. Any materials to be used in any exempt offering shall be submitted to Franchisor for such review prior to their use. No offering by Franchisee or any of Franchisee's affiliates shall imply (by use of the Proprietary Marks or otherwise) that Franchisor is participating in an underwriting, issuance, or offering of the securities of Franchisee or Franchisee's affiliates; and Franchisor's review of any offering shall be limited solely to the relationship between Franchisor and Franchisee and any subsidiaries and affiliates, if applicable, and shall not constitute any opinion as to any legal requirement. Franchisor may, at its option, require the offering materials to contain a written statement prescribed by Franchisor concerning the limitations stated in the preceding sentence. Franchisee (and the offeror if not Franchisee), the owners, and all other participants in the offering must fully indemnify Franchisor, its subsidiaries, affiliates, successor, and assigns, and their respective directors, officers, shareholders, partners, agents, representatives, servants, and employees in connection with the offering and shall execute any and all documents required by Franchisor to endorse such indemnification; provided, there will be no indemnification for Franchisor's gross negligence or willful misconduct according to a final, unappealable ruling issued by a court or arbitrator with competent jurisdiction. For each proposed offering, Franchisee shall pay 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 (including legal and accounting fees) for reviewing the proposed offering. Franchisee shall give Franchisor written notice at least thirty (30) days before the date that any offering or other transaction described in this Section 12 commences. Any such offering shall be subject to all of the other provisions of this Section 12; and further, without limiting the foregoing, it is agreed that any such offering shall be subject to Franchisor's approval as to the structure and voting control of the offeror (and Franchisee, if Franchisee is not the offeror) after the financing is completed.

### **13. DEFAULT AND TERMINATION**

13.1 Automatic Termination. Franchisee shall be deemed to be in default under this Agreement, and all rights granted herein shall automatically terminate without notice to Franchisee, if Franchisee shall become insolvent or make a general assignment for the benefit of creditors; or if a petition in bankruptcy is

filed by Franchisee or such a petition is filed against and not opposed by Franchisee; or if Franchisee is adjudicated bankrupt or insolvent; or if a bill in equity or other proceeding for the appointment of a receiver 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 of Ten Thousand Dollars (\$10,000) or more against Franchisee or Franchisee's affiliate remains unsatisfied or of record for thirty (30) days or longer (unless appealed or a supersedeas bond is filed); or if Franchisee is dissolved; or if an attachment or execution is levied against Franchisee's business or property, including Franchisee's bank accounts, property, or any receivables and is not dismissed within thirty (30) days; or if suit to foreclose any lien or mortgage against the Restaurant premises or equipment is instituted against Franchisee and not dismissed within five (5) days; or if the real or personal property of the Restaurant shall be sold after levy thereupon by any sheriff, marshal, or constable.

13.2 Termination Upon Notice Without Opportunity to Cure. Franchisee shall be deemed to be in 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 the delivery of written notice to Franchisee by Franchisor (in the manner set forth under Section 20 below), upon the occurrence of any of the following events:

13.2.1 If Franchisee fails to obtain approval of the site for the Restaurant pursuant to this Agreement or the Site Selection Addendum;

13.2.2 If Franchisee fails to construct, timely open, maintain, repair, or renovate the Restaurant in accordance with this Agreement or Franchisor's plans and specifications or fails to equip the Restaurant in accordance with Franchisor's standards and specifications;

13.2.3 If Franchisee, its Operating Principal, or managers fail to complete the initial training program pursuant to Section 5.4 of this Agreement;

13.2.4 If Franchisee at any time without the written consent of Franchisor ceases to operate or otherwise abandons the Restaurant for three (3) consecutive business days, or loses the right to possession of the Restaurant premises, or otherwise forfeits the right to do or transact business in the jurisdiction where the Restaurant is located; provided, however, that if, through no fault of Franchisee, the premises are damaged or destroyed by an event such that repairs or reconstruction cannot be completed within ninety (90) days thereafter, then Franchisee shall have thirty (30) days after such event in which to apply for Franchisor's approval to relocate and/or reconstruct the Restaurant, which approval shall not be unreasonably withheld;

13.2.5 If Franchisee defaults under any lease or sublease for the Restaurant (the "Lease") and fails to cure the default within the time period specified in the Lease, or if the Lease is terminated, for any reason, or expires;

13.2.6 If Franchisee, any owner of Franchisee, or any affiliate of Franchisee is convicted of or pleads no contest to a felony, a crime involving moral turpitude, or any other crime or offense that Franchisor believes is reasonably likely to have an adverse effect on the System, the Proprietary Marks, the goodwill associated therewith, or Franchisor's interest therein;

13.2.7 If Franchisee engages in any conduct or practice that is fraudulent, unfair, unethical, or a deceptive practice;

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

13.2.9 If Franchisee or any of Franchisee's owners purports to transfer any rights or obligations under this Agreement or any interest to any third party in a manner that is contrary to the terms of Section 12;

13.2.10 If Franchisee fails to permit an inspection pursuant to Section 5.13 or an audit pursuant to Section 7.4;

13.2.11 If Franchisee fails to comply with the covenants in Section 10.5 or fails to timely obtain execution of the covenants required under Section 10.8;

13.2.12 If any individual who provides the covenants described in Section 10.8 fails to comply with such covenants;

13.2.13 If, contrary to the terms of Sections 9 or 10 above, Franchisee or any individual described in Section 10 discloses or divulges the contents of the Manuals or other Confidential Information;

13.2.14 If Franchisee knowingly maintains false books or records, or submits any false reports (including information provided as part of Franchisee's application for this franchise) to Franchisor;

13.2.15 If Franchisee makes, or has made, any misrepresentation or engaged in any act of fraud in connection with obtaining this Agreement or in conducting the business franchised and licensed under this Agreement;

13.2.16 If Franchisee fails to pay any supplier or vendor when due, and fails to cure such default within the time period specified by the supplier or vendor, or in the applicable supply contract;

13.2.17 If Franchisee fails to pay any third party, including a lender, seller, or lessor of products, services or equipment, any amount due by Franchisee to such parties on any note, financing, obligation, or financial instrument when due, and such failure to pay the full amount owed is not cured after any notice required by the contract or under applicable law;

13.2.18 If Franchisee makes any unauthorized or improper use of the Proprietary Marks, or if Franchisee or any owner of Franchisee fails to utilize the Proprietary Marks solely in the manner and for the purposes directed by Franchisor, or directly or indirectly contests the validity of Franchisor's ownership of the Proprietary Marks or Franchisor's right to use and to license others to use the Proprietary Marks;

13.2.19 If Franchisee fails to submit to Franchisor any financial or other information required under this Agreement;

13.2.20 If Franchisee fails to operate the Restaurant in accordance with this Agreement, including operating the Restaurant in compliance with the operating standards and specifications established from time to time by Franchisor as to the quality of service, specifications and use of computer hardware and software, cleanliness, health and sanitation, or if Franchisee receives a failing score on any inspection conducted in accordance with Section 5.13 hereof;

13.2.21 If any other agreement between Franchisee (or any of its affiliates) and Franchisor (or any of its affiliates) is terminated for cause;

13.2.22 If Franchisee fails on more than three (3) or more occasions during any 12-month period to comply with one (1) or more requirements of this Agreement, regardless of whether the prior defaults were cured;

13.2.23 If Franchisee fails to comply with any applicable laws as more specifically set forth in Section 5.25;

13.2.24 If Franchisee, prior to operating the Restaurant, does not obtain Franchisor's prior written approval of an Operating Principal if (1) Franchisee is not an individual or (2) Franchisee does not participate personally in the direct operation of the Restaurant;

13.2.25 If the right of Franchisee to possess the Restaurant premises terminates for any reason whatsoever.

13.3 Termination With Opportunity to Cure. Except as otherwise provided in Sections 13.1 and 13.2 above, upon any other default by Franchisee of Franchisee's obligations hereunder, Franchisor may terminate this Agreement by giving written notice of termination (in the manner set forth under Section 20 below) setting forth the nature of such default to Franchisee at least thirty (30) days prior to the effective date of termination (or, with respect to monetary defaults, five (5) days); provided, however, that Franchisee may avoid termination by immediately initiating a remedy to cure such default, curing it to Franchisor's satisfaction, and by promptly providing proof thereof satisfactory to Franchisor, all within the thirty (30) (or five (5)) day period. If any such default is not cured within the specified time, this Agreement shall terminate without further notice to Franchisee effective immediately upon the expiration of the thirty (30) (or five (5)) day period or such longer period as applicable law may require.

13.4 Extended Notice of Termination. If any law applicable to this Section 13 requires a longer notice period prior to termination of this Agreement, or prior to a refusal to enter into a successor or renewal franchise, than is required hereunder, a different standard of "good cause", or the taking of some other action not required hereunder, the prior notice, "good cause" standard, and/or other action required by such law shall be substituted for the comparable provisions hereof.

13.5 Assignment Upon Bankruptcy. If, for any reason, this Agreement is not terminated pursuant to this Section 13, and the Agreement is assumed, or assignment of the same to any person or entity who has made a bona fide offer to accept an assignment of the Agreement is contemplated, pursuant to the United States Bankruptcy Code, then notice of such proposed assignment or assumption, setting forth: (i) the name and address of the proposed assignee; and (ii) all of the terms and conditions of the proposed assignment and assumption, shall be given to Franchisor within twenty (20) days after receipt of such proposed assignee's offer to accept assignment of this Agreement, and, in any event, within ten (10) days prior to the date application is made to a court of competent jurisdiction for authority and approval to enter into such assignment and assumption, and Franchisor shall thereupon have the prior right and option, to be exercised by notice given at any time prior to the effective date of such proposed assignment and assumption, to accept an assignment of this Agreement to Franchisor upon the same terms and conditions and for the same consideration, if any, as in the bona fide offer made by the proposed assignee, less any brokerage commissions which may be payable by Franchisee out of the consideration to be paid by such assignee for the assignment of this Agreement. In the event Franchisor does not elect to exercise the options described in this Section 13.5, any transfer or assignment pursuant to the United States Bankruptcy Code shall be subject to the same terms and conditions of any other transfer or assignment set forth in Section 12.

13.6 Other Remedies. Franchisor has the right to undertake any one or more of the following actions in addition to, or in lieu of, terminating this Agreement:

13.6.1 Franchisor may require Franchisee to close the Restaurant and take the necessary steps to bring the Restaurant (including the operation, maintenance, repair and restoration of the Restaurant) into strict conformity with Franchisor's standards and specifications and the requirements of this Agreement. Franchisee shall not reopen the Restaurant until Franchisee has brought it into conformity with Franchisor's standards and specifications;

13.6.2 Franchisor may modify, or eliminate completely, the Designated Area described in Section 1.2 above;

13.6.3 Franchisor may elect, but has no obligation, to assume complete operating control and possession of the Restaurant and operate the same in the capacity of a receiver. Franchisor shall apply funds received from that operation, first to the payment of all of Franchisor's costs and expenses of operation, then to the current obligations of Franchisee to Franchisor or any third party, and then to the past due obligations of Franchisee to Franchisor or any third party, with any remaining funds paid over to Franchisee;

13.6.4 Franchisor may disable access to or remove all or any references to the Restaurant or webpage(s) of the Restaurant from the Authorized Website, until such time as the default is fully cured;

13.6.5 If Franchisor provides notice with respect to any event of default and in consideration of the rights granted in this Agreement and rights deferred by Franchisor, and due to the difficulty of establishing the precise amount of damages for breach of these obligations, in addition to all other remedies provided for in this Agreement or otherwise available to Franchisor, Franchisee will pay Franchisor as liquidated and agreed-upon damages (as a reasonable, bona fide pre-estimate of damages and not a penalty) for an event of default fee ("Default Fee") in the amount of \$250 for each day an uncured event of default persists. The Default Fee under this Section 13.6.5 must be paid to Franchisor within five (5) days of receipt of notice from Franchisor. Franchisor may, in addition to or in lieu thereof, pursue other remedies, including termination of this Agreement pursuant to Section 13. Payment to Franchisor of any amount provided for in this Section 13.6.5 will not constitute an election of remedies by Franchisor or excuse performance of Franchisee's obligations hereunder. Any payments received will be in addition to and not in lieu of any other remedies available to Franchisor under this Agreement or at law. If Franchisor imposes a Default Fee under this Section 13.6.5 for any event of default, Franchisor may thereafter terminate this Agreement pursuant to Section 13 for a subsequent violation.

If any of such rights, options, arrangements, or areas are terminated or modified in accordance with this Section 13.6, such action shall be without prejudice to Franchisor's right to terminate this Agreement in accordance with Sections 13.2 or 13.3 above, and/or to terminate any other rights, options, or arrangements under this Agreement at any time thereafter for the same default or as a result of any additional defaults of the terms of this Agreement.

#### **14. OBLIGATIONS UPON TERMINATION OR EXPIRATION**

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

14.1.1 Cease Operations. Franchisee shall immediately cease to operate the Restaurant, and shall not thereafter, directly or indirectly, represent to the public or hold Franchisee out as a present or former franchisee of Franchisor.

14.1.2 Cease Use of Proprietary Marks. Franchisee shall immediately and permanently cease to use, in any manner whatsoever, any confidential methods, procedures, and techniques associated with the System, the mark “Port of Subs” and all other Proprietary Marks and distinctive forms, slogans, signs, symbols, and devices associated with the System. In particular, Franchisee shall cease to use all signs, advertising materials, displays, stationery, forms, and any other articles that display the Proprietary Marks, remove all such articles and/or permit Franchisor to enter the Restaurant and remove or permanently cover all signs or advertisements identifiable in any way with Franchisor’s name or business, at Franchisee’s expense.

14.1.3 Cancellation of Assumed Names. Franchisee shall take such action as may be necessary to cancel any assumed name or equivalent registration which contains the Proprietary Mark “Port of Subs” and all other Proprietary Marks, and/or any other service mark or trademark, 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.

14.1.4 Pay Monies Owed; Liquidated Damages. Within ten (10) days after the effective date of expiration or termination of this Agreement, or such later date that the amounts due to us are determined, Franchisee shall pay Franchisor all sums and amounts then due to Franchisor or its affiliates. Franchisee shall also pay to Franchisor, in addition to any amounts then due and owing, all damages suffered and expenses incurred by Franchisor as a result of any default, including reasonable attorneys’ fees, expenses, and costs, and interest on such attorneys’ fees, expenses, and costs. Franchisee acknowledges and agrees that, in the event this Agreement is terminated prior to its expiration due to a default by Franchisee, such termination will result in lost future revenue and profits to Franchisor, harm to the goodwill associated with the Proprietary Marks, and increased costs to Franchisor to re-develop or re-franchise the Designated Area in which the Restaurant is located. Franchisee further acknowledges and agrees that the actual damages that would be incurred by Franchisor in the event of any early termination of this Agreement would be difficult to calculate or ascertain. Accordingly, if this Agreement is terminated prior to its expiration due to a default by Franchisee, Franchisee will, within ten (10) days after the effective date of such termination, pay Franchisor in a single lump sum payment, as liquidated damages and not as a penalty, an amount equal to the product of the average yearly amount of Royalty Fees paid by Franchisee under Section 3.3 of this Agreement during the three (3) years immediately preceding the termination (or such period as the Restaurant was open for business, if the Restaurant was not open for business during the entire three-year period), multiplied by the lesser of (i) three (3) or (ii) the number of years remaining in the Agreement’s then-current initial term or renewal term. Franchisee acknowledges and agrees that such amount is considered to be a reasonable, bona fide pre-estimate of damages, which is fair and reasonable under the circumstances, and not a penalty. Franchisee acknowledges and agrees that the liquidated damages specified in this Section 14.1.4 are only intended to compensate Franchisor for the early termination of this Agreement and Franchisor’s loss of revenue resulting therefrom, but not for any other breach of this Agreement by Franchisee or any other damages, losses, or expenses incurred by Franchisor, and all other applicable remedies under the law remain available to Franchisor.

14.1.5 Return of Manuals and Other Materials. Franchisee shall immediately deliver to Franchisor the Manuals, plans, specifications, designs, records, data, samples, models, programs, handbooks, and drawings relating to the Port of Subs brand, System, operations, or business, and all other materials containing Confidential Information (including any copies thereof, even if such copies were made in violation of this Agreement), all of which are acknowledged to be Franchisor’s property.

14.1.6 No Confusion. Franchisee agrees that, if it continues to operate or subsequently begins to operate any other business, Franchisee shall not use any reproduction, counterfeit copy, or colorable imitation of the Proprietary Marks, either in connection with such other business or the promotion thereof, which is likely to cause confusion, mistake, or deception, or which is likely to dilute Franchisor’s

rights in and to the Proprietary Marks, and further agrees not to utilize any designation of origin, description, trademark, service mark, or representation which suggests or represents a present or past association or connection with Franchisor, the brand, the System, or the Proprietary Marks.

14.1.7 Assign Leases; Modification of Premises. Franchisor shall have the right and option, but not the obligation, to acquire the Leases for the Restaurant, or otherwise acquire the right to occupy the premises. Franchisor may assign or delegate this right or option to any of Franchisor's affiliates or a third-party designee, without notice to, or request for approval from, the landlord or lessor of the premises. If Franchisor or its assignee or delegatee does not elect or is unable to exercise any option Franchisor may have to acquire the leases or subleases for the premises of the Restaurant, or otherwise acquire the right to occupy the premises, Franchisee shall make such modifications or alterations to the premises operated hereunder (including the changing of the telephone number) immediately upon termination or expiration of this Agreement as may be necessary to de-identify and distinguish the appearance of said premises from that of other Port of Subs Restaurants, and shall make such specific additional changes thereto as Franchisor may reasonably request for that purpose. In addition, Franchisee shall cease use of, and if Franchisor requests shall transfer to Franchisor, all telephone numbers, customer "loyalty" lists, and any domain names, websites, e-mail addresses, and any other identifiers, whether or not authorized by Franchisor, used by Franchisor while operating the Restaurant, and shall promptly execute such documents or take such steps necessary to remove reference to the Restaurant from all trade or business telephone directories, including "yellow" and "white" pages, or at Franchisor's request transfer same to Franchisor. If Franchisee fails or refuses to comply with the requirements of this Section 14.1.7, Franchisor (or its designee) shall have the right to enter upon the premises of the Restaurant, without being guilty of trespass or any other tort, for the purpose of making or causing to be made such changes as may be required, at Franchisee's expense, which expense Franchisee agrees to pay upon demand.

14.1.8 Option to Purchase Equipment and Furnishings. Franchisor shall have the option, to be exercised within thirty (30) days after expiration or earlier termination of this Agreement, to purchase from Franchisee any or all of the equipment or inventory related to the operation of the Restaurant, at the lesser of the fair market value or Franchisee's book value. The book value shall be determined based upon a five (5) year straight line depreciation of original costs. For equipment that is five (5) or more years old, the parties agree that fair market value shall be deemed to be ten percent (10%) of the equipment's original cost. If Franchisor elects to exercise any option to purchase herein provided, Franchisor shall set off all amounts due from Franchisee. Notwithstanding any term or provision in this subparagraph to the contrary, Franchisor expressly reserves the right, but not the obligation, to negotiate to purchase the equipment directly from the lessor of the equipment. The transfer of the equipment from Franchisee to Franchisor shall take place within sixty (60) days after the expiration or earlier termination of this Agreement upon receipt of payment or any applicable transfer and release documents from Franchisor; provided, however, that if the transfer cannot take place within that time period because of delays caused by Franchisee's lender or lessor, the time period shall extend by a like number of days. All such equipment and inventory shall be transferred without liens or other encumbrances of any kind and Franchisor shall receive free and clear title. If Franchisor exercises the options contained in Sections 14.1.7 and 14.1.8 of this Agreement, Franchisee shall leave all of the equipment at the Restaurant in good working order and repair and shall allow Franchisor to use the equipment without charge until the transfer of the equipment takes place.

14.1.9 Damages and Costs. Franchisee shall pay Franchisor all damages, costs, interest, and expenses, including reasonable attorneys' fees, costs, and expenses (and interest on such fees, costs, and expenses), incurred by Franchisor subsequent to the termination or expiration of this Agreement in obtaining injunctive or other relief for the enforcement of any provisions of this Section 14.1.

14.1.10 Other Rights of Franchisee. The termination of this Agreement shall not affect the rights of Franchisee to operate other Port of Subs Restaurants in accordance with the terms of any other applicable franchise agreements with Franchisor until and unless the other franchise agreements, or any of them, terminate or expire.

## **15. TAXES, PERMITS, AND INDEBTEDNESS**

15.1 Taxes. Franchisee shall promptly pay when due all taxes levied or assessed, including unemployment and sales taxes, and all accounts and other indebtedness of every kind incurred by Franchisee in the conduct of the Restaurant. If Franchisee is required to deduct any sales tax, gross receipts tax, income tax, withholding tax, or similar tax from any payment to Franchisor, then, to the extent that Franchisor is not able to successfully obtain and utilize a tax credit from the applicable taxing authorities, the amount payable by Franchisor shall be increased by such amount as is necessary to make the actual amount received (after such withholding tax and after any additional taxes on account of such additional payment) equal to the amount that Franchisor would have received had no tax payment been required, provided that such shortfall is not caused by Franchisor's gross negligence, willful misconduct, or fraud in filing the claims, or for reasons that can be solely attributable to Franchisor.

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

15.3 Compliance With Laws. Franchisee shall comply with all federal, state, and local laws, rules, and regulations, including employment, labor, and wage and hour laws, tax laws, and local operating regulations. Franchisee shall timely obtain any and all permits, certificates, or licenses necessary for the full and proper conduct of the Restaurant, including licenses to do business, health certificates, fictitious name registrations, sales tax permits, and fire clearances. To the extent that the requirements of said laws are in conflict with the terms of this Agreement, the Manuals, or Franchisor's other instructions, Franchisee shall: (a) comply with said laws; and (b) immediately provide written notice describing the nature of such conflict to Franchisor.

15.4 Notification of Claims. Franchisee shall notify Franchisor in writing within three (3) days of receipt of notice of any health or safety violation, 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, or within three (3) days occurrence of any accident or injury which may adversely affect the operation of the Restaurant or Franchisee's financial condition, or give rise to liability or a claim against Franchisee or Franchisor.

## **16. INDEPENDENT CONTRACTOR AND INDEMNIFICATION**

16.1 It is understood and agreed by the parties hereto that this Agreement does not in any way create the relationship of principal, agent, fiduciary, joint venture, joint employer, or employer/employee between Franchisor and Franchisee; 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, joint employer, partner, employee, or servant of the other for any purpose whatsoever. For the avoidance of doubt, Franchisor is not the employer or joint employer of Franchisee or Franchisee's employees.

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

16.1.2 No Agency. Franchisee shall not act or attempt to act or represent itself, directly or by implication, as an agent of Franchisor. It is understood and agreed that nothing in this Agreement authorizes Franchisee to make any contract, agreement, warranty, or representation on Franchisor's behalf, or to incur any debt or other obligation in Franchisor's name; and that Franchisor shall in no event assume liability for, or be deemed liable hereunder as a result of, any such action; nor shall Franchisor be liable by reason of any act or omission by Franchisee in Franchisee's conduct of the Restaurant or for any claim or judgment arising therefrom against Franchisee or Franchisor. Franchisee shall not have the authority, express or implied, to bind or obligate Franchisor in any way.

16.1.3 Indemnification. Franchisee, on behalf of itself, its affiliates, and their respective owners, will, to the fullest extent permissible under applicable law, indemnify, defend and hold harmless Franchisor, its affiliates, and each of their respective owners, officers, directors, members, employees and agents (the "Indemnified Parties") against and reimburse any one or more of the Indemnified Parties for any and all losses, compensatory, exemplary or punitive damages, arbitration costs, mediation costs, settlement amounts, judgments, court costs, fines, charges, costs, and expenses, including, without limitation, reasonable attorneys' fees, and consequential damages (together, "Losses and Expenses") arising out of or from or related to, any claims, directly or indirectly, arising out of or from or related to the operation of the Restaurant, any breach of this Agreement or the Manuals, by Franchisee, its affiliates, any of their respective owners, or any breach by Franchisee, its affiliate, or any of their respective owners of any other agreement between Franchisor or its affiliate, on the one hand, and Franchisee, its affiliate, or any of their respective owners, on the other hand. The indemnity set forth above includes claims, directly or indirectly, arising out of, from, or related to the Indemnified Parties' negligence, but not claims caused solely by the Indemnified Parties' gross negligence, fraud, or willful misconduct according to a final, unappealable ruling issued by a court or arbitrator with competent jurisdiction. Franchisor has the right, at its option, to defend any such claim against it at Franchisee's sole cost and expense with counsel of Franchisor's choosing. If Franchisee defends any claim, it may not enter into any settlement agreement or otherwise resolve or conclude the matter without Franchisor's prior written consent. This indemnity will continue in full force and effect subsequent to, and notwithstanding, the expiration or earlier termination of this Agreement. Under no circumstances will Franchisor or any other Indemnified Party be required to seek recovery from any insurer or other third party, or otherwise to mitigate its or Franchisee's Losses and Expenses, in order to maintain and recover fully a claim against Franchisee, Franchisee's affiliate, or their respective owners. Any failure to pursue such recovery or mitigate a loss will in no way reduce or alter the amounts recoverable by Franchisor or another Indemnified Party from Franchisee, Franchisee's affiliate, or their respective owners. Franchisee's obligations under this Section 16.1.3 will survive the expiration or earlier termination of this Agreement.

## **17. GOVERNING LAW AND DISPUTE RESOLUTION**

17.1 Governing Law. This Agreement and the relationship of the parties shall be governed and construed in accordance with the laws of Colorado, without regard to its conflicts of laws provisions. However, the laws of the state in which the Restaurant operates shall govern the enforcement of the non-compete provisions of Section 10 of this Agreement. Nothing in this Section 17 is intended by the parties to subject this Agreement to any franchise, business opportunity, antitrust, consumer protection, or any other law, rule, or regulation of the State of Colorado to which this Agreement would not otherwise be subject.

17.2 Venue. Subject to the terms and provisions of Section 17.3 below, the parties agree that any action brought by one party against the other in any court, whether federal or state, shall be brought only before a federal or state court encompassing Castle Rock, Colorado. The parties agree that this Section 17.2 shall not be construed as preventing either party from removing an action from state to federal court; provided, however, that venue shall be as set forth above. Franchisee and its owners hereby waive all questions of personal jurisdiction or venue for the purpose of carrying out this provision. Any such action shall be conducted on an individual basis, and not as part of a consolidated, common, or class action, and Franchisee and its owners waive any and all rights to proceed on a consolidated, common, or class basis.

17.3 Arbitration. Except as otherwise provided in this Agreement, any claim, controversy, or dispute arising out of or relating to this Agreement, the Restaurant, or the relationship created by this Agreement, including any claim by Franchisee or its owners, concerning the entry into, the performance under, or the termination of this Agreement, or any other agreement between the parties will be resolved via binding arbitration under the authority of the Federal Arbitration Act in accordance with the following provisions:

17.3.1 Any arbitration will be administered by the American Arbitration Association (or its successor) pursuant to its then-current commercial arbitration rules and procedures. The arbitrator will have the authority to decide issues regarding arbitrability and the scope of the arbitrator's jurisdiction. The arbitration must take place in the metropolitan area in which our headquarters are located at the time of the dispute (currently the Denver, Colorado metropolitan area).

17.3.2 Any arbitration must be on an individual basis, and not as part of a common, consolidated, or class action. The parties and the arbitrator will have no authority or power to proceed with any claim as a class action or otherwise to join or consolidate any claim with any other claim or any other proceeding involving third parties. If a court determines that this limitation on joinder of or class action certification of claims is unenforceable, then this entire commitment to arbitrate will become null and void and the parties will submit all claims to the jurisdiction of the courts.

17.3.3 The arbitrator must follow the law and not disregard the terms of this Agreement or its related agreements. Except as otherwise provided in this Agreement, the arbitrator will have the authority to award any interim, interlocutory, or final remedy or relief that a court of the State of Colorado could order or grant, including, without limitation, general damages, specific performance of any obligation created under this Agreement, the issuance of an injunction or other extraordinary relief, or the imposition of sanctions for abuse or frustration of the arbitration process; however, the arbitrator may not under any circumstances: (i) stay the effectiveness of any pending termination of this Agreement; (ii) assess punitive or other prohibited damages; or (iii) make an award that extends, modifies, or suspends any lawful term of this Agreement or its related agreements or any reasonable standard of business performance that we set. A judgment may be entered upon the arbitration award by any state or federal court of competent jurisdiction. The decision of the arbitrator will be binding and final on all parties to the dispute.

17.3.4 Except as necessary to obtain interim or provisional relief, to enforce any arbitration award or order, or to comply with any franchise-specific disclosure obligation, the arbitration proceeding and award will be maintained as strictly confidential and neither party hereto nor the arbitrator may disclose the existence, content, or results of any arbitration hereunder without the prior written consent of both parties hereto.

17.3.5 Each party will bear its share of the costs of the arbitration proceeding. The prevailing party to the arbitration will have the right to an award of its reasonable attorneys' fees and costs incurred after the filing of the demand for arbitration. If either Franchisor or Franchisee seeks to enforce this Agreement in any arbitral or other proceeding, the prevailing party will be entitled to recover its

reasonable costs and expenses (including reasonable attorneys' fees, costs, and expenses (and interest on such fees, costs, and expenses) and expert witness fees, costs of investigation and proof of facts, court costs, other litigation expenses and travel or living expenses) incurred in connection with such judicial or other proceeding.

17.3.6 This agreement to arbitrate will survive the expiration or termination of this Agreement.

17.4 Injunctive Relief. Notwithstanding anything to the contrary contained in this Section 17, either party may file suit in a court of competent jurisdiction (pursuant to Section 17.2) for the entry of temporary or preliminary injunctive relief, restraining orders, and orders of specific performance, including injunctive relief pertaining to Franchisee's use or misuse of the System, Proprietary Marks, or Confidential Information, or impermissible competition, prior to or after the expiration or earlier termination of this Agreement. The parties hereto agree that seeking and obtaining such relief will not waive the parties' agreements to arbitrate.

17.5 Limitation of Actions. Except with regard to claims related to Franchisee's obligations to make payments to Franchisor pursuant to this Agreement, Franchisee's indemnification obligations, and claims related to unauthorized use of the Proprietary Marks or Confidential Information (all of which claims will be subject only to the applicable state or federal statute of limitations), any and all claims and actions arising out of or relating to this Agreement (including the offer and sale of this Agreement), the Franchise relationship, or Franchisee's operation of the Restaurant (including any defenses and any claims of set-off or recoupment) shall be irrevocably barred unless brought or asserted before the expiration of the earlier of (A) the time period for bringing an action under any applicable state or federal statute of limitations; (B) one (1) year after the date upon which a party discovered, or should have discovered, the facts giving rise to an alleged claim; or (C) two (2) years after the first act or omission giving rise to an alleged claim.

17.6 Waiver of Damages. Except with respect to the exclusions set forth in this Section 17.6, to the fullest extent permitted by applicable law and as provided below, Franchisor, Franchisee, and Franchisee's owners waive to the fullest extent permitted by law any right to or claim of any punitive, exemplary, treble, incidental, indirect, consequential, or other similar damages against Franchisor, Franchisee, any of their respective affiliates, owners, officers, directors, shareholders, partners, agents, representatives, independent contractors, servants, and employees, arising out of any cause whatsoever (whether such cause be based in contract, negligence, strict liability, other tort, statutory or otherwise). However, the foregoing waiver will not apply to any claim (a) by any party for attorneys' fees or costs and expenses under this Agreement; (b) for any damages whatsoever, including, without limitation, consequential damages, for adverse harm to the Proprietary Marks or the System; or (c) indemnification and damages for any third-party claims arising under Section 16.1.3. Notwithstanding anything to the contrary in this Agreement, if any other term of this Agreement is found or determined to be unconscionable or unenforceable for any reason, the foregoing provisions of limited waiver by agreement of punitive, exemplary, incidental, indirect, or consequential damages will continue in full force and effect.

17.7 Waiver of Jury Trial. The parties hereto irrevocably waive trial by jury in any action, proceeding, or counterclaim in connection with any matter or dispute of any kind arising under or in any way connected with this Agreement or any right or remedy hereunder, whether at law or in equity, brought by either party hereto.

## **18. TIME IS OF THE ESSENCE**

As to all reports and fees payable to or to be made to Franchisor and any inspections initiated by Franchisor under Section 5.14, time shall be of the essence.

## 19. APPROVALS, WAIVERS, AND BINDING EFFECTS

19.1 Approvals. Whenever this Agreement requires Franchisor's prior approval or consent, Franchisee shall make a timely written request to Franchisor for the approval or consent, which Franchisor shall grant, if at all, only in writing.

19.2 Waivers. Except as set forth in this Agreement, no rights or remedies set forth in this Agreement shall exclude any other right or remedy allowed by law or in equity. No failure by any party to this Agreement to take action on account of any default by any other party, or to exercise any right hereunder, whether in a single instance or repeatedly, shall constitute a waiver of any such default or right or the performance required of such other party. No waiver by a party of any covenant or condition or breach of any covenant or condition of this Agreement shall constitute a waiver of any subsequent breach or nonobservance on any other occasion of the same or any other covenant or condition of this Agreement. Subsequent acceptance by Franchisor of payments due it shall not constitute a waiver by Franchisor of any prior breach.

19.3 Binding Effect; No Other Rights. This Agreement shall bind the parties and their respective executors, administrators, successors, and assigns. 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, and such of the parties' respective successors and assigns as may be contemplated (and, as to Franchisee, permitted) by Sections 12.1 and 12.3 above, any rights or remedies under or by reason of this Agreement.

## 20. NOTICES

20.1 Any and all notices required or permitted under this Agreement shall be in writing and shall be personally delivered, sent by registered mail, a recognized overnight delivery service (e.g., UPS, FedEx, etc.), or by other means which affords the sender evidence of delivery, or of rejected delivery, to the respective parties at the addresses below, unless and until a different address has been designated by written notice to the other party. Any notice by a means which affords the sender evidence of delivery, or rejected delivery, shall be deemed to have been given at the date and time of receipt or rejected delivery. [A courtesy copy of any notice should be provided via email as well.](#)

Franchisor: POS Franchising, LLC  
480 East Happy Canyon Road  
Castle Rock, Colorado 80108  
Attn: ~~Legal Dept.~~ [Agreements](mailto:Legal@portofsubs.com)  
[Legal@portofsubs.com](mailto:Legal@portofsubs.com)  
[Agreements@portofsubs.com](mailto:Agreements@portofsubs.com)

Franchisee: Franchisee's notice address set forth on  
Exhibit A to this Agreement

## 21. FORCE MAJEURE

Neither Franchisor nor Franchisee will be liable for loss or damage or deemed to be in breach of this Agreement if performance is rendered impossible or commercially impractical by a Force Majeure Event (defined below). Any delay resulting from any Force Majeure Event will extend performance accordingly or excuse performance, in whole or in part, as may be reasonable in the judgment of the Party to whom performance is owed, except no Force Majeure Event will operate to excuse Franchisee from the prompt payment of any fee or other amount due to Franchisor or its affiliates under this Agreement.

Franchisee or Franchisor will, within five (5) days of the occurrence of the Force Majeure Event, give a written notice to the other party stating the nature of the Force Majeure Event, its anticipated duration, and any action being taken to avoid or minimize its effect. Any suspension of performance will be of no greater scope and of no longer duration than is reasonably required; provided, however, if the suspension of performance continues for ninety (90) days from the date of the occurrence and such failure to perform would constitute an event of default of this Agreement in the absence of such Force Majeure Event, Franchisor may, subject to any applicable franchise relationship law, terminate this Agreement immediately by giving written notice to Franchisee. As used in this Agreement, “Force Majeure Event” means acts of God (such as tornadoes, earthquakes, hurricanes, floods, fire, or other natural catastrophe); strikes, lockouts, or other industrial disturbances; war (declared or undeclared), riot, terrorist act, or other civil disturbances; cybersecurity incidents; epidemics; pandemics; public health emergencies; governmental action; or any other cause that is beyond the reasonable control of the party affected thereby and that materially and adversely affects the ability of such party to perform. Financial inability of a party hereto will not constitute a Force Majeure Event.

**22. IMMUNITY FOR CERTAIN LIMITED DISCLOSURES**

Notwithstanding anything in this Agreement to the contrary, Franchisee and its affiliates may, in accordance with any applicable law, including the federal Defend Trade Secrets Act, disclose Confidential Information, including Franchisor’s trade secrets: (a) in confidence, to federal, state, or local government officials, or to an attorney of Franchisee, for the sole purpose of reporting or investigating a suspected violation of law; or (b) in a document filed in a lawsuit or other legal proceeding, but only if the filing is made under seal and protected from public disclosure. Nothing in this Agreement is intended to conflict with any applicable law or create liability for disclosures expressly allowed by law.

**23. ENTIRE AGREEMENT AND AMENDMENT**

This Agreement and the exhibits referred to in this Agreement constitute the entire, full, and complete agreement between Franchisor and Franchisee concerning the Agreement’s subject matter, and supersede any and all prior or contemporaneous negotiations, discussions, understandings, and agreements. There are no other oral or written understandings or agreements between Franchisor and Franchisee relating to the subject matter of this Agreement. However, and notwithstanding the foregoing, nothing in this Franchise Agreement is intended to disclaim any representations made by Franchisor in the Franchise Disclosure Document that Franchisor furnished to Franchisee, if any. Except for those permitted to be made unilaterally by Franchisor hereunder, no amendment, change, or variance from this Agreement shall be binding on either party unless mutually agreed to by the parties and executed by their authorized officers or agents in writing. The System and Manuals are subject to change by Franchisor at any time, at Franchisor’s option.

**24. SEVERABILITY; ENFORCEMENT OF COVENANTS; CONSTRUCTION**

24.1 Severability. If any of the provisions of this Agreement may be construed in more than one way, one of which would render the provision illegal or otherwise voidable or unenforceable, such provision shall have the meaning which renders it valid and enforceable. The language of all provisions of this Agreement shall be construed according to its fair meaning and not strictly against any party. In the event any court or other government authority shall determine that any provision in this Agreement is not enforceable as written, the parties agree that the provision shall be amended so that it is enforceable to the fullest extent permissible under the laws and public policies of the jurisdiction in which enforcement is sought and affords the parties the same basic rights and obligations and has the same economic effect. If any provision in this Agreement is held invalid or otherwise unenforceable by any court or other

government authority or in any other proceeding, such findings shall not invalidate the remainder of the Agreement.

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

24.3 Construction. All captions and headings in this Agreement are intended solely for the convenience of the parties, and none shall be deemed to affect the meaning or construction of any provision. Each pronoun used in this Agreement shall include the other numbers and genders, as appropriate. The words “include” and “including” will be construed to include the words “without limitation.”

## 25. JOINT AND SEVERAL OBLIGATION

If Franchisee consists of more than one person or entity, each person and entity shall have joint and several liability for Franchisee’s obligations under this Agreement.

## 26. INCORPORATION OF EXHIBITS

All exhibits referred to in this Agreement constitute an integral part of this Agreement.

## 27. COUNTERPARTS

This Agreement may be executed in any number of counterparts each of which when so executed will be an original, but all of which together will constitute one (1) and the same instrument.

## 28. SURVIVAL OF PROVISIONS

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

## 29. REPRESENTATIONS, WARRANTIES AND ACKNOWLEDGMENTS

29.1 Franchisee represents, warrants, and acknowledges to Franchisor as follows:

29.1.1 Independent Investigation. Franchisee has conducted an independent investigation of the business contemplated by this Agreement.

29.1.2 Receipt of Documents. Franchisee acknowledges receipt of a copy of this Agreement, the exhibit(s) hereto, and agreements relating hereto, if any, with all of the blank lines therein filled in, at least seven (7) days prior to the date on which this Agreement was executed. Franchisee further acknowledges receipt of the franchise disclosure document required by the Federal Trade Commission’s Franchise Rule at least fourteen (14) days prior to the date on which this Agreement was executed.

29.1.3 Modification of Offers. Franchisee understands that present and future franchisees of Franchisor may operate under different forms of agreements and, consequently, the obligations and rights of the parties to those agreements may differ materially from the obligations and

rights contained in this Agreement. Franchisee also acknowledges and agrees that Franchisor may modify the offer of Franchisor franchises to other franchisees in any manner and at any time, which offers and agreements have or may have terms, conditions, and obligations that may differ from the terms, conditions, and obligations in this Agreement.

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

29.1.5 Restaurant Location. Franchisee acknowledges having sole and complete responsibility for the choice of the location of the Restaurant, and that Franchisor has not (and shall not be deemed to have, even by Franchisor's approval of the location) given any representation, promise, or guarantee of Franchisee's success at the location.

29.1.6 Compliance with Anti-Terrorism Laws and Other Laws. Franchisee and its owners represent and warrant to Franchisor that: (a) neither Franchisee nor any of its owners have made any untrue statement of any material fact nor omitted to state any material fact in Franchisee and their franchise application and other documents and information submitted to Franchisor, or in obtaining the rights granted herein; (b) neither Franchisee nor any of its owners have any direct or indirect legal or beneficial interest in any business that may be deemed a Competitive Business, except as otherwise completely and accurately disclosed in Franchisee's franchise application materials; (c) Franchisee and its owners have a legal right to own and operate the Restaurant, and the owner or officer that executes this Franchise Agreement on Franchisee's behalf has all legal right an authority to execute on Franchisee's behalf and to legally and contractually bind Franchisee; and (d) neither Franchisee nor its owners (i) have been designated as suspected terrorists under U.S. Executive Order 13244; (ii) is identified, either by name or an alias, pseudonym or nickname, on the lists of "Specially Designated Nationals" or "Blocked Persons" maintained by the U.S. Treasury Department's Office of Foreign Assets Control (texts currently available at <https://www.treasury.gov/resource-center/sanctions/SDN-List/Pages/default.aspx> /); (iii) have not violated and will not violate any law (in effect now or which may become effective in the future) prohibiting corrupt business practices, money laundering or the aid or support of persons who conspire to commit acts of terror against any person or government, including acts prohibited by the U.S. Patriot Act (text currently available at <http://www.epic.org/privacy/terrorism/hr3162.html>), U.S. Executive Order 13244 (text currently available at <http://www.treas.gov/offices/enforcement/ofac/sanctions/terrorism.html>), the Foreign Corrupt Practices Act, or any similar law.

### **30. BUSINESS JUDGMENT**

Franchisee understands and agrees that Franchisor may operate and change the System in any manner that is not expressly and specifically prohibited by this Agreement. Whenever Franchisor has expressly reserved in this Agreement or is deemed to have a right and/or discretion to take or withhold an action, or to grant or decline to grant Franchisee a right to take or withhold an action, except as otherwise expressly and specifically provided in this Agreement, Franchisor may make such decision or exercise its right and/or discretion on the basis of Franchisor's sole judgment of what is in the best interest of Franchisor and the System and brand overall, including Franchisor, its affiliates, and the franchise network, at the time Franchisor's decision is made or Franchisor's right or discretion is exercised, without regard to whether: (1) other reasonable alternative decisions or actions, or even arguably preferable alternative decisions or actions, could have been made by Franchisor; (2) Franchisor's decision or the action taken promotes Franchisor's financial or other individual interest; (3) Franchisor's decision or the action it takes applies

differently to Franchisee and one or more other franchisees or Port of Subs company-owned or affiliate-owned operations; or (4) Franchisor's decision or the exercise of its right or discretion is adverse to Franchisee's interests. If applicable law implies a covenant of good faith and fair dealing in this Agreement, Franchisor and Franchisee agree that such covenant shall not imply any rights or obligations that are inconsistent with the express wording of the terms of this Agreement and that this Agreement grants Franchisor the right to make decisions, take actions, and/or refrain from taking actions not inconsistent with Franchisee's rights and obligations hereunder.

[Signature Page Follows]

Executed as of the day and year first set forth above.

Franchisor: \_\_\_\_\_ POS Franchising, LLC  
By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Its: \_\_\_\_\_  
Date: \_\_\_\_\_

Franchisee: \_\_\_\_\_  
By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Its: \_\_\_\_\_  
Date: \_\_\_\_\_

Franchisor: POS Franchising, LLC a Delaware limited liability company  
By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Its: \_\_\_\_\_  
Date: \_\_\_\_\_

Franchisee: COMPANY NAME  
By: \_\_\_\_\_  
Name: \_\_\_\_\_

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Its:

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Date:

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By:

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Name:

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Its:

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Date:

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By:

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Name:

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Its:

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Date:

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By:

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Name:

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Its:

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Date:

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**Exhibit A**

**Identification of Franchisee**

1. ~~Name of Franchisee:~~ \_\_\_\_\_

2. ~~Type of Entity/State of Formation~~ \_\_\_\_\_

3. ~~Principal Business Address of Franchisee:~~ \_\_\_\_\_

\_\_\_\_\_

E-Mail: \_\_\_\_\_

4. ~~Notice Address of Franchisee:~~ \_\_\_\_\_

\_\_\_\_\_

E-Mail: \_\_\_\_\_

5. ~~Location of Restaurant:~~ \_\_\_\_\_

\_\_\_\_\_

6. ~~Designated Area:~~ \_\_\_\_\_

(subject to Section 1.2) \_\_\_\_\_

of the Franchise Agreement) \_\_\_\_\_

7. ~~Date of Opening:~~ \_\_\_\_\_

1. Name of Franchisee: \_\_\_\_\_

2. Type of Entity/State of Formation: \_\_\_\_\_

3. Principal Business Address of Franchisee: \_\_\_\_\_

\_\_\_\_\_

Email: \_\_\_\_\_

4. Notice Address of Franchisee: \_\_\_\_\_

\_\_\_\_\_

Email: \_\_\_\_\_

Exhibit A

5. Restaurant Location:

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6. Designated Area:

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(subject to Section 1.2 of the Franchise Agreement)

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7. Opening Date:

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## EXHIBIT B

### Site Selection Addendum

POS Franchising, LLC (“Franchisor”), a \_\_\_\_\_ limited liability company, and the undersigned (the “Franchisee”) have this ~~\_\_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_~~ (the “Effective Date”) entered into a Port of Subs Franchise Agreement (“Franchise Agreement”) and desire to supplement its terms as set out below in this Site Selection Addendum (this “Site Selection Addendum”).

#### Agreement

**1. Time to Locate Site:** Within one hundred eighty days (180) days after the Effective Date (the “Search Period”), Franchisee shall acquire or lease/sublease, at Franchisee’s expense, commercial real estate that is properly zoned for the use of the business to be conducted by Franchisee under the Franchise Agreement (a “Restaurant”) and open and begin operating the Restaurant at a site consented to by Franchisor as hereinafter provided. Such location shall be within the following area: \_\_\_\_\_ (the “Site Selection Area”). The Site Selection Area is described solely for the purpose of selecting a site for the Restaurant. Franchisee shall not establish a Port of Subs Restaurant operating under the System within the Site Selection Area until Franchisor consents to a location for the Restaurant. Notwithstanding anything to the contrary in the Franchise Agreement, if a suitable site has not been identified and consented to by the end of the Search Period, Franchisor may, at its option, extend the Search Period by up to sixty (60) days. Franchisee acknowledges and agrees that Franchisor shall have no responsibility for, or liability to Franchisee for, any site review, analysis, evaluation, or recommended undertaken by or on behalf of any real estate broker or advisor used or retained by Franchisee. Failure by Franchisee to acquire or lease an approved site for the Restaurant within the Search Period shall constitute a default under Section 13 of the Franchise Agreement and under this Addendum, and Franchisor may terminate the Franchise Agreement and this Addendum, pursuant to the terms of Section 13 of the Franchise Agreement.

**2. Site Evaluation Services:** Franchisor shall furnish to Franchisee suggested site selection criteria, which is currently reflected in advice based on site and demographic factors, and will include Franchisor’s minimum standards for a location for the Restaurant. Franchisor will also provide such site selection counseling and assistance as Franchisor may deem advisable. Franchisor shall perform any on-site evaluation as Franchisor may deem advisable in response to Franchisee’s requests for site approval; provided, however, that Franchisor shall not be required to provide on-site evaluation for any proposed site.

**3. Additional Site Evaluation Services:** Franchisor recommends, but does not require, that Franchisee engage the services of a third-party real estate or site evaluation professional or business, to assist with the analysis and evaluation of a particular site, and/or to utilize competitive sales data from a third-party. Franchisee acknowledges and agrees that any site evaluation model or service is only one tool or factor that may be used to evaluate a potential site, and it is not a predictor of future sales. Further, Franchisee acknowledges that Franchisor does not represent or guarantee that any particular site will achieve any level of sales, revenues or profits.

**4. Site Selection Package Submission and Approval:** Franchisee shall submit to Franchisor, in the form specified by Franchisor, such site approval forms and data that Franchisor may specify, which may include a copy of the site plan, financial information, and such other information or materials as Franchisor may reasonably require, together with an option contract, letter of intent or other evidence satisfactory to Franchisor which confirms Franchisee’s favorable prospects for obtaining the site. Franchisee acknowledges that time is of the essence. Franchisor shall have thirty (30) days after receipt of a complete site selection package and request for approval and such information and materials as Franchisor

Exhibit B-1

may request to approve or disapprove the proposed site in writing as the location for the Restaurant, at Franchisor's sole option. If Franchisor does not approve a proposed site in writing within such 30-day period, the proposed site will be deemed disapproved.

5. **Lease Responsibilities:** Within sixty (60) days after site approval by Franchisor, Franchisee shall execute a lease which shall be coterminous with the Franchise Agreement, or a binding agreement to purchase the site. Franchisor's approval of any lease is conditioned upon inclusion in the lease of the Addendum to Lease attached to the Franchise Agreement as Exhibit G. However, Franchisor shall not be responsible for review of the Lease for any terms other than those contained in the Addendum to Lease.

6. **Approved Location:** After the location for the Restaurant is consented to by Franchisor pursuant to Section 4 hereof and leased or acquired by Franchisee pursuant to Section 5 hereof, the location shall constitute the approved location described in Section 1.1 of the Franchise Agreement. The Location shall be specified on Exhibit A to the Franchise Agreement, and shall become a part the Franchise Agreement. The Designated Area, as defined under Section 1.2 of the Franchise Agreement, shall be the geographic area thereafter described in Exhibit A to the Franchise Agreement, and shall become a part of the Franchise Agreement. Franchisee hereby acknowledges and agrees that consent by Franchisor of a site does not constitute an assurance, representation, or warranty of any kind, express or implied, as to the suitability of the site for the Restaurant or for any other purpose. Consent by Franchisor of the site indicates only that Franchisor believes the site complies with acceptable minimum criteria established by Franchisor solely for its purposes as of the time of the evaluation. Both Franchisee and Franchisor acknowledge that application of criteria that have been effective with respect to other sites and premises may not be predictive of potential for all sites and that, subsequent to approval by Franchisor of a site and demographic factors, such as competition from other similar businesses, included in or excluded from criteria used by Franchisor could change, thereby altering the potential of a site. Such factors are unpredictable and are beyond the control of Franchisor. Franchisor shall not be responsible for the failure of a site approved by Franchisor to meet Franchisee's expectations as to revenue or operational criteria. Franchisee further acknowledges and agrees that its acceptance of a franchise for the operation of the Restaurant at the site is based on its own independent investigation of the suitability of the site.

7. **Entire Agreement:** This Addendum shall be considered an integral part of the Franchise Agreement between the parties hereto, and the terms of this Addendum shall be controlling with respect to the subject matter hereof. All capitalized terms not otherwise defined herein shall have the same meaning as set forth in the Franchise Agreement. Except as modified or supplemented by this Addendum, the terms of the Franchise Agreement are hereby ratified and confirmed.

[Signature Page Follows]

Exhibit B-2

Executed as of the day and year first set forth above.

Franchisor: \_\_\_\_\_ POS Franchising, LLC

By: \_\_\_\_\_

Name: \_\_\_\_\_

Its: \_\_\_\_\_

Date: \_\_\_\_\_

Franchisee: \_\_\_\_\_

By: \_\_\_\_\_

Its: \_\_\_\_\_

Date: \_\_\_\_\_

Franchisor: POS Franchising, LLC a Delaware limited liability company

By: \_\_\_\_\_

Name: \_\_\_\_\_

Its: \_\_\_\_\_

Date: \_\_\_\_\_

Franchisee: COMPANY NAME

By: \_\_\_\_\_

Name: \_\_\_\_\_

Its: \_\_\_\_\_

Date: \_\_\_\_\_

Exhibit B-3

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By: \_\_\_\_\_

Name: \_\_\_\_\_

Its: \_\_\_\_\_

Date: \_\_\_\_\_

By: \_\_\_\_\_

Name: \_\_\_\_\_

Its: \_\_\_\_\_

Date: \_\_\_\_\_

By: \_\_\_\_\_

Name: \_\_\_\_\_

Its: \_\_\_\_\_

Date: \_\_\_\_\_

Exhibit B-4

**EXHIBIT C**

**Authorization Agreement for Prearranged Payments  
(Direct Debits)**

The undersigned depositor (“Depositor”) hereby authorizes POS Franchising, LLC (“Franchisor”) to initiate debit entries and/or credit correction entries to the Depositor’s checking and/or savings account(s) indicated below and the depository (“Depository”) to debit such account pursuant to Franchisor’s instructions.

\_\_\_\_\_  
Depository

\_\_\_\_\_  
Branch

\_\_\_\_\_  
Street Address, City, State, Zip Code

\_\_\_\_\_  
Bank Transit/ABA Number

\_\_\_\_\_  
Account Number

This authority is to remain in full force and effect until Depository has received joint written notification from Franchisor and Depositor of the Depositor’s termination of such authority in such time and in such manner as to afford Depository a reasonable opportunity to act on it. Notwithstanding the foregoing, Depository shall provide Franchisor and Depositor with 30 days’ prior written notice of the termination of this authority. If an erroneous debit entry is initiated to Depositor’s account, Depositor shall have the right to have the amount of such entry credited to such account by Depository, if within 15 calendar days following the date on which Depository sent to Depositor a statement of account or a written notice pertaining to such entry or 45 days after posting, whichever occurs first, Depositor shall have sent to Depository a written notice identifying such entry, stating that such entry was in error and requesting Depository to credit the amount thereof to such account. These rights are in addition to any rights Depositor may have under federal and state banking laws.

\_\_\_\_\_  
Depositor

By: \_\_\_\_\_

Title: \_\_\_\_\_

Date: \_\_\_\_\_

Exhibit C-1

**EXHIBIT D**

**Statement of Ownership Interests**

The following is a list of all of Franchisee’s owners, the percentage of their ownership interest and a description of the nature of their ownership interest:

Effective Date: This Exhibit D is current and complete  
as of \_\_\_\_\_, 20\_\_

Franchisee and Its Owners

1. Form of Franchisee Entity.

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

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

(b) Corporation, Limited Liability Company, or Partnership. The Franchisee entity was incorporated or formed on \_\_\_\_\_, under the laws of the State of \_\_\_\_\_. It has not conducted business under any name other than the corporate, limited liability company, or partnership name and \_\_\_\_\_. The following is a list, as applicable, of the Franchisee’s partners, directors, officers and/or members as of the effective date shown above:

<u>Name of Each Director/Officer/Member/Manager</u>	<u>Position(s) Held</u>
_____	_____
_____	_____
_____	_____
_____	_____
_____	_____

2. Owners. The following list includes the full name of each person who is one of Franchisee’s owners (as defined in the Franchise Agreement), or an owner of one of Franchisee’s owners, and fully describes the nature of each owner’s interest (attach additional pages if necessary).

	<u>Owner's Name/Address/Tax Identification No.</u>	<u>Percentage/Description of Interest</u>
(a)	_____	_____
	_____	_____
	_____	_____
(b)	_____	_____
	_____	_____
	_____	_____
(c)	_____	_____
	_____	_____
	_____	_____
(d)	_____	_____
	_____	_____
	_____	_____

3. Operating Principal. Franchisee's Operating Principal as of the Effective Date is \_\_\_\_\_ (must be one of the individuals listed in paragraph 2 above). Franchisee may not change the Operating Principal without Franchisor's prior written approval.

Franchisee:

By: \_\_\_\_\_

Its: \_\_\_\_\_

Date: \_\_\_\_\_

FRANCHISEE

Company Name

By: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

## EXHIBIT E

### Guarantee, Indemnification, and Acknowledgment

As an inducement to POS Franchising, LLC (“Franchisor”) to execute the Port of Subs Franchise Agreement between Franchisor and \_\_\_\_\_ (“Franchisee”), dated \_\_\_\_\_, 20\_\_ (the “Agreement”), the undersigned jointly and severally, hereby unconditionally guarantee to Franchisor and its successors and assigns that all of Franchisee’s monetary and other obligations under the Agreement will be punctually paid and performed.

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

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

The undersigned each hereby jointly and severally acknowledge and expressly agree to be individually bound by, and personally liable for the breach of, all of the covenants and obligations contained in Sections 8, 9, ~~and 10, 12, 14, and 17~~ of the Agreement, and acknowledge and agree that this Guarantee does not grant the undersigned any right to use the “Port of Subs” Marks or System licensed to Franchisee under the Agreement.

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

If Franchisor is required to enforce this Guarantee in a judicial or arbitration proceeding, and prevails in such proceeding, Franchisor shall be entitled to reimbursement of its costs and expenses, including, but not limited to, reasonable accountants’, attorneys’, attorneys’ assistants’, arbitrators’, and expert witness fees, costs, and expenses, costs of investigation and proof of facts, court costs, other litigation expenses, travel and living expenses, and interest, whether incurred prior to, in preparation for, or in contemplation of the filing of any such proceeding. If Franchisor is required to engage legal counsel in

Exhibit E-1

connection with any failure by the undersigned to comply with this Guarantee, the undersigned shall reimburse Franchisor for any of the above-listed costs and expenses Franchisor incurs.

Subject to the obligations and provisions below, each of the undersigned agrees that all actions arising under this Guarantee or the Agreement, or otherwise as a result of the relationship between Franchisor and the undersigned, shall be governed by the provisions of Section 17 of the Agreement, and must be commenced in the state or federal court encompassing Castle Rock, Colorado, and each of the undersigned irrevocably submits to the jurisdiction of those courts and waives any objection he or she might have to either the jurisdiction of or venue in those courts. Nonetheless, each of the undersigned agrees that Franchisor may enforce this Guarantee and any orders and awards in the courts of the state or states in which he or she is domiciled.

Unless specifically stated otherwise, the terms used in this Guarantee shall have the same meaning as in the Agreement, and shall be interpreted and construed in accordance with Section 17 of the Agreement. This Guarantee shall be interpreted and construed under the laws of the State of Colorado. In the event of any conflict of law, the laws of the State of Colorado shall prevail (without regard to, and without giving effect to, the application of Colorado conflict of law rules).

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

**GUARANTOR(S)**

(Seal) \_\_\_\_\_ Signed: \_\_\_\_\_  
(In his/her individual capacity)

Name: \_\_\_\_\_

Address: \_\_\_\_\_

\_\_\_\_\_

(Seal) \_\_\_\_\_ Signed: \_\_\_\_\_  
(In his/her individual capacity)

Name: \_\_\_\_\_

Address: \_\_\_\_\_

\_\_\_\_\_

(Seal) \_\_\_\_\_ Signed: \_\_\_\_\_  
(In his/her individual capacity)

Name: \_\_\_\_\_

Address: \_\_\_\_\_

\_\_\_\_\_

Exhibit E-2

GUARANTOR(S)

Signed:

(In his/her individual capacity)

Name:

Address:

Signed:

(In his/her individual capacity)

Name:

Address:

Signed:

(In his/her individual capacity)

Name:

Address:

(Seal)

Signed:

(In his/her individual capacity)

Name:

Address:



~~and techniques of Franchisor and the System, and that the covenants set forth herein are made in connection with Franchisee's purchase and sale of a business or the assets of a business.~~

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

~~(i) — (Divert or attempt to divert any business or customer of the Restaurant or of any restaurant using the System 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 Franchisor's Proprietary Marks and the System; or~~

~~(ii) — (Own, maintain, operate, engage in, be employed by, or have any interest in any "Competitive Business," which means any quick service, fast food, or fast casual dining restaurant or food service establishment that, as determined by Franchisor in its sole determination, is the same as or substantially similar to the Restaurant or the Port of Subs brand, including, without limitation, any in which grillers, submarine, hoagie, hero-type, and/or other deli-style sandwiches account accounts for twenty-five percent (25%) or more of its menu items or gross sales.~~

~~(c) — Obligees covenants and agrees that during the Post Term Period (defined below), except as otherwise approved in writing by Franchisor, Obligees shall not, either directly or indirectly, for itself, or through, on behalf of, or in conjunction with any person, persons, partnership, corporation, or entity, own, maintain, operate, engage in, or have any interest in any Competitive Business which is, or is intended to be, located: (a) within the Designated Area of the Restaurant or (b) within two (2) miles of any other "Port of Subs" branded restaurant owned and/or operated or then under construction by Franchisor or any other franchisee or licensee of Franchisor as of the time that the obligations under this Section commence.~~

~~(d) — As used in this Agreement, the term "Post Term Period" shall mean a continuous uninterrupted period of two (2) years from the date of: (a) a transfer permitted under Section 12.3 of the Franchise Agreement with respect to Obligees; and/or (b) termination of Obligees' employment with, and/or ownership interest in, Franchisee.~~

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

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

5.4. Delay. No delay or failure by Franchisor or the Franchisee to exercise any right under this Agreement, and no partial or single exercise of that right, shall constitute a waiver of that or any other right

Exhibit F-2

provided herein, and no waiver of any violation of any terms and provisions of this Agreement shall be construed as a waiver of any succeeding violation of the same or any other provision of this Agreement.

~~6.5.~~ Jurisdiction, Venue, and Choice of Law. This ~~agreement~~ Agreement shall be interpreted and construed in accordance with ~~Section 17 of the Agreement. In the event of, and any conflict of law, disputes arising under or in connection with this Agreement will be governed by, with the laws of the State of Colorado shall prevail,~~ without regard to, ~~and without giving effect its conflicts of laws provisions. The parties agree that an action arising out of, related to, the application of or seeking to enforce this Agreement may be brought in federal or state court encompassing Castle Rock, Colorado conflict of law rules),~~ and the parties expressly consent to and waive any objections or challenges to personal jurisdiction and venue in such court.

~~7.6.~~ Third-Party Beneficiary. Obligee hereby acknowledges and agrees that Franchisor is an intended third-party beneficiary of this Agreement with the right to enforce it, independently or jointly with Franchisee.

**IN WITNESS WHEREOF**, the Franchisee and the Obligee attest that each has read and understands the terms of this Agreement, and voluntarily signed this Agreement on this \_\_\_\_ day of \_\_\_\_\_, 20\_\_.

FRANCHISEE

OBLIGEE

\_\_\_\_\_

\_\_\_\_\_

By: \_\_\_\_\_

By: \_\_\_\_\_

Name: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

Title: \_\_\_\_\_

Exhibit F-3

## EXHIBIT G

### ADDENDUM TO LEASE

THIS ADDENDUM TO LEASE is made and entered into as of \_\_\_\_\_, 20\_\_ by and among \_\_\_\_\_ (the "Landlord"), \_\_\_\_\_ (the "Tenant"), and POS Franchising, LLC, a Delaware limited liability company ("Franchisor," "we," "us" or our).

#### RECITALS:

A. This Addendum to Lease supplements and forms part of the attached Lease Agreement between the Landlord and the Tenant dated \_\_\_\_\_ (the "Lease") for the premises situated at the premises known by street address as \_\_\_\_\_ (the "Premises") to be used by the Tenant as part of a Port of Subs Restaurant.

B. This Addendum to Lease is entered into in connection with Franchisor's approval of the location of the Premises as a Port of Subs Restaurant and the grant of a franchise to the Tenant pursuant to a Franchise Agreement dated \_\_\_\_\_, 20\_\_ (the "Franchise Agreement").

C. This Addendum to Lease is intended to make Franchisor, or any party it designates, a third-party beneficiary to the Lease and to provide Franchisor the opportunity to reserve the Premises as a Port of Subs Restaurant under the circumstances set out below.

D. The Landlord agrees that Franchisor shall have the right but not the obligation to 1) cure defaults of Tenant and 2) to assume the Lease of the Premises on the terms, covenants and conditions contained in this Addendum to Lease.

#### THE PARTIES HEREBY AGREE:

#### 1. UPON DEFAULT OF TENANT UNDER THE LEASE

1.1 The Landlord agrees to send to us copies of any notices of default that are given to the Tenant concurrently with the giving of such notices to the Tenant. Our current notice address is POS Franchising, LLC, 480 East Happy Canyon Road, Castle Rock, CO 80108. If the Tenant fails to cure any defaults within the period specified within the notices, the Landlord shall promptly give to us further written notice ("second notice") specifying the defaults that the Tenant has failed to cure. We shall have forty-five (45) days following receipt of the second written notice to a) cure the default or b) to exercise our right to enter a new Lease on the same terms as apply to the Lease or Deed of Lease by written notice to the Landlord and the Tenant. In the event that we do exercise the right to enter into a new Lease, then the circumstances described in clause 1.2 below shall apply.

1.2 We shall begin paying rent upon the Landlord delivering possession of the Premises to us pursuant to Section 1.1 above.

#### 2. UPON TERMINATION OF THE FRANCHISE AGREEMENT

Exhibit G 4

If the Franchise Agreement is terminated for any reason or expires during the term of the Lease or any extension or renewal of the Lease, and if we shall desire to assume the Lease, we shall promptly give the Landlord written notice to this effect.

### 3. UPON NON-RENEWAL OF THE LEASE TERM

If the Lease contains term renewal or extension right(s) and if the Tenant allows the term to expire without exercising such right(s), the Landlord shall give us written notice to this effect and we shall have the option for thirty (30) days following receipt of such notice to exercise the Tenant's renewal or extension right(s) on the same terms and conditions as are contained in the Lease. If we elect to exercise such right(s) we shall notify the Landlord in writing whereupon we and the Landlord shall promptly execute and exchange an agreement whereby we assume the Lease effective at the date of termination of any holding over period by the Tenant to the effect that such extension or renewal term shall have subtracted from it the number of days constituting such holding over period.

### 4. ADDITIONAL PROVISIONS

4.1 The Tenant agrees that termination of the Franchise Agreement shall be a default under the Lease. In the event of termination of the Franchise Agreement, or if the Tenant fails to timely cure any defaults under the Lease, the Tenant shall within ten (10) days after written demand by us, assign all of its right, title and interest in and to the Lease to us. If the Tenant fails to do so within ten (10) days, the Tenant hereby designates us as its agent to execute any and all documents, agreements and to take all action as may be necessary or desirable to effect the assignment of the Lease and the relinquishment of any and all of the Tenant's rights thereunder. The Landlord hereby consents to such assignment subject to us executing an assignment of the Lease. The Tenant further agrees to promptly and peaceably vacate the Premises and to remove its personal property at our written request. Any property not so removed by the Tenant within ten (10) days following receipt of such written request shall be deemed abandoned by the Tenant and immediately and permanently relinquished to us. We acknowledge that where we enter into an assignment or sub-letting as referred to in clause 4.4 below we will attempt to procure, if the assignee is a company (other than a listed public company) a Deed of Guaranty, Indemnification, and Acknowledgement in customary form approved or prepared by the landlord from the principal shareholders of the assignee company and (if required by the landlord) by the Directors of the assignee company.

4.2 The Tenant shall be and remain liable to the Landlord for all of its obligations under the Lease, notwithstanding any assignment of the Lease to us. We shall have no obligation, as a condition to assume the Lease, to pay any delinquent rent or to cure any other default under the Lease that occurred or existed prior to the date of the assignment. We shall be entitled to recover from the Tenant all amounts it pays to the Landlord to cure the Tenant's defaults under the Lease including interest thereon and our reasonable collection costs.

4.3 After we assume the Tenant's interest under the Lease, we may, at any time, sublet the Premises without having to obtain the prior written consent of the Landlord.

4.4 After we assume the Tenant's interest under the Lease, we may, at any time, assign or sublet our interest under the Lease to a third party, which may or may not be an operator of a Port of Subs Restaurant, but only with the prior written consent of the Landlord and the usual provisions of the Lease concerning consent shall apply. Upon receipt by the Landlord of an assignment agreement pursuant to which the assignee agrees to assume the Lease and to observe the terms, conditions and agreements on the

Exhibit G-2

part of the tenant to be performed under the Lease, we shall thereupon be released from all liability as tenant under the Lease from and after the date of assignment, without any need of a written acknowledgment of such release by the Landlord.

4.5 If the Lease or Franchise Agreement is terminated and we elect not to exercise our option as described above, the Tenant agrees, upon written demand by us, to de-identify the Premises as a Port of Subs Restaurant and to promptly remove signs, decor and other items which we reasonably request be removed as being distinctive and indicative of a Port of Subs Restaurant. We may enter upon the Premises without being guilty of trespass or tort to effect de-identification if the Tenant fails to do so within ten (10) days after receipt of written demand from us, following termination of the Franchise Agreement or Lease. The Tenant shall pay us for our reasonable costs and expenses in effecting the de-identification. The Landlord shall not be obligated to us for such costs unless the Landlord and the Tenant share one (1) or more common owners, partners, beneficiaries or shareholders (as the case may be). The Tenant agrees and accepts that its obligations to the Landlord in respect to the provisions of the Lease concerning the removal of signage and additions and alterations at the termination of the Lease subsist notwithstanding the right made available to us pursuant to this clause.

4.6 BY EXECUTING THIS ADDENDUM TO THE LEASE, WE DO NOT ASSUME ANY LIABILITY WITH RESPECT TO THE PREMISES OR ANY OBLIGATION AS TENANT UNDER THE LEASE UNLESS AND UNTIL WE EXPRESSLY ASSUME SUCH LIABILITY AND/OR OBLIGATION AS DESCRIBED ABOVE BY EXECUTING A NEW LEASE.

4.7 All notices pursuant to this Addendum to Lease shall be in writing and shall be personally delivered, sent by registered mail or reputable overnight delivery service or by other means which afford the sender evidence of delivery or rejected delivery to the addresses below or to such other address as any party to this Addendum to Lease may, either by written notice, instruct that notices be given.

EXECUTED by the parties as follows:

SIGNED by \_\_\_\_\_  
as Landlord by its \_\_\_\_\_  
in the presence of: \_\_\_\_\_  
(Name of Signatory)  
Title: \_\_\_\_\_

\_\_\_\_\_

SIGNED by \_\_\_\_\_  
as Tenant by its \_\_\_\_\_  
in the presence of: \_\_\_\_\_  
(Name of Signatory)  
Title: \_\_\_\_\_

\_\_\_\_\_

SIGNED by POS Franchising, LLC  
by its duly authorized officer in the  
presence of: \_\_\_\_\_  
(Name of Signatory)  
Title: \_\_\_\_\_

\_\_\_\_\_

Exhibit G-3

Addresses for Notices:

Landlord:

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Tenant:

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Franchisor:

POS Franchising, LLC

480 East Happy Canyon Road

Castle Rock, Colorado 80108

Attn: Agreements

Agreements@portofsubs.com

Lender:

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Exhibit G-4

**EXHIBIT D**  
**TO THE FRANCHISE DISCLOSURE DOCUMENT**  
**AREA DEVELOPMENT AGREEMENT**



POS FRANCHISING, LLC

AREA DEVELOPMENT AGREEMENT

**SUMMARY PAGE**

This Area Development Agreement is made and entered into by and between POS Franchising, LLC (“Franchisor”) and Developer identified below. This Summary Page summarizes certain provisions of this Area Development Agreement to which it is attached. In the event of any conflict in the Summary Page and the Area Development Agreement, the provisions of the Area Development Agreement will control.

Effective Date: \_\_\_\_\_

Developer: \_\_\_\_\_

Business Entity: \_\_\_\_\_ corporation \_\_\_\_\_ partnership \_\_\_\_\_ limited liability company, formed under the laws of \_\_\_\_\_.

Designated Principal: \_\_\_\_\_

Development Fee: \$ \_\_\_\_\_ (sum of \$25,000 for first Restaurant to be developed under Development Schedule, plus \$20,000 for each additional Restaurant to be developed under Development Schedule).

Developer’s Address for Notices: \_\_\_\_\_

\_\_\_\_\_ phone: \_\_\_\_\_

\_\_\_\_\_ email: \_\_\_\_\_

Franchisor’s Address for Notices: 480 East Happy Canyon Road  
Castle Rock, Colorado 80108  
phone: (800)-245-0245  
email: [Agreements@portofsubs.com](mailto:Agreements@portofsubs.com)

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### EXHIBITS:

- A Development Territory and Development Schedule
- B Guaranty and Assumption of Obligations
- C Form of Non-Disclosure Agreement

## AREA DEVELOPMENT AGREEMENT

This Area Development Agreement (“Agreement”) is made and entered into as of the Effective Date by and between Franchisor and Developer.

WHEREAS, Franchisor developed, and has the right to license the use of, the System for establishing and operating Restaurants under the Brand and utilizing the System and Proprietary Marks;

WHEREAS, Developer desires to obtain the right to develop Restaurants under the System and Proprietary Marks in the Development Territory; and

WHEREAS, in reliance on Developer’s representations, warranties, covenants and agreements set forth herein, Franchisor desires to grant Developer the right to develop and operate Restaurants in the Development Territory upon the terms and conditions set forth in this Agreement;

NOW, THEREFORE, the Parties, in consideration of the mutual obligations provided for in this Agreement and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, agree as follows:

### 1. DEFINITIONS

a. “Affiliate” means, with respect to a named Person, any Person that is Controlled by, Controlling or under common Control with the named Person.

b. “Alternative Point of Distribution” means locations providing services other than those offered by Restaurants, including, without limitation, airports and other transportation facilities, universities, military bases, reservations, office buildings, hospitals, casinos, large retail outlets such as Walmart or Home-Depot, hotels, shopping malls, amusement or theme parks, school lunch programs, stadiums, and other mass gathering locations or events.

c. “Anti-Corruption Laws” means the U.S. Foreign Corrupt Practices Act of 1977, as amended, and all similar laws, rules, and regulations of any jurisdiction applicable to Developer from time to time concerning or relating to bribery or corruption.

d. “Anti-Terrorism Laws” means the U.S. Patriot Act (Public Law 107-56), U.S. Executive Order 13224 (text available at <http://www.treas.gov/offices/enforcement/ofac/legal/eo/13224.pdf>), and any similar Applicable Law prohibiting money laundering or the aid or support of Persons who conspire to commit acts of terror against any Person or government.

e. “Applicable Data Protection Law” means U.S. laws, rules, and regulations applicable to privacy and security of Personal Information, including, but not limited to, the California Consumer Privacy Act of 2018, as amended by the California Privacy Rights Act.

f. “Applicable Law” means any federal or state law, statute, ordinance, rule, permit, license, certification, regulation, code, treaty, ruling, directive, decree, order, or other requirement or rule of law pertaining or applicable to, arising under or in connection with the development of Restaurants or the execution, delivery and performance by either Party of this Agreement or any agreement between the Parties related hereto, including, but not limited to, Applicable Data Protection Law.

g. “Brand” means the Port of Subs restaurant concept.

h. “Business Day” means any calendar day other than Saturdays, Sundays, and national holidays in the U.S.

i. “Competitive Business” means any quick service, fast food, or fast casual dining restaurant or food service establishment that, as determined by Franchisor in its sole determination, is the same as or substantially similar to the Restaurant or the Port of Subs Brand, including, without limitation, any in which grillers, submarine, hoagie, hero-type, and/or other deli-style sandwiches account accounts for twenty-five percent (25%) or more of its menu items or gross sales.

j. “Confidential Information” means any and all information, knowledge, know-how, trade secrets, Trade Dress, methodologies, techniques, procedures, applications, and materials, in whatever form, used in or related to the System which Franchisor provides to Developer, or which Developer or its Affiliates or employees develop or have access to, in connection with this Agreement or the development or operation of Restaurants hereunder, including, without limitation, the Standards applicable to any ingredients, formulae, recipes, and menu items; product sourcing, manufacturing, inventory management and control, supply, distribution, products, and pricing; site selection, general contractors, architects, architectural, and construction plans; technology, point of sale and related computer software; advertising, marketing, and promotional programs including, but not limited to, gift card, loyalty, and customer reward programs; Customer Data; financial data and statements; training, inventory and financial controls, management programs; and any other information or data regarding the business of Franchisor or any of its Affiliates that would reasonably be considered the proprietary or confidential information of Franchisor or its Affiliates.

k. “Consequential Damages” means damages and injury that result from a Party’s negligent performance of or other breach of this Agreement for: (a) lost profits; (b) compensation for damages to reputation and goodwill including costs of or resulting from delays, financing, marketing materials and media time and space, and costs of changing, substituting or replacing the same; (c) any and all expenses of refunds, compensation, and public notices; and (d) other such amounts incurred in connection with the matters described herein.

l. “Control,” “Controlled,” or “Controlling Interest” means the power, directly or indirectly, to direct or cause the direction of the management and policies of an Entity, whether by contract, vote or otherwise.

m. “Crisis Management Event” means an event that Franchisor determines may negatively affect the System, the Brand, or the Proprietary Marks and goodwill associated therewith.

n. “Customer Data” means any information from, about, or relating to customers of a Restaurant that identifies, or can be used to identify, contact, locate, or be traced back to the specific Person to whom such information pertains, or from which identification or contact information of a Person can be derived. Customer Data includes any Personal Information.

o. “Cybersecurity Incident” means any event or occurrence that results in unauthorized access to or adversely affects the availability or integrity of Confidential Information, which event or occurrence could not have been prevented by reasonable administrative, physical or technical security measures.

p. “Designated Principal” means a Principal designated by Developer who is primarily responsible for communicating with Franchisor and overseeing Developer’s personnel and Developer’s

obligations under this Agreement. Designated Principal must hold a direct or indirect Equity Interest of greater than five (5%) in Developer.

q. “Development Fee” means the initial development fee in the amount set forth in the Summary Page.

r. “Development Period” means each time period ending on the Development Period Date, as set forth in the Development Schedule.

s. “Development Period Date” means the expiration of each Development Period at the end of which Developer is required to have a cumulative number of Restaurants open and operating in the Development Territory, as described in the Development Schedule.

t. “Development Schedule” means the schedule for development of Restaurants under the Brand in the Development Territory that Developer is required to adhere to as set forth in Exhibit A.

u. “Development Territory” means the geographic area described in Exhibit A, as geographically constituted as of the Effective Date.

v. “Entity” means a business entity, including a corporation, limited liability company, general or limited partnership, limited liability partnership, or any other type of legal entity.

w. “Equity Interest” means any direct or indirect stock, unit, membership, partnership or other legal, equitable or beneficial ownership interest, or other voting rights in an Entity, but does not include direct or indirect ownership solely as an investment of securities of any Entity traded on any securities exchange, if the Principal is not a Person with Control of such Entity (or a member of an Entity that Controls such Entity) and does not, directly or indirectly, own five percent (5%) or more of any class of securities of such Entity.

x. “Event of Default” means any breach of this Agreement, or any failure to comply with a condition and obligation of this Agreement, by Developer, its Affiliates, or their respective Principals, as applicable.

y. “Execution Conditions” means that Developer and its Affiliates are in full compliance with the terms and conditions of this Agreement, and otherwise not currently in default, nor previously in default, of any provision of this Agreement or any other agreement between Developer or any of its Affiliates and Franchisor and any of its Affiliates, including, without limitation, any Franchise Agreement. Developer or its Affiliates must have substantially and timely complied with all the terms and conditions of such agreements during the terms thereof. Additionally, Developer (and its Affiliate, if applicable) must be operating, and have at all times operated, all Restaurants in accordance with the terms and conditions of this Agreement, the respective Franchise Agreements, and the Standards and the Manual, which may include Franchisor’s then-current multi-unit certification standards. Developer (and its Affiliate, if applicable) must also be current with its landlords and any trade creditors with whom it does business.

z. “Force Majeure Event” means acts of God (such as tornadoes, earthquakes, hurricanes, floods, fire, or other natural catastrophe); strikes, lockouts, or other industrial disturbances; war (declared or undeclared), riot, terrorist act, or other civil disturbances; cybersecurity incidents; epidemics; pandemics; public health emergencies; governmental action; or any other cause that is beyond the reasonable control of the Party affected thereby and that materially and adversely affects the ability of such Party to perform. Financial inability of a Party hereto will not constitute a Force Majeure Event.

aa. “Franchise Agreement” means any franchise agreement between Franchisor or any of its Affiliates and Developer or any of its Affiliates for the operation of Restaurants developed pursuant to this Agreement during the Term.

bb. “Government Official” means (1) elected and unelected officials, employees, agents, advisors and representatives of any branch or agency of government (i.e., local, regional, and national, and legislative, administrative, judicial, and executive branches); (2) directors, officers, employees, representatives and agents of government-owned or controlled companies, even if the companies are only partially owned or controlled by the government and the company acts like a commercial entity; (3) political parties, party officials and candidates for office; and (4) officers, employees, representatives and agents of public international organizations.

cc. “Indemnified Parties” means Franchisor, its Affiliates, and their respective Principals, employees, agents, successors and assignees.

dd. “Interest” means the rate of one and one-half percent (1.5%) per month or the maximum contract rate of interest permitted by Applicable Law, whichever is less, from and after the date of accrual.

ee. “Lease” means the document executed by Developer or its Affiliate for the Selected Site.

ff. “Losses and Expenses” means, without limitation, all losses, direct, general, incidental, compensatory, exemplary, or punitive damages, arbitration costs, mediation costs, settlement amounts, judgments, court costs, fines, charges, costs, and expenses, including, without limitation, reasonable attorneys’ fees, and Consequential Damages.

gg. “Manuals” means Franchisor’s operations and training manuals, and any other written directives related to the System, in whatever form and whatever manner provided, as the same may be periodically amended and revised, including the Standards, all bulletins, supplements and ancillary and additional manuals and directives established by Franchisor from time to time.

hh. “New Business” means any restaurant business or restaurant franchise relationship commenced by Developer, directly or indirectly, with any third party after the Effective Date.

ii. “Non-Disclosure Agreement” means an agreement substantially in the form of Exhibit C.

jj. “Notice” means any notice, demand, request, consent, approval, and other communication in writing required or permitted to be given or which is to be given with respect to this Agreement.

kk. “Party” means either Franchisor or Developer individually.

ll. “Parties” means Franchisor and Developer collectively.

mm. “PCI-DSS” means the Payment Card Industry Data Security Standard.

nn. “Permanently Disabled” or “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 for at least six (6) consecutive months and from which condition recovery within six (6) consecutive months from the date of determination of disability is unlikely.

oo. “Person” means any natural person or Entity.

pp. “Personal Information” means information that identifies, relates to, or could reasonably be linked to individuals, including, but not limited to, Developer’s customers, employees, and independent contractors, and business contacts.

qq. “Principal” means, collectively or individually, the Persons holding a direct or indirect Equity Interest in Developer or in any Affiliate of Developer, and any director or officer thereof.

rr. “Proprietary Marks” means the Brand’s trademark and service mark, including the mark “Port of Subs,” and such other trademarks, trade names, service marks, logos, slogans, emblems and other indicia of origin as are now designated, and may hereafter be designated, by Franchisor in writing for use in connection with the System.

ss. “Restaurant(s)” means the restaurant(s) operating under the Brand.

tt. “Royalty Fee” means the same as defined in the Franchise Agreement.

uu. “Selected Site” means the designated location for a Restaurant as set forth in the relevant Franchise Agreement.

vv. “Site Consent Letter” means Franchisor’s written consent to the Selected Site.

ww. “Site Report” means the report that Developer must submit to Franchisor before receiving Franchisor’s consent to the Selected Site pursuant to a Site Consent Letter under Sections 6(a) and 6(b) of this Agreement.

xx. “Standards” means the Brand standards, requirements, specifications, policies and procedures of the System for the development, construction, operation and marketing of Restaurants as specified from time to time by Franchisor in the Manuals or otherwise in writing.

yy. “Summary Page” means the Summary Page of this Agreement that directly precedes the Table of Contents of this Agreement.

zz. “System” means the business system for establishing and operating Restaurants under the Brand, the distinguishing characteristics of which include, without limitation, one or more specially-designed buildings or facilities for restaurant operations with specified site furniture, fixtures, kitchen display systems and equipment; site selection and layout criteria; distinctive interior and exterior design, décor, signage, color scheme, and furnishings, trade dress elements; proprietary products; standards, specifications, policies, and procedures for construction and management; quality, distinctiveness, and uniformity of products and services; standards, specifications, policies, and procedures for restaurant operations; training and assistance; and advertising and promotional programs, all as more particularly described and designated in the Manuals and all of which Franchisor may change, improve, and further develop at its option from time to time.

aaa. “Tax” means all taxes, charges, fees, levies or other assessments, including, without limitation, all net income, gross income, gross receipts, sales, use, ad valorem, value added, turnover, transfer, franchise, profits, license, withholding, payroll, employment, excise, estimated, severance, stamp/stamp duty, occupation, property or other taxes, customs duties, fees, assessments or charges of any kind whatsoever, together with any interest and any penalties, additions to tax or additional amounts imposed by any taxing authority and any political subdivision, instrumentality, agency or similar body of any taxing authority.

bbb. “Term” means the period beginning on the Effective Date and expiring as set forth in Section 3(a), unless earlier terminated in accordance with this Agreement.

ccc. “Trade Dress” means the unique, distinctive, and non-functional overall appearance and image of Restaurants in the marketplace, and includes the Standards.

ddd. “Transfer” means and includes any voluntary, involuntary, direct or indirect assignment, transfer, sale, conveyance, disposition, gift, encumbrance, pledge, hypothecation, or mortgage by Developer or any of its Principals of all or any part of its rights, interests or obligations in this Agreement or any Equity Interest in Developer to any Person, or any other transaction that would, alone or together with any other previous, simultaneous or proposed Transfer, have the effect of transferring a Controlling Interest in or Control of Developer, this Agreement, or substantially all of the assets of the Restaurants developed pursuant to this Agreement.

eee. “U.S.” means the United States.

## 2. GRANT OF DEVELOPMENT RIGHTS

a. **Development Rights.** Subject to the terms and conditions set forth in this Agreement, Franchisor hereby grants to Developer the right to obtain franchises to develop and operate Restaurants in the Development Territory. Developer has no right to develop Restaurants outside of the Development Territory or to sublicense or grant any rights to develop or operate Restaurants to be located within the Development Territory.

b. **Limitation on Rights.** This Agreement is not a Franchise Agreement and does not grant to Developer any right to use the Proprietary Marks or System, which rights are only granted under a Franchise Agreement. Developer will not use the Proprietary Marks or System in any way not expressly authorized by Franchisor.

## 3. TERM

a. **Term.** Subject to any earlier termination, the Term will commence on the Effective Date and will expire on the earlier of: (1) the final Development Period Date as described in the Development Schedule; or (2) the date the last Restaurant required to be developed by Developer under the Development Schedule is open for operation to the public.

## 4. TERRITORIAL RIGHTS

a. **Territorial Rights.** During the Term and subject to Developer’s full compliance with this Agreement (including the Development Schedule) and any Franchise Agreement or other agreement between Franchisor or any of its Affiliates and Developer or any of its Affiliates, Franchisor will not develop, nor authorize any Person other than Developer to develop, any Restaurant to be located within the Development Territory.

b. **Reserved Rights.** Franchisor retains all rights inside and outside of the Development Territory, except those that are expressly granted to Developer in this Agreement and any Franchise Agreement executed between Franchisor and Developer or any of their Affiliates. Franchisor and its Affiliates and any other Person authorized by Franchisor may, among other things:

(1) Advertise and promote the Brand and the System within and outside of the Development Territory;

(2) Develop and operate, and grant any Person the right to develop and operate, Restaurants outside the Development Territory, including at locations that are adjacent to the Development Territory despite the proximity of such Restaurants to the Development Territory or their actual or threatened impact on sales at the Restaurant;

(3) Offer and sell, and authorize others to offer and sell, approved products and services, including those offered and sold at any of the Restaurants (such as pre-packaged food products, clothing and other Brand memorabilia), under the Proprietary Marks or other marks at or from any location or through any channel of distribution (excluding Restaurants but including, but not limited to, grocery stores, catalogs, the Internet, other retail or restaurant locations and other food service facilities such as kiosks, concessions, food trucks, or multi-brand facilities);

(4) Develop and operate, and license others to develop and operate, any business, other than the Restaurants, including other branded restaurants or food-related businesses, under the Proprietary Marks or under other marks, whether or not located within the Development Territory and despite the proximity of such businesses to the Development Territory or their actual or threatened impact on sales at any of the Restaurants;

(5) Develop and operate, and license others to develop and operate, any restaurants or other businesses that Franchisor or its Affiliates may operate or license as a result of any acquisition, consolidation or merger, whether or not located within the Development Territory and despite the proximity of such restaurants to the Development Territory or their actual or threatened impact on sales at any of the Restaurants, whether or not such other restaurants or business operate under the Proprietary Marks or under other marks;

(6) Acquire, be acquired by, merge, affiliate with, or engage in any transaction with other businesses (whether competitive or not) with outlets located anywhere and, even if such businesses are located in the Development Territory; (i) convert the other businesses to Restaurants, (ii) permit the other businesses to continue to operate under another name, and/or (iii) permit the businesses to operate under another name and convert existing Restaurants to such other name. Developer or its Affiliates agree to participate at solely their expense in any such conversion as may be required by Franchisor and to waive any claims, demands or damages arising from or related to the loss of the “Port of Subs” name, the Proprietary Marks (or any variation thereof) and the System and/or the loss of association with or identification of Franchisor under this Agreement;

(7) Develop and operate, and license others to develop and operate, Restaurants and other food service facilities in any Alternative Point of Distribution, whether or not located within the Development Territory, and use the System in connection with these Alternative Points of Distribution; and

(8) Offer and sell, and authorize others to offer and sell, products from Restaurants located outside the Development Territory to customers located within the Development Territory via take-out, catering, or delivery, including through an online ordering site or platform authorized by Franchisor.

(9) Engage in any other activity, action, or undertaking that Franchisor or its Affiliates are not expressly prohibited from taking under this Agreement.

## **5. DEVELOPMENT SCHEDULE**

a. **Development Schedule.** During the Term, Developer will develop in the Development Territory the cumulative number of Restaurants set forth in the Development Schedule. Without limiting the foregoing, by each Development Period Date, Developer must have open and operating in the Development Territory, pursuant to a separate Franchise Agreement executed for each Restaurant (by Developer itself or an Affiliate that Developer Controls in accordance with Section 6(b)), at least the cumulative number of Restaurants set forth in the Development Schedule. For the avoidance of doubt, Developer may develop more than the minimum number of Restaurants in any particular Development Period, until the last Restaurant authorized by the Development Schedule is open for operation.

b. **Restaurant Casualty.** If a Restaurant is closed due to a Force Majeure Event and with Franchisor's written approval, such Restaurant will be deemed open and in operation as of the applicable Development Period Date, but not thereafter.

c. **Failure to Comply With Development Schedule.** Strict compliance by Developer with the Development Schedule is of the essence. Developer's failure to fulfill its development obligations with respect to any Development Period Date, as described in the Development Schedule, will constitute an Event of Default. If Developer fails to meet its development obligations in accordance with the Development Schedule by any Development Period Date, Franchisor has the right, but not the obligation, to terminate this Agreement pursuant to Section 18(a) of this Agreement. Franchisor may, at its sole option, but not in lieu of termination or any other remedies available to Franchisor in this Agreement, any Franchise Agreement, or at law, effective upon Notice to Developer: (1) terminate or modify Developer's exclusivity in the Development Territory; (2) modify the Development Territory; and/or (3) limit the number of remaining Restaurants that may be developed by Developer in the Development Territory under the Development Schedule.

## **6. SITE SELECTION AND FRANCHISE AGREEMENTS**

a. **Franchisor's Consent to Developer's Selected Sites.** Before Developer's acquisition by lease or purchase of any site for development and operation of a Restaurant, Developer will submit to Franchisor a site report that Developer reasonably believes conforms to Franchisor's then-current site selection criteria for the Brand, containing demographic, commercial and market feasibility studies, a site plan, and other information in Franchisor's then-current site report format that Franchisor requires for the site of a Restaurant. Developer must pay to Franchisor any fees or reimbursements owed to Franchisor in connection with Franchisor's evaluation of any proposed sites. Developer is required to obtain Franchisor's prior written consent to each site for a Restaurant before executing the Lease for, or a binding agreement to purchase, any proposed site for a Restaurant. **FRANCHISOR'S CONSENT TO A SITE INDICATES ONLY THAT FRANCHISOR BELIEVES THE SITE MEETS ITS MINIMUM SITE CRITERIA AND DOES NOT CONSTITUTE A REPRESENTATION OR WARRANTY OF ANY KIND, EXPRESS OR IMPLIED, OF THE SUITABILITY OF THE SITE FOR A RESTAURANT OR FOR ANY OTHER PURPOSE. FRANCHISOR WILL NOT BE RESPONSIBLE FOR THE FAILURE OF A RESTAURANT TO MEET FRANCHISEE'S EXPECTATIONS AS TO POTENTIAL REVENUE OR TO SATISFY OPERATION CRITERIA.**

b. **Franchise Agreements.** Subject to fully satisfying the Execution Conditions, Developer itself, or an Affiliate that Developer Controls and that is approved by Franchisor, must execute Franchisor's then-current form of Franchise Agreement for each Restaurant within thirty (30) days after Developer or such Affiliate has been notified of Franchisor's acceptance of the site for a Restaurant pursuant to a Site Consent Letter and Franchisor has received Developer's written commitment to deliver to Franchisor a lease for or a contract to purchase such site pursuant to the Site Report. For the avoidance of doubt,

Developer and its Affiliates must fully be in current compliance with the Execution Conditions to be eligible to execute a Franchise Agreement.

If Developer desires to have an Affiliate that it Controls execute a Franchise Agreement, then such Affiliate and each of its Principals will be subject to the approval of Franchisor, which Franchisor may grant or deny at Franchisor's sole option. Developer will, or will cause its Affiliate to, provide Franchisor, at Franchisor's request, with copies of Affiliate's entity formation documents, certificate of good standing, evidence of the authority of the Affiliate and party signing on behalf of the Affiliate to sign the Franchise Agreement, list of Affiliate's Principals (and percentage ownership of each Principal), officers, and directors, and such financial information regarding any of the foregoing at any time upon Franchisor's request. At all times, Developer must Control any such Affiliate. Developer acknowledges and agrees that, if Developer's Affiliate executes a Franchise Agreement hereunder, Developer will remain liable and responsible for the Affiliate's performance under the Franchise Agreement and Developer continue to be directly liable for the performance of the Affiliate under such Franchise Agreement as if Developer had executed such Franchise Agreement.

If any Entity in which Developer directly or indirectly has an Equity Interest is a Party to a Franchise Agreement and such Entity is part of a change in Control or other business event whereby Developer does not subsequently have Controlling Interest in the surviving Entity or Developer no longer has full Control to supervise the applicable management personnel, and such other Restaurant personnel as required under the Franchise Agreement, and oversee the performance of the day-to-day operations of Restaurants, then any franchise for the operation of a Restaurant by such surviving Entity will terminate immediately upon notice by Franchisor and Developer and its Affiliates will cause any such Entity to comply with the post-termination obligations for the applicable Restaurant as described in the Franchise Agreement.

c. **Lease or Financing Terms.**

(1) For each Lease and financing document for a Restaurant, Developer will provide to Franchisor (A) a copy of the Lease or financing document promptly after its execution; and (B) a copy of any notice of default under the Lease or financing document promptly after its receipt. Any breach of the Lease or financing document for a site, if not cured within the applicable time period, will constitute good cause for termination of the applicable Franchise Agreement.

(2) For each Lease and financing document for a Restaurant, Developer will include in the Lease or financing document the specific required terms and conditions set forth in the applicable Franchise Agreement for such Restaurant, including, but not limited to, the provisions contained in Exhibit G of the Franchise Agreement (Addendum to Lease). Within fifteen (15) days following Developer's execution of the lease for the Restaurant premises, Developer shall provide to Franchisor copies of (i) the fully executed lease for the premises and the executed Addendum to Lease and (ii) the landlord's and property management company's notice address and contact information.

d. **Notice of Consent.** Franchisor may withhold its consent to any proposed site for any Restaurant if Franchisor determines, at its sole option, that the site fails to meet Franchisor's then-current site selection criteria. If Franchisor consents to the site proposed by Developer, Franchisor will use reasonable efforts to deliver written notification of its consent to Developer within thirty (30) days after Franchisor has received all materials that Franchisor has requested. **FRANCHISOR'S CONSENT AND ANY INFORMATION COMMUNICATED TO DEVELOPER REGARDING PROPOSED SITES DO NOT CONSTITUTE A REPRESENTATION OR WARRANTY OF ANY KIND, EXPRESS OR IMPLIED, AS TO THE SUITABILITY OF THE PROPOSED SITES FOR RESTAURANTS OR**

**FOR ANY OTHER PURPOSE. FRANCHISOR WILL NOT BE RESPONSIBLE FOR THE FAILURE OF ANY RESTAURANT TO MEET DEVELOPER'S EXPECTATIONS AS TO POTENTIAL REVENUE OR TO SATISFY OPERATIONAL CRITERIA WITH RESPECT TO ANY SITE TO WHICH FRANCHISOR HAS CONSENTED.**

## **7. FEES**

a. **Development Fee.** On or before the Effective Date, Developer will pay to Franchisor the Development Fee. The Development Fee is fully earned when paid to compensate Franchisor for expenses incurred during the negotiation and implementation of this Agreement as well as development opportunities lost or deferred as a result of the rights granted to Developer in the Development Territory, and is nonrefundable under any circumstances.

b. **Tax.** Any and all amounts expressed as being payable pursuant to this Agreement are exclusive of any applicable Taxes. Developer is obligated to pay all Taxes, including, without limitation, federal, state, and local income, sales, use and other Taxes, fees, duties, and similar charges assessed against Developer. Developer is responsible for, and must indemnify and hold the Indemnified Parties harmless against any penalties, Interest and expenses incurred by or assessed against Franchisor as a result of Developer's failure to timely remit them to the appropriate taxing authority. Developer agrees to fully and promptly cooperate with Franchisor to provide any information or records it requests in connection with any application by Franchisor to any taxing authority with respect to Developer.

c. **Payments.** All payments to Franchisor must be submitted to Franchisor either electronically or at the address directed by Franchisor, together with any reports or statements required under this Agreement. Any payment not actually received by Franchisor on or before such date will be deemed overdue. If any payment or report is overdue, Developer shall pay Franchisor, in addition to the overdue amount, a late payment/late report charge of one hundred dollars (\$100) for each week or part thereof that the payment or report is late, and Interest. Entitlement to such interest shall be in addition to any other remedies Franchisor may have. Developer acknowledges that this Section 7(c) does not constitute Franchisor's agreement to accept any payments after they are due or Franchisor's commitment to extend credit to, or otherwise finance Developer's development or operation of, each Restaurant. Developer has no right of offset against any payments due Franchisor under this Agreement. Developer will not withhold any payments due Franchisor under this Agreement for any reason. Regardless of any designation by Developer, Franchisor has the right to apply any payments by Developer to any of Developer's past due indebtedness, Interest, or any other indebtedness or amounts owed to Franchisor under this Agreement or any other agreement between Franchisor and Developer or any of their respective Affiliates.

d. **No Subordination.** Developer shall not subordinate to any other obligation its obligation to pay Franchisor the fees and/or any other fee or charge payable to Franchisor, whether under this Agreement or otherwise.

e. **No Refunds.** Upon the expiration or termination of this Agreement, Franchisor shall not refund any amounts paid pursuant to this Agreement for any reason whatsoever.

## **8. REPRESENTATIONS, WARRANTIES, AND COVENANTS**

(1) Developer and its Principals represent, warrant, and covenant as follows (and acknowledge that Franchisor is relying on the following representations, warranties, and covenant as a predicate for entering into this Agreement and granting the rights described herein):

a. That Developer is duly organized or formed and validly existing in good standing under the laws of the jurisdiction of its incorporation or formation; it has the necessary consents, approvals, licenses and/or permits to carry out the business activities contemplated by this Agreement; it will furnish such other information about its organization or formation as Franchisor may reasonably request to confirm the same; and the execution and delivery of this Agreement has been duly authorized by it.

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

c. Developer has conducted an independent investigation of the business contemplated by this Agreement.

d. Developer acknowledges receipt of a copy of this Agreement, the exhibit(s) hereto, and agreements relating hereto, if any, with all of the blank lines therein filled in, at least seven (7) days prior to the date on which this Agreement was executed. Developer further acknowledges receipt of the franchise disclosure document required by the Federal Trade Commission's Franchise Rule at least fourteen (14) days prior to the date on which this Agreement was executed.

e. Developer will operate any Restaurant in full compliance, subject to its right to contest, with all applicable laws, ordinances, and regulations, including all government regulations relating to handling of food products, occupational hazards and health, workers' compensation insurance, unemployment insurance and withholding and payment of federal and state income taxes, social security taxes, and sales taxes. All advertising and promotion by Developer shall be factually accurate and conform to the highest standards of ethical advertising. Developer shall in all dealings with its customers, suppliers, and the public adhere to the highest standards of honesty, integrity, fair dealing, and ethical conduct, and shall comply with all consumer protection and unfair competition laws and regulations. Developer shall refrain from any business or advertising practice which may be injurious to the business of Franchisor, the System, and/or the goodwill associated with the Proprietary Marks and other Restaurants.

f. Developer understands that present and future Developers of Franchisor may operate under different forms of agreements and, consequently, the obligations and rights of the parties to those agreements may differ materially from the obligations and rights contained in this Agreement. Developer also acknowledges and agrees that Franchisor may modify the offer of Franchisor franchises to other Developers in any manner and at any time, which offers and agreements have or may have terms, conditions, and obligations that may differ from the terms, conditions, and obligations in this Agreement.

g. Developer will disclose to Franchisor all Equity Interests in Developer.

h. Developer will provide Franchisor with such financial information as Franchisor may periodically request from Developer and each Principal, including copies of unaudited financial statements to be delivered to Franchisor on a quarterly basis, within twenty (20) days after the end of each calendar quarter, and copies of audited financial statements (prepared under generally accepted accounting principles in the U.S.) to be delivered to Franchisor on an annual basis, no later than sixty (60) days after the end of each calendar year.

i. Each of Developer's Principals will execute and deliver to Franchisor a Guarantee, Indemnification, and Acknowledgment in the form attached hereto as Exhibit B.

j. That this Agreement does not create a fiduciary or special relationship between Franchisor or its Affiliates and Developer, its Affiliates, or their respective Principals, that Developer is an independent contractor, that Developer is in business for itself and is not economically dependent on Franchisor for work, and that nothing in this Agreement is intended to constitute either Party hereto an agent, legal representative, subsidiary, joint venturer, partner, employee, joint employer, or servant of the other for any purpose whatsoever. For the avoidance of doubt, Franchisor is not the employer or joint employer of Developer or Developer's employees.

k. Developer acknowledges having sole and complete responsibility for the choice of the location of the Restaurant, and that Franchisor has not (and shall not be deemed to have, even by Franchisor's approval of the location) given any representation, promise, or guarantee of Developer's success at the location.

l. Neither Developer nor any of its Affiliates will use the Proprietary Marks in its corporate name, nor will they use Developer's own name or any other name, word, or symbol, in connection with the Proprietary Marks without Franchisor's prior written consent. Developer will immediately inform Franchisor of any suspected or known infringement of or challenge to the Proprietary Marks, rights and systems by others and will assist and cooperate with Franchisor in taking such action, at Franchisor's own expense, as Franchisor, at its sole option, deems appropriate.

## **9. ANTI-CORRUPTION AND ANTI-TERRORISM LAWS**

a. Prior to and during the Term, Developer, its Affiliates, and each of their respective Principals, employees, representatives or agents acting on its behalf, has not, directly or indirectly, offered, made or promised to make, authorized or given, and will not in the future offer, make or promise to make, authorize or give, any payment of funds or anything of value to any Person in violation of Anti-Corruption Laws, including with the intent to (i) influence any act or decision of a Government Official in his or her official capacity, (ii) induce the Government Official to do or omit to do any act in violation of his or her lawful duty, (iii) secure any improper advantage, or (iv) induce a Government Official to use his or her position improperly to affect any act or decision of a government authority, in any way connected with this Agreement. Developer warrants and represents that no Government Official is or will be during the Term directly or indirectly an owner or investor in Developer and that no Government Official has or will have during the Term any financial interest, directly or indirectly, in the contractual relationship established by this Agreement. Developer will maintain accurate and complete accounting and other financial and business records related to this Section 9(a).

b. Developer represents, covenants, and warrants to Franchisor that: (1) neither Developer, any Affiliate, nor any Principal of Developer or any Affiliate, nor any executive officer of Developer or any Affiliate is identified, either by name or an alias, pseudonym or nickname, on the lists of "Specially Designated Nationals," "Blocked Persons" or similar lists maintained by the U.S. Treasury Department's Office of Foreign Assets Control (texts available at [www.treas.gov/offices/enforcement/ofac/](http://www.treas.gov/offices/enforcement/ofac/)); (2) neither Developer, any Affiliate, nor any Principal of Developer or any Affiliate is directly or indirectly owned or controlled by the government or any country that is subject to a United States embargo; (3) neither Developer, any Affiliate, nor any Principal of Developer or any Affiliate acts or will act directly or indirectly on behalf of the government of any country that is subject to a United States embargo; and (4) neither Developer, any Affiliate, nor any Principals or executive officers of Developer or its Affiliate have

violated, and Developer will not violate, and will cause all Affiliates, Principals, and their respective executive officers not to violate, any Anti-Terrorism Laws.

c. Developer will notify Franchisor in writing immediately (i) of the occurrence of any event which renders the foregoing representations, covenants, and warranties of this Section 9 false, inaccurate or misleading or which constitutes a breach of any of the covenants of this Section 9; or (ii) if Developer, any Affiliate, or any of their Principals, employees, representatives or agents violates Anti-Corruption Laws or Anti-Terrorism Laws or becomes subject to any internal investigation or investigation by a government authority involving the possible violation of Anti-Corruption Laws or Anti-Terrorism Laws during the Term.

d. Developer has implemented and will maintain and enforce policies and procedures designed to promote compliance by Developer and its Affiliates, and their respective Principals, employees, representatives and agents with Anti-Corruption Laws and Anti-Terrorism Laws.

## **10. BUSINESS JUDGMENT**

(2) Developer understands and agrees that Franchisor may operate and change the System in any manner that is not expressly and specifically prohibited by this Agreement. Whenever Franchisor has expressly reserved in this Agreement or is deemed to have a right and/or discretion to take or withhold an action, or to grant or decline to grant Developer a right to take or withhold an action, except as otherwise expressly and specifically provided in this Agreement, Franchisor may make such decision or exercise its right and/or discretion on the basis of Franchisor's sole judgment of what is in the best interest of Franchisor and the System and brand overall, including Franchisor, its affiliates, and the franchise network, at the time Franchisor's decision is made or Franchisor's right or discretion is exercised, without regard to whether: (1) other reasonable alternative decisions or actions, or even arguably preferable alternative decisions or actions, could have been made by Franchisor; (2) Franchisor's decision or the action taken promotes Franchisor's financial or other individual interest; (3) Franchisor's decision or the action it takes applies differently to Developer and one or more other Developers or Port of Subs company-owned or affiliate-owned operations; or (4) Franchisor's decision or the exercise of its right or discretion is adverse to Developer's interests. If applicable law implies a covenant of good faith and fair dealing in this Agreement, Franchisor and Developer agree that such covenant shall not imply any rights or obligations that are inconsistent with the express wording of the terms of this Agreement and that this Agreement grants Franchisor the right to make decisions, take actions, and/or refrain from taking actions not inconsistent with Developer's rights and obligations hereunder.

## **11. DUTIES OF DEVELOPER**

Developer will comply with all of the terms and conditions of this Agreement.

a. **Obligation to Develop.** Developer will develop the Restaurants in the Development Territory in accordance with the terms of this Agreement, and comply fully with the Development Schedule.

b. **Regulatory Compliance.** Each Party will comply with all requirements of Applicable Laws applicable to each of them.

c. **Personnel.** At all times throughout the Term, Developer will employ qualified and trained personnel sufficient to fulfill Developer's obligations under this Agreement. Developer will be solely responsible for all of its employment and personnel matters and decisions, including but not limited to the hiring, firing, discipline, supervision, direction, scheduling, and compensation of Developer's employees,

including, without limitation, the management-level personnel identified in Section 11(d). Franchisor will not, directly or indirectly, exercise, possess or reserve control over employment and personnel matters and decisions involving Developer's employees.

d. **Management-Level Personnel.** At all times throughout the Term, Developer will employ management-level personnel dedicated solely to the development of Restaurants in the Development Territory pursuant to the terms of this Agreement, including a Designated Principal. Developer will notify Franchisor in writing of the names of its management-level personnel. If any management-level personnel is replaced, Developer will promptly notify Franchisor.

(1) **Designated Principal.** Developer will designate at least one (1) Principal who, among other duties determined by Developer, will be primarily responsible for communicating with Franchisor and overseeing Developer's personnel and Developer's obligations under this Agreement. Franchisor may, but is not required to, deal exclusively with the Designated Principal unless and until Franchisor's receipt of notice from Developer appointing a successor Designated Principal. The Designated Principal under this Agreement may be the same individual as the Designated Principal under a Franchise Agreement.

e. **Training.** To protect and promote the Brand's Standards, reputation, and goodwill, Developer's Designated Principal (or other management-level personnel designated by Developer and approved by Franchisor) must attend and complete any mandatory training that Franchisor elects to require to Franchisor's satisfaction. There is no fee for Developer's initial Designated Principal (or other management-level employee responsible for site selection on behalf of Developer) to participate in such training. Any replacement or substitute Designated Principal (or other replacement or substitute management-level employee responsible for site selection on behalf of Developer) must complete training to Franchisor's satisfaction prior to serving in such positions. Franchisor reserves the right to charge Developer the then-current replacement/additional training fee for any training provided to any replacement or successor Designated Principal or other management-level personnel. Developer's Designated Principal and other management-level personnel must attend any additional or continuing training programs and seminars, as Franchisor may determine from time to time. Developer and its management-level personnel may attend such optional training as Franchisor may periodically offer on the terms and conditions and Franchisor may specify for such optional training. Developer must pay Franchisor's then-current replacement/additional training fee for any additional or continuing training designated by Franchisor or requested by Developer. Developer will be solely responsible for all costs and expenses incurred by Developer and its personnel in connection with any initial, additional, continuing, or replacement training, including, without limitation, costs of obtaining any required certifications, travel, lodging, meals, wages, and other living expenses. Training may be conducted at Franchisor's offices or any Restaurant in the United States, at Franchisor's sole option. Franchisor reserves the right to require an approved third party to conduct any trainings, meeting, or conferences, including, without limitation, any initial, additional, continuing or replacement training.

f. **Meetings and Conferences.** If Franchisor elects to hold an annual convention, Developer shall attend Franchisor's annual convention, and attend the annual convention at Developer's expense. Developer shall be responsible for Developer's and any approved attendees' costs and expenses to attend the convention, including transportation, meals and lodging. Franchisor reserves the right to charge a registration fee for franchisees to attend the annual conference in the future. Additionally, Franchisor may from time to time hold periodic System-wide meetings at locations designed by Franchisor to address matters of general interest to the System. Developer and Developer's management-level personnel must attend such meetings and conferences. Franchisor may, at its sole option, require Developer to pay Franchisor's then-current fee for Developer and Developer's management-level personnel to attend such

meetings or conferences. Developer will be solely responsible for all costs and expenses incurred by Developer and its personnel in connection with attending such meetings and conferences, including, without limitation, the costs of obtaining any required certifications, travel, lodging, meals, wages and other living expenses.

## **12. TRANSFERABILITY OF INTEREST**

**a. Transfer by Franchisor.** Franchisor has the right to transfer or assign this Agreement, the System, Confidential Information, and all or any part of Franchisor's rights or obligations under this Agreement or Franchisor's interest in the System and Confidential Information to any person or legal entity without Developer's consent. Any transferee or assignee of this Agreement from Franchisor will become solely responsible for all of Franchisor's obligations under this Agreement from the date of the transfer or assignment. Without limiting the foregoing, Franchisor may sell its assets (including its rights in the Proprietary Marks and the System) to a third party; may offer its securities privately or publicly; may merge with or acquire other legal entities, or be acquired by another legal entity; and may undertake a refinancing, recapitalization, leveraged buyout, or other economic or financial restructuring. Nothing contained in this Agreement will require Franchisor to remain in the business of operating or licensing the operation of Port of Subs Restaurants or other businesses or to offer any services or products to Developer, whether or not bearing the Proprietary Marks, if Franchisor transfers or assigns its rights in or obligations under this Agreement and the System.

**b. Transfer by Developer.** Developer understands and acknowledges that the rights and duties created by this Agreement are personal to Developer, and that Franchisor has granted rights under this Agreement in reliance on the business skill, financial capacity and personal character of Developer. Accordingly, no Transfer is permitted or authorized without Franchisor's prior written approval, which will not be unreasonably withheld. If Developer is a corporation or limited liability company, Developer shall not, without Franchisor's prior written consent, issue any voting securities or securities convertible into voting securities, and the recipient of any such securities shall become an owner under this Agreement, if so designated by Franchisor. If Developer is a partnership or limited partnership, the partners of the partnership shall not, without Franchisor's prior written consent, admit additional general partners, remove a general partner, or otherwise materially alter the powers of any general partner.

**c. Conditions for Approval of Transfer.** No Transfer is permitted or authorized without Franchisor's prior written consent. Franchisor will not unreasonably withhold any consent required by Section 12(b) above; provided, Franchisor may require, among other things, any or all of the following as conditions of Franchisor's consent:

(1) Developer has paid all fees and other amounts owed to Franchisor and its Affiliates, submitted all required reports and statements, complied with the Development Schedule, and otherwise are in full compliance with this Agreement.

(2) Developer and the proposed transferee shall comply with Franchisor's then-current transfer policies. Developer and the proposed transferee shall provide Franchisor with all information and documents requested by Franchisor for its evaluation of the proposed transfer, transaction, and transferee, including the business and financial terms of the proposed transaction including the leases and/or any assignments, renewal, or extension of the leases and any necessary landlord consents, financial and operational information regarding the proposed transferee, and evidence of any financing that may be required to complete the transaction and/or fund the transferee's operation after the transfer.

(3) Unless Franchisor consents otherwise, Developer will assign all of the Franchise Agreements to the transferee in accordance with all of the terms and conditions applicable under each such Franchise Agreement (including payment of any transfer fee due to Franchisor under each such Franchise Agreement).

(4) In the event a proposed Transfer is not consummated or closed, for any reason except for disapproval by Franchisor, Developer must reimburse Franchisor for all of Franchisor's costs and expenses incurred in connection with Franchisor's evaluation of the proposed Transfer, including attorneys' and accountants' fees, background checks, site evaluation, and training, if applicable.

(5) Developer and its owners shall execute a general release (which shall include a release from the transferor, Franchisee, Franchisee's owners, and guarantors), in a form satisfactory to Franchisor, of any and all claims against Franchisor and its affiliates, successors, and assigns, and their respective owners, directors, officers, shareholders, partners, agents, representatives, servants, and employees in their corporate and individual capacities including claims arising under this Agreement, any other agreement between Franchisor and Franchisee or their affiliates, and federal, state, and local laws and rules.

(6) Prior to, and after the transfer, the transferee and its owners shall meet Franchisor's educational, managerial, and business standards; each shall possess a good moral character, business reputation, and credit rating; have the aptitude and ability to operate the Restaurant, as may be evidenced by prior related business experience or otherwise; not engaged and will not engage in the operation of ownership of a Competitive Business; and have adequate financial resources and capital to develop the Restaurants. The price, consideration, and other proposed terms of the proposed transfer must not, in Franchisor's reasonable business judgment, have the effect of negatively impacting the future viability of the Restaurant(s).

(7) Franchisor must have approved all terms and conditions of the Transfer, including that the price and terms of payment are not so burdensome as to adversely affect the development and operation of the Restaurants by the transferee.

(8) The transferee (and its principals) executes Franchisor's then-current form of area development agreement and any ancillary documents Franchisor requires for developers (and their principals).

(9) Transferee and its designated principal, and such other owners or managers as specified by Franchisor, shall successfully complete (to Franchisor's satisfaction) all training programs required by Franchisor (including any required multi-unit training program) upon such terms and conditions as Franchisor may reasonably require.

(10) Franchisor does not elect to exercise its right of first refusal described in Section 12(e).

(11) The transferor must acknowledge and agree that the transferor shall remain bound by the covenants contained in Section 13.

Franchisor's consent to a Transfer will not constitute a waiver of any claims Franchisor may have against any transferor, nor be deemed a waiver of Franchisor's right to demand exact compliance with any of the terms or conditions of this Agreement or any Franchise Agreement by the transferee.

d. **Death or Disability of Developer.** Upon Developer's death or if Developer becomes Permanently Disabled (in either case as an individual) or, if a Principal that Controls Developer dies or becomes Permanently Disabled, and Franchisor determines, in Franchisor's sole discretion, that such death or disability adversely affects the development of the Restaurants required by this Agreement, Developer's or such Principal's executor, administrator, or other personal representative must Transfer Developer's or such Principal's interest in this Agreement or interest in Developer (including Transfer by bequest or inheritance) to a third party approved by Franchisor in accordance with all of the applicable provisions of Section 12 within a reasonable period of time, not to exceed six (6) months from the date of death or Permanent Disability. A failure to Transfer the interest of Developer or such Principal in this Agreement or the Control in Developer within this period of time in accordance with the foregoing constitutes an Event of Default of this Agreement.

e. **Franchisor's Right of First Refusal.** If Developer or any Principal desires to engage in a Transfer, Developer or such Principal shall promptly notify Franchisor of 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 all such information, 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, the closing on such purchase shall occur within sixty (60) days from the date of notice to the seller of the election to purchase by Franchisor. Any material change in the terms of the bona fide offer prior to closing shall constitute a new offer subject to the same rights of first refusal by Franchisor as in the case of the third party's initial offer. Franchisor's failure to exercise the option afforded by this Section shall not constitute consent to a proposed transfer, a waiver of any other provision of this Agreement, including all of the requirements of this Section with respect to a proposed transfer, or a waiver of any subsequent offer. In the event the consideration, terms, and/or conditions offered by a third party are such that Franchisor may not reasonably be required to furnish the same consideration, terms, and/or conditions, then Franchisor may purchase the interest proposed to be sold for the reasonable equivalent in cash. If the parties cannot agree within a reasonable time on the reasonable equivalent in cash of the consideration, terms, and/or conditions offered by the third party, they must attempt to appoint a mutually-acceptable independent appraiser to make a binding determination. If the parties are unable to agree upon one (1) independent appraiser, then an independent appraiser shall be promptly designated by Franchisor and another independent appraiser shall be promptly designated by Developer, which two (2) appraisers shall, in turn, promptly designate a third appraiser; all three (3) appraisers shall promptly confer and reach a single determination, which determination shall be binding upon Franchisor and Developer. The cost of any such appraisal shall be shared equally by Franchisor and Developer. If Franchisor elects to exercise its right under this Section, Franchisor shall have the right to set off all amounts due from Developer, and one-half (½) of the cost of the appraisal, if any, against any payment to the seller.

f. **Effect of Consent to Transfer.** Any Transfer without Franchisor's consent constitutes an Event of Default and is void and of no effect. Franchisor's consent to a Transfer does not constitute a representation as to the fairness of the terms of any contract between Developer and the transferee, a guarantee of the prospects of success of the transferee, or a waiver of any claims Franchisor may have against Developer (or its Principals) or of its right to demand exact compliance with any of the terms or conditions of this Agreement or any Franchise Agreement by the transferee.

g. **Securities.** All materials for an offering of stock or partnership interests in Developer or any of Developer's affiliates which are required by federal or state law shall be submitted to Franchisor for review as described below before such materials are filed with any government agency. Any materials to be used in any exempt offering shall be submitted to Franchisor for such review prior to their use. No offering by Developer or any of Developer's affiliates shall imply (by use of the Proprietary Marks or

otherwise) that Franchisor is participating in an underwriting, issuance, or offering of the securities of Developer or Developer's affiliates; and Franchisor's review of any offering shall be limited solely to the relationship between Franchisor and Developer and any subsidiaries and affiliates, if applicable, and shall not constitute any opinion as to any legal requirement. Franchisor may, at its option, require the offering materials to contain a written statement prescribed by Franchisor concerning the limitations stated in the preceding sentence. Developer (and the offeror if not Developer), the owners, and all other participants in the offering must fully indemnify Franchisor, its subsidiaries, affiliates, successor, and assigns, and their respective directors, officers, shareholders, partners, agents, representatives, servants, and employees in connection with the offering and shall execute any and all documents required by Franchisor to endorse such indemnification; provided, there will be no indemnification for Franchisor's gross negligence or willful misconduct according to a final, unappealable ruling issued by a court or arbitrator with competent jurisdiction. For each proposed offering, Developer shall pay 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 (including legal and accounting fees) for reviewing the proposed offering. Developer shall give Franchisor written notice at least thirty (30) days before the date that any offering or other transaction described in this Section commences. Any such offering shall be subject to all of the other provisions of this Section; and further, without limiting the foregoing, it is agreed that any such offering shall be subject to Franchisor's approval as to the structure and voting control of the offeror (and Developer, if Developer is not the offeror) after the financing is completed.

**h. Transfer of Non-Controlling Interest.** If a Transfer or series of prior, contemporaneous or proposed Transfers of Equity Interests in Developer or a Principal would have the effect of transferring less than Control of Developer, Franchisor will reasonably approve such Transfer so long as Developer is in full compliance with this Agreement during the Term and as of the effective date of Transfer, provides Franchisor at least fifteen (15) days prior written Notice of such proposed Transfer, and certifies (subject to Franchisor's right of confirmation) that such transferee (directly or through its Affiliates or principals) (i) does not have an Equity Interest in any Competitive Business; (ii) has not been convicted of a felony, or a crime involving moral turpitude, or any other crime or offense that Franchisor believes is reasonably likely to have an adverse effect on the System, the Proprietary Marks, or the goodwill associated therewith; (iii) does not render any of Developer's representations, covenants or warranties in Sections 8 and 9 of this Agreement invalid, incomplete or untrue; (iv) is not identified either by name or an alias, pseudonym or nickname on lists of "Specially Designated Nationals," "Blocked Persons," or similar lists maintained by the U.S. Treasury Department's Office of Foreign Asset Control; and (v) executes a Guarantee, Indemnification, and Acknowledgment in the form of Exhibit B.

### **13. RESTRICTIVE COVENANTS**

**a. New Business Competition.** Developer recognizes that Franchisor has a need to protect the potential for expansion of the Brand in the Development Territory during the Term. Accordingly, after the Effective Date, Developer will not invest in any New Business anywhere unless Developer is currently in and maintains full compliance with the Development Schedule.

**b. In-Term Covenant Not to Compete.** Developer specifically acknowledges that, pursuant to this Agreement, Developer will receive valuable specialized training and Confidential Information, including information regarding Franchisor's operational, sales, promotional, and marketing methods and techniques and the System, and that the covenants set forth in this Section are made for the purchase and sale of a business or the assets of a business. During the term of this Agreement, except as otherwise approved in writing by Franchisor, Developer shall not (a) within the Development Territory or (b) within two (2) miles of any other Port of Subs Restaurant owned and/or operated or then under construction by

Franchisor or any other Developer or licensee of Franchisor, either directly or indirectly, for Developer, or through, on behalf of, or in conjunction with any person, persons, partnership, corporation, or entity:

(1) Divert or attempt to divert any business or customer of the Restaurant or of any Port of Subs Restaurant using the System to any competitor, by direct or indirect inducement or otherwise, or do or perform, directly or indirectly, any other act injurious or prejudicial to the goodwill associated with the Proprietary Marks, brand, and the System.

(2) Except as otherwise approved in writing by Franchisor, directly or indirectly, own, maintain, operate, engage in, have any interest in, or provide any assistance to (whether as owner, stockholder, partner, officer, director, employee, consultant, franchisor, Developer, lessor, or otherwise) any Competitive Business.

**c. Post-Term Covenant Not to Compete.** Except as otherwise approved in writing by Franchisor, Developer shall not, for a continuous uninterrupted period of two (2) years from the date of: (a) a transfer permitted under this Agreement; (b) expiration or earlier termination of this Agreement (regardless of the cause for termination); or (c) a final order of a duly authorized arbitrator, panel of arbitrators, or a court of competent jurisdiction (after all appeals have been taken) with respect to any of the foregoing or with respect to the enforcement of this Section, either (1) directly or indirectly own, maintain, operate, engage in, have any interest in, or provide any assistance to (whether as owner, stockholder, partner, officer, director, employee, consultant, franchisor, Developer, lessor, or otherwise) any Competitive Business which is, or is intended to be, located: (a) within the Development Territory of the Restaurant or (b) within two (2) miles of any other Port of Subs Restaurant owned and/or operated or then under construction by Franchisor, Franchisor's affiliate, or any other Developer or licensee of Franchisor as of the time that the obligations under this Section commence, or (2) do or perform, directly or indirectly, any act injurious to the goodwill associated with the Proprietary Marks and the System. If Developer does not comply with the post-term covenants as specified in this Section 13(c), the post-term non-compete period shall not begin to run until Developer begins to comply. This Section 13(c) shall not apply to ownership by Developer of less than a five percent (5%) beneficial interest in the outstanding equity securities of any publicly held corporation. As used in this Agreement, the term "publicly held corporation" shall be deemed to refer to a corporation which has securities that have been registered under the Securities Exchange Act of 1934.

**d. Customer Data; PCI-DSS; Personal Information.** As between Franchisor and Developer, all information, mailing lists, and databases of Customer Data, from whatever source derived, will be Franchisor's sole property and constitutes Confidential Information of Franchisor. Developer, its Affiliates, and their respective Principals will not use such information, except in connection with the development or operation of Restaurants in accordance with this Agreement or a Franchise Agreement. Developer, its Affiliates, and their respective Principals will not use, process, copy, display, publish, store, or transfer the Customer Data without Franchisor's written approval. Developer, its Affiliates, and their respective Principals will fully comply with all Applicable Law and the terms of any Franchise Agreement with respect to Customer Data, other Personal Information, and PCI-DSS requirements.

**e. Non-Disclosure of Confidential Information.** Developer shall not, during the term of this Agreement or thereafter, communicate, divulge, or use for the benefit of any other person, persons, partnership, entity, association, or corporation any Confidential Information. Developer shall divulge such Confidential Information only to such of its employees as must have access to it in order to operate the Restaurant. Any and all information, knowledge, know how, and techniques which Franchisor designates as confidential shall be deemed confidential for purposes of this Agreement, except information which Developer can demonstrate came to its attention prior to disclosure thereof by Franchisor; or which, at or

after the time of disclosure by Franchisor to Developer, had become or later becomes a part of the public domain, through publication or communication by others. Any employee who may have access to any Confidential Information regarding the Restaurant shall execute a covenant that s/he will maintain the confidentiality of information they receive in connection with their association with Developer. Such covenants shall be on a form provided by Franchisor, which form may, among other things, designate Franchisor as a third-party beneficiary of such covenants with the independent right to enforce them. Developer, its Affiliates, and each of their respective Principals acknowledge that all Confidential Information is economically valuable, that such value is derived from such Confidential Information not being generally known to others, that reasonable efforts have been taken by Franchisor to maintain the secrecy and confidentiality of Confidential Information, and that Developer has entered into this Agreement in order to use such Confidential Information to the economic benefit of Developer.

f. **Ownership.** All Confidential Information furnished or disclosed by Franchisor to Developer, its Affiliates, or their respective Principals or otherwise obtained by Developer or its Principals is and will remain the property of Franchisor. Any reproductions, notes, summaries or similar documents relating to the Confidential Information, and any files, memoranda, reports, price lists, proprietary information, and other documents relating to System, including but not limited to Customer Data, will become and will remain the property of Franchisor immediately upon their creation. Upon expiration or termination of this Agreement, Developer will immediately return all copies of such materials to Franchisor. Developer must promptly reveal to Franchisor any discoveries, inventions, innovations or improvements made by Developer, its Affiliates, or their respective Principals, personnel or independent contractors relating to System, or any Confidential Information. Further, all proprietary interests in any devices, information, know-how, materials, methods, processes and techniques utilizing those discoveries, inventions, innovations and improvements are Franchisor's property. Where certain Confidential Information or proprietary interests in this Section 13(f) do not automatically vest in Franchisor, Developer hereby assigns, transfers and conveys (and agrees to assign, transfer and convey) to Franchisor all of Developer's right, title and interest in such Confidential Information and proprietary interests. To the extent that such Confidential Information or proprietary interests may not be assigned under Applicable Law, Developer hereby grants and agrees to grant to Franchisor an exclusive, worldwide, perpetual, irrevocable, royalty-free, paid up and unconditional license, or if such grant would be invalid or not fully enforceable under Applicable Law, such other right and license as the Franchisor reasonably requests in order to acquire a legal position as close as possible to that contemplated by the Parties under this Section 13(f).

g. **Employees.** Developer will cause each of its management employees, before and as a condition of employment, to sign a Non-Disclosure Agreement in the form of Exhibit C. Developer will be liable for any unauthorized disclosure of any Confidential Information by Developer's Principals, employees, and agents.

h. **Severability and Enforceability of Covenants.** Each of the covenants contained in this Section 13 will be considered separate and independent from each other. If any covenant in this Agreement which restricts competitive activity is deemed unenforceable for any reason, but would be enforceable by reducing any part of it, such covenant will be enforced to the fullest extent permissible under Applicable Law. Developer acknowledges that any failure to comply with the requirements of this Section will cause Franchisor irreparable injury, and Developer agrees to pay all court costs and reasonable attorney's fees incurred by Franchisor in obtaining specific performance of, or an injunction against violation of, the requirements of this Section. The remedies in this Section are in addition to the other right and remedies available to Franchisor and shall not serve as an election of remedies or a waiver of any other rights.

#### 14. INDEPENDENT CONTRACTORS

a. **Independent Contractors.** It is understood and agreed by the parties hereto that this Agreement does not in any way create the relationship of principal, agent, fiduciary, joint venture, joint employer, or employer/employee between Franchisor and Developer; that Developer shall be an independent contractor; and that nothing in this Agreement is intended to constitute either party an agent, legal representative, subsidiary, joint venturer, joint employer, partner, employee, or servant of the other for any purpose whatsoever. For the avoidance of doubt, Franchisor is not the employer or joint employer of Developer or Developer's employees. At all times during the term of this Agreement and any extensions hereof, Developer shall hold itself out to the public as an independent contractor operating the business pursuant to a franchise from Franchisor. Developer will conspicuously identify itself in all dealings as the independently-owned developer or operator of any Restaurants, and will place such notices of independent ownership on such forms, business cards, stationery and advertising and other materials as Franchisor may periodically require.

b. **No Liability for Acts of Other Party.** Developer shall not act or attempt to act or represent itself, directly or by implication, as an agent of Franchisor. It is understood and agreed that nothing in this Agreement authorizes Developer 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 hereunder as a result of, any such action; nor shall Franchisor be liable by reason of any act or omission by Developer in Developer's conduct of the Restaurant or for any claim or judgment arising therefrom against Developer or Franchisor. Developer shall not have the authority, express or implied, to bind or obligate Franchisor in any way.

## **15. CRISIS MANAGEMENT EVENT**

Developer must notify Franchisor immediately of the occurrence of any Crisis Management Event by the method periodically specified in the Manuals or otherwise in writing, and fully comply and cooperate with Franchisor's instructions in response to the Crisis Management Event. Failure to notify Franchisor immediately of a Crisis Management Event constitutes an Event of Default.

## **16. INSURANCE**

**Insurance Coverage.** Developer must obtain and maintain in effect the minimum types and amounts of insurance coverage required by Franchisor as set forth in the Manuals and the applicable Franchise Agreements (which minimum insurance requirements Franchisor, at its sole option, may change from time to time), including, without limitation, the following types of coverages: comprehensive and general liability insurance; crime insurance, including employee dishonesty and loss of money and securities (both inside and outside the premises); business interruption insurance; cyber liability; employment practices liability, unemployment insurance, and workers' compensation insurance. The policies must be occurrence policies, and not claims-made policies.

All required insurance must be written by reputable, financially responsible companies approved by Franchisor that are duly licensed to operate within the jurisdictions in which the Restaurant is located, and such insurance companies must have and maintain an A.M. Best's Financial Strength Rating of A-(Excellent) or better and Financial Size Category of X or higher. All insurance policies must contain such types and minimum amounts of coverage, exclusions and maximum deductibles as Franchisor prescribes from time to time; name Franchisor and Franchisor's Affiliates as additional insureds (and provide that any settlement of any claim or action involving Franchisor or Franchisor's Affiliate requires the express consent of Franchisor or Franchisor's Affiliate, as applicable); contain a standard separation of insureds provision; include a waiver of subrogation provision or endorsement in favor of Franchisor and Franchisor's Affiliates; provide that coverage for Franchisor and Franchisor's Affiliates will be primary to and not contributory to

any policies carried by Franchisor or Franchisor's Affiliates; provide for thirty (30) days prior written Notice to Franchisor of any modification, cancellation, or expiration of such policy; and include such other provisions as Franchisor may require from time to time.

## **17. INDEMNIFICATION**

DEVELOPER, ON BEHALF OF ITSELF, ITS AFFILIATES, AND THEIR RESPECTIVE PRINCIPALS, WILL INDEMNIFY, DEFEND AND HOLD HARMLESS THE INDEMNIFIED PARTIES AGAINST ANY AND ALL LOSSES AND EXPENSES ARISING OUT OF OR FROM OR RELATED TO, ANY CLAIMS, DIRECTLY OR INDIRECTLY, ARISING OUT OF OR FROM OR RELATED TO THE DEVELOPMENT AND OPERATION OF THE RESTAURANTS (INCLUDING, WITHOUT LIMITATION, DELIVERY, TAKE-OUT, CATERING, OR ANY OTHER OFF-SITE SALES ACTIVITY); DEVELOPER'S EMPLOYMENT OR OTHER CONTRACTUAL RELATIONSHIP WITH ITS DEVELOPER'S EMPLOYEES, WORKERS, MANAGERS, OR INDEPENDENT CONTRACTORS, INCLUDING LABOR AND EMPLOYMENT CLAIMS (INCLUDING, WITHOUT LIMITATION, ANY CLAIM, ALLEGATION, FINDING, OR RULING THAT FRANCHISOR IS AN EMPLOYER OR JOINT EMPLOYER OF DEVELOPER'S EMPLOYEES, WORKERS, MANAGERS, OR INDEPENDENT CONTRACTORS); ANY BREACH OF THIS AGREEMENT, THE MANUALS, OR STANDARDS BY DEVELOPER, ITS AFFILIATES, OR ANY OF THEIR RESPECTIVE PRINCIPALS; OR ANY BREACH BY DEVELOPER, ITS AFFILIATES, OR ANY OF THEIR RESPECTIVE PRINCIPALS OF ANY OTHER AGREEMENT BETWEEN FRANCHISOR OR ITS AFFILIATE, ON THE ONE HAND, AND DEVELOPER, ITS AFFILIATES, OR ANY OF THEIR RESPECTIVE PRINCIPALS, ON THE OTHER HAND. FOR THE AVOIDANCE OF DOUBT, THE ABOVE INCLUDES CLAIMS ARISING OUT OF OR FROM OR RELATED TO, IN WHOLE OR IN PART, THE ACTUAL OR ALLEGED NEGLIGENCE OR GROSS NEGLIGENCE OF THE INDEMNIFIED PARTIES. FRANCHISOR HAS THE RIGHT, AT ITS OPTION, TO DEFEND ANY SUCH CLAIM AGAINST IT AT DEVELOPER'S SOLE COST AND EXPENSE. IF DEVELOPER DEFENDS ANY CLAIM, IT MAY NOT ENTER INTO ANY SETTLEMENT AGREEMENT OR OTHERWISE RESOLVE OR CONCLUDE THE MATTER WITHOUT FRANCHISOR'S PRIOR WRITTEN CONSENT. THIS INDEMNITY WILL CONTINUE IN FULL FORCE AND EFFECT SUBSEQUENT TO, AND NOTWITHSTANDING, THE EXPIRATION OR TERMINATION OF THIS AGREEMENT OR ANY FRANCHISE AGREEMENT. UNDER NO CIRCUMSTANCES WILL FRANCHISOR OR ANY OTHER INDEMNIFIED PARTY BE REQUIRED TO SEEK RECOVERY FROM ANY INSURER OR OTHER THIRD PARTY, OR OTHERWISE TO MITIGATE ITS OR DEVELOPER'S LOSSES AND EXPENSES, IN ORDER TO MAINTAIN AND RECOVER FULLY A CLAIM AGAINST DEVELOPER, DEVELOPER'S AFFILIATES, OR THEIR RESPECTIVE PRINCIPALS. ANY FAILURE TO PURSUE SUCH RECOVERY OR MITIGATE A LOSS WILL IN NO WAY REDUCE OR ALTER THE AMOUNTS RECOVERABLE BY FRANCHISOR OR ANOTHER INDEMNIFIED PARTY FROM DEVELOPER, DEVELOPER'S AFFILIATES, OR THEIR RESPECTIVE PRINCIPALS.

## **18. DEFAULT AND TERMINATION**

a. Developer will be deemed to be in material default and Franchisor may, at its option, terminate this Agreement and all rights granted hereunder, without affording Developer any opportunity to cure the default, effective immediately upon the delivery to Developer of Notice as a result of the occurrence of any of the following Events of Default:

(1) Developer fails to comply with the Development Schedule as of any Development Period Date pursuant to Section 5 and Exhibit A of this Agreement;

(2) Developer has made any material misrepresentation or omission in connection with Developer's purchase of its development rights under this Agreement;

(3) Developer, its Affiliates, or any of their respective Principals is or has been held liable, convicted of, pleads, or has pleaded no contest to, a felony or other unlawful act or otherwise engages in any dishonest or unethical conduct that may adversely affect the reputation of the Restaurants, or the goodwill associated with the System or Proprietary Marks;

(4) Developer or any Principal makes an unauthorized Transfer of this Agreement or the Controlling Interest in Developer;

(5) Developer, its Affiliates, and any of their respective Principals makes any unauthorized use of the Proprietary Marks, makes any unauthorized use or disclosure of any Confidential Information, uses, duplicates or discloses any portion of the Manuals in violation of this Agreement, or otherwise engages in conduct that adversely affects the reputation of the Restaurants, or the goodwill associated with the System or Proprietary Marks;

(6) Developer or any Principal fails on three (3) or more separate occasions within any twelve (12) month period or on ten (10) or more separate occasions during the Term to comply with this Agreement, whether or not such failures are the same Event of Default or different Events of Default and whether or not any of Events of Default have been corrected by Developer or Notice has been given thereof; or

(7) Franchisor has terminated any of Developer's or its Affiliate's rights under any Franchise Agreement for cause.

b. Developer will be deemed to be in material default, and Franchisor may terminate this Agreement and all rights granted hereunder effective immediately, if, after Franchisor has given Developer Notice setting forth an Event of Default identified in this Section 18, Developer has failed to cure the Event of Default in the applicable time period set forth below:

(1) Developer fails to pay any sum due pursuant to this Agreement to Franchisor, within seven (7) days after receipt of Franchisor's Notice to Developer that such amount is due; or

(2) Developer or any Principal fails to comply with any other provision of this Agreement (including, without limitation, the representations and warranties contained in this Agreement) or any Franchise Agreement or other agreement between Developer or any Affiliate and Franchisor and any Affiliate, and fails to cure such failure within thirty (30) days after Notice of such Event of Default.

c. This Agreement will automatically terminate upon any of the following:

(1) Any bankruptcy proceeding is commenced by or against Developer (or any Affiliate or Principal);

(2) Developer makes an assignment for the benefit of creditors or admits in writing its insolvency or inability to pay its debts generally as they become due;

(3) Developer consents to the appointment of a receiver, trustee or liquidator of all or the substantial part of its property;

(4) Any Restaurant is attached, seized, subjected to a writ or distress warrant or levied upon, unless such attachment, seizure, writ, warrant, or levy is vacated within thirty (30) days after Notice from Franchisor; or

(5) Any order appointing a receiver, trustee or liquidator of Developer or any Restaurant is not vacated within thirty (30) days following the entry of such order.

## **19. EFFECT OF EXPIRATION OR TERMINATION**

Upon expiration or termination of this Agreement for any reason:

a. Developer will have no further rights under this Agreement and will immediately and permanently cease its development activities under this Agreement.

b. Developer will immediately and permanently cease to use, by advertising or in any manner whatsoever, Confidential Information; the Proprietary Marks and any designs, devices, logos, signs, slogans, symbols, trademarks, trade names or service marks that are similar to the Proprietary Marks; the System and any equipment, materials, forms, confidential methods, procedures and techniques associated with or similar to the System or which display the Proprietary Marks associated with or belonging to Franchisor, except in connection with Restaurants that Developer then operates under one or more Franchise Agreements or with respect to which a Franchise Agreement has been signed.

c. All of the Developer's rights related to any materials will cease, including the rights to use or license the use of Manuals. Developer will no longer use any materials and will do all things necessary or appropriate to cause such ceasing of rights. Developer hereby irrevocably appoints Franchisor as its agent to execute any documents, and to do such things, as may be necessary or appropriate under this Section 19(c).

d. Except as permitted under any Franchise Agreement, Developer and its Principals will comply with the restrictive covenants and other obligations contained in Section 13. Developer's (and its Affiliates' and Principals') obligations that expressly or by their nature survive termination or expiration of this Agreement will continue in full force and effect after and notwithstanding expiration or termination of this Agreement and until they are satisfied in full or by their nature expire.

e. Franchisor will have no obligation to grant Developer additional franchises for Restaurants and will thereafter have the exclusive right to establish or operate, or to grant to others the right to establish and operate, Restaurants to be located within the Development Territory.

## **20. DISPUTE RESOLUTION**

a. **Arbitration.** Except as otherwise provided in this Agreement, any claim, controversy, or dispute arising out of or relating to this Agreement, the development rights, any Restaurants developed pursuant to this Agreement, or the relationship created by this Agreement, including any claim by Developer or its owners, concerning the entry into, the performance under, or the termination of this Agreement, or any other agreement between the parties will be resolved via binding arbitration under the authority of the Federal Arbitration Act in accordance with the following provisions:

(1) Any arbitration will be administered by the American Arbitration Association (or its successor) pursuant to its then-current commercial arbitration rules and procedures. The arbitrator will have the authority to decide issues regarding arbitrability and the scope of the arbitrator's jurisdiction. The

arbitration must take place in the metropolitan area in which our headquarters are located at the time of the dispute (currently the Denver, Colorado metropolitan area).

(2) Any arbitration must be on an individual basis, and not as part of a common, consolidated, or class action. The parties and the arbitrator will have no authority or power to proceed with any claim as a class action or otherwise to join or consolidate any claim with any other claim or any other proceeding involving third parties. If a court determines that this limitation on joinder of or class action certification of claims is unenforceable, then this entire commitment to arbitrate will become null and void and the parties will submit all claims to the jurisdiction of the courts.

(3) The arbitrator must follow the law and not disregard the terms of this Agreement or its related agreements. Except as otherwise provided in this Agreement, the arbitrator will have the authority to award any interim, interlocutory, or final remedy or relief that a court of the State of Texas could order or grant, including, without limitation, general damages, specific performance of any obligation created under this Agreement, the issuance of an injunction or other extraordinary relief, or the imposition of sanctions for abuse or frustration of the arbitration process; however, the arbitrator may not under any circumstances: (i) stay the effectiveness of any pending termination of this Agreement; (ii) assess punitive or other prohibited damages; or (iii) make an award that extends, modifies, or suspends any lawful term of this Agreement or its related agreements or any reasonable standard of business performance that we set. A judgment may be entered upon the arbitration award by any state or federal court of competent jurisdiction. The decision of the arbitrator will be binding and final on all parties to the dispute.

(4) Except as necessary to obtain interim or provisional relief, to enforce any arbitration award or order, or to comply with any franchise-specific disclosure obligation, the arbitration proceeding and award will be maintained as strictly confidential and neither party hereto nor the arbitrator may disclose the existence, content, or results of any arbitration hereunder without the prior written consent of both parties hereto.

(5) Each party will bear its share of the costs of the arbitration proceeding. The prevailing party to the arbitration will have the right to an award of its reasonable attorneys' fees and costs incurred after the filing of the demand for arbitration. If either Franchisor or Developer seeks to enforce this Agreement in any arbitral or other proceeding, the prevailing party will be entitled to recover its reasonable costs and expenses (including reasonable attorneys' fees, costs, and expenses (and interest on such fees, costs, and expenses) and expert witness fees, costs of investigation and proof of facts, court costs, other litigation expenses and travel or living expenses) incurred in connection with such judicial or other proceeding.

(6) This agreement to arbitrate will survive the expiration or termination of this Agreement.

**b. Interim or Provisional Relief.** Notwithstanding anything to the contrary contained in this Section 20, Franchisor may elect to apply to any court of competent jurisdiction (pursuant to Section 20(c)) to seek interim or provisional injunctive, equitable or other extraordinary relief or its equivalent with respect to any matters contemplated by this Agreement, including, but not limited to, matters involving impermissible competition or alleged misuse of the Proprietary Marks or Confidential Information prior to or after the expiration or termination of this Agreement. The parties hereto agree that seeking and obtaining such interim or preliminary relief will not waive such Franchisor's right to arbitration.

**c. Jurisdiction and Venue.** Notwithstanding anything to the contrary contained in this Section 20, either Party may file suit in a court of competent jurisdiction (pursuant to Section 20(c)) for the

entry of temporary or preliminary injunctive relief, restraining orders, and orders of specific performance, including injunctive relief pertaining to Developer's use or misuse of the System, Proprietary Marks, or Confidential Information, or impermissible competition, prior to or after the expiration or earlier termination of this Agreement. The Parties hereto agree that seeking and obtaining such relief will not waive the parties' agreements to arbitrate.

d. **No Class Action.** The Parties hereto agree that any actions related to a dispute will be conducted on an individual basis, and not as part of a common, consolidated, or class action.

e. **Claims Not a Defense.** Each Party hereto expressly agrees that the existence of any claims it may have against the other Party hereto, whether or not arising from this Agreement, will not constitute a defense to the enforcement by such Party hereto of any of the rights under this Agreement.

f. **Limitation of Claims.** Except with regard to claims related to Developer's obligations to make payments to Franchisor pursuant to this Agreement, Developer's indemnification obligations, and claims related to unauthorized use of the Proprietary Marks or Confidential Information (all of which claims will be subject only to the applicable state or federal statute of limitations), any and all claims and actions arising out of or relating to this Agreement (including the offer and sale of this Agreement), the Franchise relationship, or Developer's operation of a Restaurant (including any defenses and any claims of set-off or recoupment) shall be irrevocably barred unless brought or asserted before the expiration of the earlier of (A) the time period for bringing an action under any applicable state or federal statute of limitations; (B) one (1) year after the date upon which a party discovered, or should have discovered, the facts giving rise to an alleged claim; or (C) two (2) years after the first act or omission giving rise to an alleged claim.

g. **Waiver of Damages.** Except with respect to the exclusions set forth in this Section 20(g), to the fullest extent permitted by Applicable Law and as provided below, Franchisor and Developer waive any right to or claim of any punitive, exemplary, treble, incidental, indirect, Consequential Damages or other similar damages against Franchisor, Developer, Principal, any of their respective Affiliates and each of their respective officers, directors, shareholders, partners, agents, representatives, independent contractors, servants and employees, in their business Entity and individual capacities, arising out of any cause whatsoever (whether such cause be based in contract, negligence, strict liability, other tort, statutory or otherwise). However, the foregoing waiver will not apply to any claim (a) by any Party for attorneys' fees or costs and expenses under this Agreement; (b) for any damages whatsoever, including, without limitation, Consequential Damages, for adverse harm to the Proprietary Marks, or the System; (c) payments due under this Agreement, including Section 19(g); or (d) indemnification and damages for any claims arising under or covered by Section 17. Notwithstanding anything to the contrary in this Agreement, if any other term of this Agreement is found or determined to be unconscionable or unenforceable for any reason, the foregoing provisions of limited waiver by agreement of punitive, exemplary, incidental, indirect, or Consequential Damages will continue in full force and effect.

**h. Waiver of Jury Trial. THE PARTIES HERETO IRREVOCABLY WAIVE TRIAL BY JURY IN ANY ACTION, PROCEEDING OR COUNTERCLAIM IN CONNECTION WITH ANY MATTER OR DISPUTE OF ANY KIND ARISING UNDER OR IN ANY WAY CONNECTED WITH THIS AGREEMENT OR ANY RIGHT OR REMEDY HEREUNDER, WHETHER AT LAW OR IN EQUITY, BROUGHT BY EITHER PARTY HERETO.**

i. **Franchisor's Rights are Cumulative.** Franchisor's rights under this Agreement are cumulative, and its exercise or enforcement of any right or remedy under this Agreement will not preclude its exercise or enforcement of any other right or remedy under this Agreement which it is entitled by Applicable Law to enforce.

j. **Costs and Attorneys' Fees.** If Franchisor incurs expenses in connection with Developer's failure to pay when due any monies owed, to submit when due any reports, information or supporting records or otherwise to comply with this Agreement, Developer agrees to reimburse Franchisor for any of the costs and expenses which Franchisor reasonably incurs, including, without limitation, reasonable accounting, attorneys', arbitrators', and related fees.

## 21. GOVERNING LAW

This Agreement and the relationship of the parties shall be governed and construed in accordance with the laws of Colorado, without regard to its conflicts of laws provisions. Nothing in this Section is intended by the parties to subject this Agreement to any franchise, business opportunity, antitrust, consumer protection, or any other law, rule, or regulation of the State of Colorado to which this Agreement would not otherwise be subject.

## 22. NOTICES

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

Franchisor: POS Franchising, LLC  
480 East Happy Canyon Road  
Castle Rock, Colorado 80108  
Attn: Agreements  
Agreements@portofsubs.com

Developer: Developer's notice address set forth on Summary Page

## 23. MISCELLANEOUS

a. **Severability** If any of the provisions of this Agreement may be construed in more than one way, one of which would render the provision illegal or otherwise voidable or unenforceable, such provision shall have the meaning which renders it valid and enforceable. The language of all provisions of this Agreement shall be construed according to its fair meaning and not strictly against any party. In the event any court or other government authority shall determine that any provision in this Agreement is not enforceable as written, the parties agree that the provision shall be amended so that it is enforceable to the fullest extent permissible under the laws and public policies of the jurisdiction in which enforcement is sought and affords the parties the same basic rights and obligations and has the same economic effect. If any provision in this Agreement is held invalid or otherwise unenforceable by any court or other government authority or in any other proceeding, such findings shall not invalidate the remainder of the Agreement. Developer agrees to be bound by any promise or covenant imposing the maximum duty permitted by law which is subsumed within the terms of any provision of this Agreement, as though it were separately articulated in and made a part of this Agreement, that may result from striking from any of the provisions hereof any portion or portions which a court may hold to be unenforceable in a final decision to which Franchisor and Developer are a party, or from reducing the scope of any promise or covenant to the extent required to comply with such a court order.

b. **Substitution of Valid Provisions.** If any Applicable Law requires a greater prior notice than is required under this Agreement for the termination of this Agreement, or the taking of some other action not required under this Agreement, or if, under any Applicable Law, any provision of this Agreement is invalid or unenforceable, the prior notice and/or other action required by Applicable Law will be substituted for the comparable provisions of this Agreement. If any provision of this Agreement or any specification, standard, or operating procedure prescribed by Franchisor is invalid or unenforceable under Applicable Law, Franchisor will have the right, at Franchisor's sole option, to modify such invalid or unenforceable provision, specification, standard, or operating procedure to the extent required to make it valid and enforceable under Applicable Law.

c. **Effect of Delay, Waiver, Omission, or Forbearance.** No delay, waiver, omission, or forbearance by Franchisor to exercise any right, option, duty, or power arising out of any breach or default by Developer, its Affiliates, or their respective Principals under this Agreement will constitute a waiver by Franchisor to enforce any such right, option, duty, or power against Developer, its Affiliates, or their respective Principals, or as to subsequent breach or default by Developer, its Affiliates, or their respective Principals. Subsequent acceptance by Franchisor of any payments due to it hereunder will not be deemed to be a waiver by Franchisor of any preceding breach by Developer, its Affiliates, or their respective Principals of any terms, provisions, covenants or conditions of this Agreement.

d. **Binding Effect.** This Agreement is binding upon the Parties and their respective executors, administrators, heirs, assigns and successors in interest.

e. **Joint and Several Obligation.** If Developer consists of more than one person or entity, each person and entity shall have joint and several liability for Developer's obligations under this Agreement.

f. **Entire Agreement.** This Agreement and the exhibits referred to in this Agreement constitute the entire, full, and complete agreement between Franchisor and Developer concerning the Agreement's subject matter, and supersede any and all prior or contemporaneous negotiations, discussions, understandings, and agreements. There are no other oral or written understandings or agreements between Franchisor and Developer relating to the subject matter of this Agreement. However, and notwithstanding the foregoing, nothing in this Franchise Agreement is intended to disclaim any representations made by Franchisor in the Franchise Disclosure Document that Franchisor furnished to Developer, if any. Except for those permitted to be made unilaterally by Franchisor hereunder, no amendment, change, or variance from this Agreement shall be binding on either party unless mutually agreed to by the parties and executed by their authorized officers or agents in writing. The System and Manuals are subject to change by Franchisor at any time, at Franchisor's option.

g. **Construction.** The preambles and Exhibits are a part of this Agreement. Nothing in this Agreement is intended, nor is deemed, to confer any rights or remedies upon any Person not a party to this Agreement. The singular usage includes the plural, the plural usage includes the singular, and the masculine and neuter usages include the other and the feminine.

h. **Headings.** The headings of the several sections and paragraphs are for convenience only and do not define, limit or construe the contents of such sections or paragraphs.

i. **Multiple Copies.** This Agreement may be executed in multiple copies, each of which will be deemed an original.

## 24. PUBLIC ANNOUNCEMENTS

No Party will issue any press release or make any public announcement relating to the subject matter of this Agreement or any Franchise Agreement without the prior review and approval of the other Party, except for any public disclosure otherwise required by Applicable Law or by the regulations of a stock exchange in which the shares of capital stock of such Party or of any Entity that Controls such Party are traded (in which case, such Party will consult with the other Party reasonably in advance of such public disclosure unless such Party determines in good faith that such consultation is reasonably likely to result in a delay with respect to such public disclosure with material and adverse consequences to the disclosing Party in which case such Party will provide Notice of such public disclosure as soon as is practicable under the circumstances).

**[Signature Page Follows]**

IN WITNESS WHEREOF, the Parties hereto have executed and delivered this Agreement as of the Effective Date.

**FRANCHISOR:**

**POS FRANCHISING, LLC**

By: \_\_\_\_\_

Printed Name: \_\_\_\_\_

Title: \_\_\_\_\_

**DEVELOPER:**

□

By: \_\_\_\_\_

Printed Name: \_\_\_\_\_

Title: \_\_\_\_\_

**EXHIBIT A**

**DEVELOPMENT TERRITORY AND DEVELOPMENT SCHEDULE**

1.            The Development Territory, as geographically constituted on the Effective Date, is as follows: \_\_\_\_\_.

2.            The Development Schedule is as follows:

<b><u>Development Period</u></b>	<b><u>Development Period Date</u></b>	<b><u>Cumulative Restaurants That Must Be Open and Operating by Development Period Date</u></b>
<u>1</u>		
<u>2</u>		
<u>3</u>		
<u>4</u>		
<u>5</u>		

## EXHIBIT B

### GUARANTEE, INDEMNIFICATION, AND ACKNOWLEDGMENT

As an inducement to POS Franchising, LLC (“Franchisor”) to execute the Port of Subs Franchise Agreement between Franchisor and \_\_\_\_\_ (“Franchisee”), dated \_\_\_\_\_, 20\_\_\_\_ (the “Agreement”), the undersigned jointly and severally, hereby unconditionally guarantee to Franchisor and its successors and assigns that all of Franchisee’s monetary and other obligations under the Agreement will be punctually paid and performed.

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

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

Each Principal hereby unconditionally agrees to be personally bound by, and personally liable for the breach of, each and every obligation of a Principal in the Agreement, including, but not limited to, Sections 8 (Representations, Warranties, and Covenants), 9 (Anti-Corruption and Anti-Terrorism Laws), 12 (Transferability of Interest), 13 (Restrictive Covenants), 17 (Indemnification), 19 (Effect of Expiration or Termination), 20 (Dispute Resolution), and 21 (Governing Law), by and between Franchisor and Developer; provided, notwithstanding the foregoing, a Principal that does not have an Equity Interest in Developer will not be bound by the non-compete covenants of Section 13(b) and Section 13(c) of the Agreement. The undersigned acknowledge and agree that this Guarantee does not grant the undersigned any right to use the “Port of Subs” Proprietary Marks or System licensed to Franchisee under the Agreement.

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

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

Subject to the obligations and provisions below, each of the undersigned agrees that all actions arising under this Guarantee or the Agreement, or otherwise as a result of the relationship between Franchisor and the undersigned, shall be governed by the provisions of Section 20 of the Agreement, and must be commenced in the state or federal court encompassing Castle Rock, Colorado, and each of the undersigned irrevocably submits to the jurisdiction of those courts and waives any objection he or she might have to either the jurisdiction of or venue in those courts. Nonetheless, each of the undersigned agrees that Franchisor may enforce this Guarantee and any orders and awards in the courts of the state or states in which he or she is domiciled.

Unless specifically stated otherwise, the terms used in this Guarantee shall have the same meaning as in the Agreement, and shall be interpreted and construed in accordance with Section 21 of the Agreement. This Guarantee shall be interpreted and construed under the laws of the State of Colorado. In the event of any conflict of law, the laws of the State of Colorado shall prevail (without regard to, and without giving effect to, the application of Colorado conflict of law rules).

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

GUARANTOR(S)

\_\_\_\_\_  
Signed:  
(In his/her individual capacity)

Name: \_\_\_\_\_

Address: \_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_  
Signed:  
(In his/her individual capacity)

Name: \_\_\_\_\_

Address: \_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

**EXHIBIT C**

**NON-DISCLOSURE AGREEMENT**

**THIS NON-DISCLOSURE AGREEMENT** (“Agreement”) is made this \_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_, by and between \_\_\_\_\_ (the “Developer”), and \_\_\_\_\_, who is an owner, manager, supervisor, member, partner, or a person in a managerial position with Developer (the “Obligee”).

**BACKGROUND:**

A. POS Franchising, LLC (“Franchisor”), as the result of the expenditure of significant time, skill, effort, and money, has developed a distinctive and proprietary system (the “Port of Subs System” or “System”) for establishing and operating restaurant businesses, which serve the general public a menu featuring wide variety of made-to-order submarine-type sandwiches, grillers, hot sandwiches, salads, catering trays, deli trays, wraps, desserts, beverages, and such additional or alternate menu and other items as Franchisor may designate from time to time for on-premises and off-premises consumption (“Menu Items”);

B. Franchisor and Developer have executed an Area Development Agreement (“Area Development Agreement”) granting Developer the right to develop multiple Port of Subs Restaurants (each a “Restaurant” and collectively, “Restaurants”) under the terms and conditions of the Area Development Agreement;

C. The Obligee, by virtue of his or her position with Developer, will gain access to certain of Franchisor’s Confidential Information, as defined herein, and must therefore be bound by the same confidentiality agreement that Developer is bound by.

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

Confidential Information. Obligee shall not, during the term of the Area Development Agreement or thereafter, communicate, divulge, or use for the benefit of any other person, persons, partnership, entity, association, or corporation any confidential information, trade secrets, knowledge, or know how concerning the methods of development and operation of Restaurants which may be communicated to Obligee or of which Obligee may be apprised by virtue of Developer’s operation under the terms of this Agreement. Any and all information, knowledge, know how, and techniques which Franchisor designates as confidential shall be deemed confidential for purposes of this Agreement, except information which Obligee can demonstrate came to its attention prior to disclosure thereof by Franchisor; or which, at or after the time of disclosure by Franchisor to Developer, had become or later becomes a part of the public domain, through publication or communication by others. Notwithstanding any other provision of this Agreement, there may be certain, limited circumstances where applicable law allows for the disclosure of certain trade secrets, as specified in the Manuals.

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

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

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

Jurisdiction, Venue, and Choice of Law. This Agreement shall be interpreted and construed in accordance with, and any disputes arising under or in connection with this Agreement will be governed by, with the laws of the State of Colorado, without regard to its conflicts of laws provisions. The parties agree that an action arising out of, related to, or seeking to enforce this Agreement may be brought in federal or state court encompassing Castle Rock, Colorado, and the parties expressly consent to and waive any objections or challenges to personal jurisdiction and venue in such court.

Third-Party Beneficiary. Obligees hereby acknowledge and agree that Franchisor is an intended third-party beneficiary of this Agreement with the right to enforce it, independently or jointly with Developer.

IN WITNESS WHEREOF, the Developer and the Obligees attest that each has read and understands the terms of this Agreement, and voluntarily signed this Agreement on this \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_.

**DEVELOPER**

**OBLIGEE**

\_\_\_\_\_

\_\_\_\_\_

By: \_\_\_\_\_

By: \_\_\_\_\_

Name: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

Title: \_\_\_\_\_

|

**EXHIBIT E**  
**TO THE FRANCHISE DISCLOSURE DOCUMENT**  
**STATE SPECIFIC ADDENDA**

## CALIFORNIA

1. The California Franchise Investment Law requires a copy of all proposed agreements relating to the sale of the franchise be delivered together with the Disclosure Document.
2. Neither the franchisor, nor any person or franchise broker identified in Item 2 of this 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 the person from membership in the association or exchange.
3. California Business and Professions Code Sections 20000 through 20043 provide rights to the franchisee concerning termination, transfer, or non-renewal of a franchise. If the Franchise Agreement ~~contains~~ [or Area Development Agreement contain](#) a provision that is inconsistent with the law, the law will control.
4. The Franchise Agreement ~~provides~~ [and Area Development Agreement provide](#) for termination upon bankruptcy. This provision may not be enforceable under federal bankruptcy law. (11 U.S.C.A. Sec. 101 et seq.)
5. The Franchise Agreement ~~contains~~ [and Area Development Agreement contain](#) a covenant not to compete which extends beyond the termination of the franchise. This provision may not be enforceable under California law.
6. The Franchise Agreement ~~contains~~ [and Area Development Agreement contain](#) a liquidated damages clause. Under California Civil Code Section 1671, certain liquidated damages clauses are unenforceable.
7. The Franchise Agreement ~~requires~~ [and Area Development Agreement require](#) binding arbitration. The arbitration will occur the Denver, Colorado metropolitan area, with each party paying their own costs, plus one-half the arbitrator's fees.
8. Prospective franchisees are encouraged to consult private legal counsel to determine the applicability of California and federal laws (such as Business and Professional Code Section 20040.5, Code of Civil Procedure Section 1281, and the Federal Arbitration Act) to any provisions of a Franchise Agreement [or Area Development Agreement](#) restricting venue to a forum outside the state of California.
9. The Franchise [Agreement and Area Development](#) Agreement requires application of the laws of Colorado. This provision may not be enforceable under California Law.
10. Section 31125 of the California Corporations Code requires us to give you a disclosure document, in a form containing the information that the commissioner may by rule or order require, before a solicitation of a proposed material modification of an existing franchise.
11. You must sign a general release of claims if you renew or transfer your franchise. California corporations code §31512 voids a waiver of your rights under the franchise investment law (California corporations code §§31000 through 31516). Business and professions code §20010 voids a waiver of your rights under the franchise relations act (business and professions code §§20000 through 20043).
12. Item 19 of the Disclosure Document is supplemented by the following language:

The earnings claims figure does not reflect the costs of sales, operating expenses, or other costs or expenses that must be deducted from the gross revenue or gross sales figures to obtain your net income or profit. You should conduct an independent investigation of the costs and expenses you will incur in operating your franchise business. Franchisees or former franchisees, listed in the Disclosure Document, may be one source of this information.

13. No statement, questionnaire, or acknowledgment signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.
14. OUR WEBSITE HAS NOT BEEN REVIEWED OR APPROVED BY THE CALIFORNIA DEPARTMENT OF FINANCIAL PROTECTION AND INNOVATION. ANY COMPLAINTS CONCERNING THE CONTENT OF THIS WEBSITE MAY BE DIRECTED TO THE CALIFORNIA DEPARTMENT OF FINANCIAL PROTECTION AND INNOVATION at [www.dfpi.ca.gov](http://www.dfpi.ca.gov).
15. 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.
16. California's Franchise Investment Law (Corporations Code sections 31512 and 31512.1) states that any provision of a franchise agreement or related document requiring the franchisee to waive specific provisions of the law is contrary to public policy and is void and unenforceable. The law also prohibits a franchisor from disclaiming or denying (i) representations it, its employees, or its agents make to you, (ii) your ability to rely on any representations it makes to you, or (iii) any violations of the law.

**The registration of this franchise offering by the California Department of Financial Protection and Innovation does not constitute approval, recommendation, or endorsement by the commissioner.**

{ See the last page of this Exhibit ~~D~~E for your Signature. }

## HAWAII

1. Release. The language contained in Section 2.2.7 of the Franchise Agreement is hereby deleted in its entirety and the following is substituted in its place:

Franchisee and Franchisor shall execute a mutual general release, in a form prescribed by Franchisor, of any and all claims which each may have against the other and their affiliates (except as to amounts then due to Franchisor for royalties, advertising contributions, materials, and the like), and their respective shareholders, directors, employees, and agents in their corporate and individual capacities, excluding only such claims as each may have that arise under the Hawaii Franchise Investment Law.

2. Conditions for Approval of Transfer. The language contained in Section 12.4 of the Franchise Agreement is hereby deleted in its entirety and the following is substituted in its place:

Franchisor and the transferor shall have executed a mutual general release, in a form prescribed by Franchisor, of any and all claims which each may have against the other and their affiliates, and their respective shareholders, directors, employees, and agents in their corporate and individual capacities, excluding only such claims as each may have that arise under the Hawaii Franchise Investment Law.

3. No statement, questionnaire, or acknowledgment signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

4. **THESE FRANCHISES WILL BE/HAVE BEEN FILED UNDER THE FRANCHISE INVESTMENT LAW OF THE STATE OF HAWAII. FILING DOES NOT CONSTITUTE APPROVAL, RECOMMENDATION OR ENDORSEMENT BY THE DIRECTOR OF REGULATORY AGENCIES OR A FINDING BY THE DIRECTOR OF REGULATORY AGENCIES THAT THE INFORMATION PROVIDED HEREIN IS TRUE, COMPLETE AND NOT MISLEADING. THE FRANCHISE INVESTMENT LAW MAKES IT UNLAWFUL TO OFFER OR SELL ANY FRANCHISE IN THIS STATE WITHOUT FIRST PROVIDING TO THE PROSPECTIVE FRANCHISEE, OR SUBFRANCHISOR, AT LEAST SEVEN DAYS PRIOR TO THE EXECUTION BY THE PROSPECTIVE FRANCHISEE OF ANY BINDING FRANCHISE OR OTHER AGREEMENT, OR AT LEAST SEVEN DAYS PRIOR TO THE PAYMENT OF ANY CONSIDERATION BY THE FRANCHISEE, OR SUBFRANCHISOR, WHICHEVER OCCURS FIRST, A COPY OF THE OFFERING CIRCULAR, TOGETHER WITH A COPY OF ALL PROPOSED AGREEMENTS RELATING TO THE SALE OF THE FRANCHISE. THIS OFFERING CIRCULAR CONTAINS A SUMMARY ONLY OF CERTAIN MATERIAL PROVISIONS OF THE FRANCHISE AGREEMENT- AND AREA DEVELOPMENT AGREEMENT. THE CONTRACT OR AGREEMENT SHOULD BE REFERRED TO FOR A STATEMENT OF ALL RIGHTS, CONDITIONS, RESTRICTIONS AND OBLIGATIONS OF BOTH THE FRANCHISOR AND THE FRANCHISEE.**

{See the last page of this Exhibit DE for your Signature. }

## ILLINOIS

In recognition of the Illinois Franchise Disclosure Act and the Rules and Regulations promulgated thereunder, the Disclosure Document ~~and~~ Franchise [Agreement, and Area Development Agreement](#) shall be modified as follows:

1. Illinois law shall apply to and govern the Franchise Agreement ~~and Area Development Agreement~~.
2. In conformance with Section 4 of the Illinois Franchise Disclosure Act, any provision in a franchise agreement [or area development agreement](#) that designates jurisdiction and venue in a forum outside of the State of Illinois is void. However, a franchise [agreement or development](#) agreement may provide for arbitration to take place outside of Illinois.
3. Franchisees' right upon Termination and Non-Renewal are set forth in Sections 19 and 20 of the Illinois Franchise Disclosure Act.
4. In conformance with Section 41 of the Illinois Franchise Disclosure Act, any condition, stipulation, or provision purporting to bind any person acquiring any franchise to waive compliance with the Illinois Franchise Disclosure Act or any other law of Illinois is void.

No statement, questionnaire, or acknowledgment signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

{ See the last page of this Exhibit ~~D~~E for your Signature. }

## INDIANA

It is unlawful for any franchise agreement between any franchisor and a franchisee who is a resident of Indiana or a non-resident who is to operate the franchise in Indiana to contain a provision that requires a franchisee not to compete with the franchisor in an area greater than the exclusive territory granted in the franchise agreement or, if no exclusive territory is granted, in an area of more than reasonable size, upon Termination of a franchise agreement. (Ind. Code § 23-2-2.7-1(9)). Accordingly, the Franchise Agreement, [Area Development Agreement](#), and Item 17 of the Disclosure Document are amended to apply to the area within a 2-mile radius of the Port of Subs Restaurant.

The Franchise Agreement ~~requires~~ [and Area Development Agreement require](#) binding arbitration. The arbitration will occur in a state other than Indiana, with costs being borne by the non-prevailing party. The provision concerning the place where arbitration will occur is deleted from the Franchise Agreement ~~and~~ [Area Development Agreement](#).

The Franchise Agreement ~~requires~~ [and Area Development Agreement require](#) application of the laws of another state. This provision is ~~deleted from~~ [amended in](#) the Indiana Franchise Agreement ~~and Area Development Agreement so that Indiana law applies to disputes covered by Indiana franchise laws and otherwise Colorado law applies.~~

Item 17 of the Disclosure Document, Sections (u), (v), and (w), is amended to omit any reference to selection of an out-of-Indiana forum or choice of law.

The Franchise Agreement ~~requires~~ [and Area Development Agreement require](#) you to sign a general release of claims as a condition of renewing or reselling the franchise. Under the law of Indiana any provision that purports to bind a person acquiring a franchise to waive compliance with the franchise laws of Indiana is void. The Franchise Agreement, [Area Development Agreement](#), and Item 17 of the Disclosure Document, Sections (b) (renewal) and (k) (transfer) are amended to omit the requirement that an Indiana franchisee sign a general release of claims as a condition of renewal or resale. This will not prevent Franchisor from requiring you to sign a general release of claims as part of a settlement of a dispute.

No statement, questionnaire, or acknowledgment signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

## MARYLAND

The following is added to the Special Risks to Consider About *This* Franchise:

**Ownership Change**. The franchisor recently had a change of ownership. The support provided by the franchisor may be different from previously owners. Therefore, the expenses related to operating the franchise and the potential revenue you might achieve may be different from past performance.

The following language is added to Item 5:

Based upon the franchisor's financial condition, the Maryland Securities Commissioner has required a financial assurance. Therefore, all initial fees and payments owed by franchisees shall be deferred until the franchisor completes its pre-opening obligations under the franchise agreement.

In recognition of the requirements of the Maryland Franchise Registration and Disclosure Law, the Disclosure Document shall be modified as follows:

Item 17 of the Disclosure Document provides for termination upon bankruptcy. This provision may not be enforceable under Federal Bankruptcy Law (11 U.S.C.A Sec. 101 et seq.).

Item 17 of the Disclosure Document is amended to state "The general release required as a condition of renewal, sale, and/or assignment/transfer shall not apply to any liability under the Maryland Franchise Registration and Disclosure Law."

Item 17 of the Disclosure Document is amended to state "Any claim arising under the Maryland Franchise and Disclosure Law must be brought within 3 years after the grant of the franchise."

Item 17(v) of the Disclosure Document is amended to state "A Franchisee may bring a lawsuit in Maryland for claims arising under the Maryland Franchise Registration and Disclosure Law."

No statement, questionnaire, or acknowledgment signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

In recognition of the requirements of the Maryland Franchise Registration and Disclosure Law, the Franchise Agreement, [and Area Development Agreement](#) shall be modified as follows:

A Franchisee may bring a lawsuit in Maryland for claims arising under the Maryland Franchise Registration and Disclosure Law.

Any claim arising under the Maryland Franchise and Disclosure Law must be brought within three (3) years after the grant of the franchise.

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

Any provision contained in the Franchise [Agreement or Area Development](#) Agreement that requires the Franchisee to assent to a release, estoppel, or waiver of liability is not intended to nor shall it act as a release estoppel or waiver of any liability incurred under the Maryland Franchise Registration and Disclosure Law.

Section 3 of the Franchise Agreement is amended to provide that all initial fees and payments owed by franchisee shall be deferred until the Franchisor completes its pre-opening obligations under the franchise agreement.

Sections 29.1.1, 29.1.2, and 29.1.5 of the Franchise Agreement are deleted.

No statement, questionnaire, or acknowledgment signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

{See the last page of this Exhibit [DE](#) for your Signature. }

## MINNESOTA

We will comply with Minnesota Statute 80C.14 subdivisions 3, 4, and 5, which require (except in certain specific cases) that you be given 90 days' notice of termination (with 60 days to cure) and 180 days' notice for non-renewal of the Franchise Agreement [or Area Development Agreement](#), and that consent to transfer of the franchise will not be unreasonably withheld.

Minn. Stat. Sec. 80C.21 and Minn. Rule Part 2860.4400(J) may prohibit us from requiring litigation to be conducted outside Minnesota. In addition, nothing in the Disclosure Document ~~or~~ Franchise [Agreement, or Area Development 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. Notwithstanding the foregoing, this shall not bar enforcement of an arbitration clause.

In accordance with Minnesota Rule 2860.4400(J), to the extent required by law, the Disclosure Document ~~and~~ Franchise [Agreement, and Area Development Agreement](#) are modified so that we cannot require you to waive your rights to a jury trial or to consent to liquidated damages, termination penalties, or judgment notes.

Minnesota Rule 2860.4400(D) prohibits us from requiring you to assent to a general release of liability imposed by Minn. Stat. Chapter 80C; provided, this shall not bar the voluntary settlement of disputes. The Disclosure Document ~~and~~ Franchise [Agreement, and Area Development Agreement](#) are modified accordingly, to the extent required by Minnesota law.

Pursuant to Minn. Stat. Sec. 80C.12, Subd. 1(g), Minnesota considers it unfair not to protect the franchisee's right to use the trademarks. To the extent required by Minnesota law, we will protect your right to use the primary trademark, service mark, trade name, logotype, or other commercial symbol from third parties or will indemnify you from any loss, costs, or expenses arising out of any third-party claim, suit, or demand regarding your use of our primary trade name in accordance with the requirements of the Franchise Agreement, [the Area Development Agreement](#), and our standards.

Pursuant to Minn. Stat. Sec. 80C.17, Subd. 5, to the extent required by law, the Franchise Agreement, [the Area Development Agreement](#), and Item 17 of the Disclosure Document are amended to state that no action may be commenced pursuant to Minn. Stat. Sec. 80C.17 more than three years after the cause of action accrues.

No statement, questionnaire, or acknowledgment signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

{ See the last page of this Exhibit [DE](#) for your Signature. }

**NEW YORK**

1. The following information is added to the cover page of the Franchise Disclosure Document:

**INFORMATION COMPARING FRANCHISORS IS AVAILABLE. CALL THE STATE ADMINISTRATORS LISTED IN EXHIBIT A OR YOUR PUBLIC LIBRARY FOR SERVICES OR INFORMATION. REGISTRATION OF THIS FRANCHISE BY NEW YORK STATE DOES NOT MEAN THAT NEW YORK STATE RECOMMENDS IT OR HAS VERIFIED THE INFORMATION IN THIS FRANCHISE DISCLOSURE DOCUMENT. IF YOU LEARN THAT ANYTHING IN THIS FRANCHISE DISCLOSURE DOCUMENT IS UNTRUE, CONTACT THE FEDERAL TRADE COMMISSION AND THE APPROPRIATE STATE OR PROVINCIAL AUTHORITY. THE FRANCHISOR MAY, IF IT CHOOSES, NEGOTIATE WITH YOU ABOUT ITEMS COVERED IN THE FRANCHISE DISCLOSURE DOCUMENT. HOWEVER, THE FRANCHISOR CANNOT USE THE NEGOTIATING PROCESS TO PREVAIL UPON A PROSPECTIVE FRANCHISEE TO ACCEPT TERMS WHICH ARE LESS FAVORABLE THAN THOSE SET FORTH IN THIS FRANCHISE DISCLOSURE DOCUMENT.**

2. The following is to be added at the end of Item 3:

Except as provided above, with regard to the franchisor, its predecessor, a person identified in Item 2, or an affiliate offering franchises under the franchisor's principal trademark:

- A. No such party has an administrative, criminal or civil action pending against that person alleging: a felony, a violation of a franchise, antitrust, or securities law, fraud, embezzlement, fraudulent conversion, misappropriation of property, unfair or deceptive practices, or comparable civil or misdemeanor allegations.
- B. No such party has pending actions, other than routine litigation incidental to the business, which are significant in the context of the number of franchisees and the size, nature or financial condition of the franchise system or its business operations.
- C. No such party has been convicted of a felony or pleaded nolo contendere to a felony charge or, within the 10-year period immediately preceding the application for registration, has been convicted of or pleaded nolo contendere to a misdemeanor charge or has been the subject of a civil action alleging: violation of a franchise, antifraud, or securities law; fraud; embezzlement; fraudulent conversion or misappropriation of property; or unfair or deceptive practices or comparable allegations.
- D. No such party is subject to a currently effective injunctive or restrictive order or decree relating to the franchise, or under a Federal, State, or Canadian franchise, securities, antitrust, trade regulation or trade practice law, resulting from a concluded or pending action or proceeding brought by a public agency; or is subject to any currently effective order of any national securities association or national securities exchange, as defined in the Securities and Exchange Act of 1934, suspending or expelling such person from membership in such association or exchange; or is subject to a currently effective injunctive or restrictive order relating to any other business activity as a result of an action brought by a public agency or department, including, without limitation, actions affecting a license as a real estate broker or sales agent.

3. The following is added to the end of the “Summary” sections of Item 17(c), titled “Requirements for franchisee to renew or extend,” and Item 17(m), entitled “Conditions for franchisor approval of transfer”:

However, to the extent required by applicable law, all rights you enjoy and any causes of action arising in your favor from the provisions of Article 33 of the General Business Law of the State of New York and the regulations issued thereunder shall remain in force; it being the intent of this proviso that the non-waiver provisions of General Business Law Sections 687(4) and 687(5) be satisfied.

4. The following language replaces the “Summary” section of Item 17(d), titled “Termination by franchisee”: You may terminate the agreement on any grounds available by law.

5. The following is added to the end of the “Summary” sections of Item 17(v), titled “Choice of forum”, and Item 17(w), titled “Choice of law”:

The foregoing choice of law should not be considered a waiver of any right conferred upon the franchisor or upon the franchisee by Article 33 of the General Business Law of the State of New York.

6. No statement, questionnaire, or acknowledgment signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

## **NORTH DAKOTA**

Item 17(c) Disclosure Document ~~and~~, Section 2.2.7 of the Franchise [Agreement](#), and [Section 12\(c\)\(5\) of the Area Development Agreement](#) which require you to sign a general release upon renewal of the franchise, may not be enforceable under Section 51-19-09 of the North Dakota Franchise Investment Law and are hereby amended to the extent required by law.

Item 17(i) of the Disclosure Document ~~and~~, Section 14 of the Franchise Agreement, and [Section 19\(5\) of the Area Development Agreement](#) which require you to consent to termination or liquidated damages, may not be enforceable under Section 51-19-09 of the North Dakota Franchise Investment Law and are hereby amended to the extent required by law.

Item 17(r) of the Disclosure Document ~~and~~, Section 10.6 of the Franchise [Agreement](#), and [Section 13 of the Area Development Agreement](#) restricting competition are generally considered unenforceable under Section 51-19-09 of the North Dakota Franchise Investment Law and are hereby amended to the extent required by law.

Item 17(u) of the Disclosure Document ~~and~~, Section 17 of the Franchise [Agreement](#), and [Section 20 of the Area Development Agreement](#) requiring resolution of disputes to be outside North Dakota may not be enforceable under Section 51-19-09 of the North Dakota Franchise Investment Law and are hereby amended to the extent required by law. The site of arbitration or mediation must be agreeable to all parties.

Item 17(v) of the Disclosure Document ~~and~~, Section 17.2 of the Franchise [Agreement](#), and [Section 20 of the Area Development Agreement](#) requiring franchisee to consent to resolution of disputes to be outside North Dakota may not be enforceable under Section 51-19-09 of the North Dakota Franchise Investment Law and such requirement is hereby deleted to the extent required by law. Any litigation under the agreement shall be conducted in North Dakota or a mutually agreed upon location. The provisions of this paragraph are subject to the United States Arbitration Act (9 U.S.C. § 1 et seq.).

Item 17(w) of the Disclosure Document ~~and~~, Section 17.1 of the Franchise [Agreement](#), and [Section 21 of the Area Development Agreement](#) relating to choice of law may not be enforceable under Section 51-19-09 of the North Dakota Franchise Investment Law and are hereby amended to the extent required by law.

Any provisions in the Franchise [Agreement or Area Development Agreement](#) which require the franchisee to consent to a waiver of trial by jury may not be enforceable under Section 51-19-09 of the North Dakota Franchise Investment Law and are hereby amended to the extent required by law.

Sections of the Disclosure Document ~~and~~, Section 17.5 of the Franchise [Agreement](#), and [Section 20\(f\) of the Area Development Agreement](#) requiring the franchisee to consent to a limitation of claims within one year may not be enforceable under Section 51-19-09 of the North Dakota Franchise Investment Law and are hereby amended to the extent required by law.

Sections of the Disclosure Document ~~and~~, Section 17.6 of the Franchise [Agreement](#), and [Section 20\(g\) of the Area Development Agreement](#) requiring the franchisee to consent to a waiver of exemplary and punitive damages may not be enforceable under Section 51-19-09 of the North Dakota Franchise Investment Law and are hereby amended to the extent required by law.

Any provisions in the Franchise [Agreement or Area Development Agreement](#) which stipulate that the franchisee shall pay all costs and expenses incurred by the franchisor in enforcing the agreement, which may not be enforceable under Section 51-19-09 of the North Dakota Franchise Investment Law, are hereby

amended to the extent required by law. The prevailing party in any enforcement action is entitled to recover costs and expenses including attorney's fees.

No statement, questionnaire, or acknowledgment signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

Item 5 of the Disclosure Document and Section 3 of the Franchise Agreement are amended to state that the initial franchise fee and all other initial payments owed by franchisees to the Franchisor under the Franchise Agreement will be deferred until the Franchisor completes its pre-opening obligations under the Franchise Agreement and the outlet is opened for business.

{ See the last page of this Exhibit ~~D~~E for your Signature. }

## **RHODE ISLAND**

The Rhode Island Securities Division requires the following specific disclosures to be made to prospective Rhode Island franchisees:

§ 19-28.1-14 of the Rhode Island Franchise Investment Act provides that “A provision in a franchise agreement restricting jurisdiction or venue to a forum outside this state or requiring the application of the laws of another state is void with respect to a claim otherwise enforceable under the Act.”

No statement, questionnaire, or acknowledgment signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

## **SOUTH DAKOTA**

No statement, questionnaire, or acknowledgment signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

## **VIRGINIA**

In recognition of the restrictions contained in Section 13.1-564 of the Virginia Retail Franchising Act, the Disclosure Document for POS Franchising, LLC for use in the Commonwealth of Virginia is amended as follows:

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 grounds 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.

Pursuant to Section 13.1-564 of the Virginia Retail Franchising Act, it is unlawful for a franchisor to use undue influence to induce a franchisee to surrender any right given to him under the franchise. If any provision of the Franchise [Agreement or Area Development Agreement](#) involves the use of undue influence by the franchisor to induce a franchisee to surrender any rights given to him under the franchise, that provision may not be enforceable.

No statement, questionnaire, or acknowledgment signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

**WASHINGTON ADDENDUM TO THE FRANCHISE DISCLOSURE DOCUMENT,  
FRANCHISE AGREEMENT, AREA DEVELOPMENT AGREEMENT, AND RELATED  
AGREEMENTS**

The provisions of this Addendum form an integral part of, are incorporated into, and modify the Franchise Disclosure Document, the franchise agreement, and all related agreements regardless of anything to the contrary contained therein. This Addendum applies if: (a) the offer to sell a franchise is accepted in Washington; (b) the purchaser of the franchise is a resident of Washington; and/or (c) the franchised business that is the subject of the sale is to be located or operated, wholly or partly, in Washington.

- 1. Conflict of Laws.** In the event of a conflict of laws, the provisions of the Washington Franchise Investment Protection Act, ~~Chapter~~chapter 19.100 RCW will prevail.
- 2. Franchisee Bill of Rights.** RCW 19.100.180 may supersede provisions in the Franchise Agreement in franchise agreement or related agreements concerning your relationship with the franchisor, including in the areas of termination and renewal of your franchise. There may also be court decisions ~~which may that~~ supersede the ~~Franchise Agreement in franchise agreement or related agreements concerning your relationship with the franchisor.~~ Franchise agreement provisions, including the areas of termination those summarized in Item 17 of the Franchise Disclosure Document, are subject to state law.

Site of Arbitration, Mediation, and ~~renewal of your franchise.~~

- 2.3. /or Litigation.** In any arbitration or mediation involving a franchise purchased in Washington, the arbitration or mediation site will be either in the state of Washington, or in a place mutually agreed upon at the time of the arbitration or mediation, or as determined by the arbitrator or mediator at the time of arbitration or mediation. In addition, if litigation is not precluded by the ~~Franchise Agreement~~franchise agreement, a franchisee may bring an action or proceeding arising out of or in connection with the sale of franchises, or a violation of the Washington Franchise Investment Protection Act, in Washington.
- 3.4. General Release.** A release or waiver of rights ~~executed by a~~in the franchise agreement or related agreements purporting to bind the franchisee ~~may not include rights~~to waive compliance with any provision under the Washington Franchise Investment Protection Act or any ~~rule~~rules or ~~order~~orders thereunder is void 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, or rights or remedies under the Act such as a right to a jury trial, may not be enforceable.~~ in accordance with RCW 19.100.220(2). In addition, any such release or waiver executed in connection with a renewal or transfer of a franchise is likewise void except as provided for in RCW 19.100.220(2).
- 5. Statute of Limitations and Waiver of Jury Trial.** Provisions contained in the franchise agreement or related agreements that unreasonably restrict or limit the statute of limitations period for claims under the Washington Franchise Investment Protection Act, or rights or remedies under the Act such as a right to a jury trial, may not be enforceable.
- 4.6. Transfer Fees.** Transfer fees are collectable only to the extent that they reflect the franchisor's reasonable estimated or actual costs in effecting a transfer.

- 7. Termination by Franchisee.** The franchisee may terminate the franchise agreement under any grounds permitted under state law.
- 8. Certain Buy-Back Provisions.** Provisions in franchise agreements or related agreements that permit the franchisor to repurchase the franchisee's business for any reason during the term of the franchise agreement without the franchisee's consent are unlawful pursuant to RCW 19.100.180(2)(j), unless the franchise is terminated for good cause.
- 9. Fair and Reasonable Pricing.** Any provision in the franchise agreement or related agreements that requires the franchisee to purchase or rent any product or service for more than a fair and reasonable price is unlawful under RCW 19.100.180(2)(d).
- 10. Waiver of Exemplary & Punitive Damages.** RCW 19.100.190 permits franchisees to seek treble damages under certain circumstances. Accordingly, provisions contained in the franchise agreement or elsewhere requiring franchisees to waive exemplary, punitive, or similar damages are void, except when executed pursuant to a negotiated settlement after the agreement is in effect and where the parties are represented by independent counsel, in accordance with RCW 19.100.220(2).
- 11. Franchisor's Business Judgement.** Provisions in the franchise agreement or related agreements stating that the franchisor may exercise its discretion on the basis of its reasonable business judgment may be limited or superseded by RCW 19.100.180(1), which requires the parties to deal with each other in good faith.
- 12. Indemnification.** Any provision in the franchise agreement or related agreements requiring the franchisee to indemnify, reimburse, defend, or hold harmless the franchisor or other parties is hereby modified such that the franchisee has no obligation to indemnify, reimburse, defend, or hold harmless the franchisor or any other indemnified party for losses or liabilities to the extent that they are caused by the indemnified party's negligence, willful misconduct, strict liability, or fraud.
- 13. Attorneys' Fees.** If the franchise agreement or related agreements require a franchisee to reimburse the franchisor for court costs or expenses, including attorneys' fees, such provision applies only if the franchisor is the prevailing party in any judicial or arbitration proceeding.
- ~~5.14.~~ Noncompetition Covenants.** Pursuant to RCW 49.62.020, a noncompetition covenant is void and unenforceable against an employee, including an employee of a franchisee, unless the employee's earnings from the party seeking enforcement, when annualized, exceed \$100,000 per year (an amount that will be adjusted annually for inflation). In addition, a noncompetition covenant is void and unenforceable against an independent contractor of a franchisee under RCW 49.62.030 unless the independent contractor's earnings from the party seeking enforcement, when annualized, exceed \$250,000 per year (an amount that will be adjusted annually for inflation). As a result, any ~~provisions~~provision contained in the ~~Franchise Agreement~~franchise agreement or elsewhere that ~~conflict~~conflicts with these limitations ~~are~~is void and unenforceable in Washington.
- ~~6.15.~~ Nonsolicitation Agreements.** RCW 49.62.060 prohibits a franchisor from restricting, restraining, or prohibiting a franchisee from (i) soliciting or hiring any employee of a franchisee of the same franchisor or (ii) soliciting or hiring any employee of the franchisor. As a result, any such provisions contained in the ~~Franchise Agreement~~franchise agreement or elsewhere are void and unenforceable in Washington.
- 16. Questionnaires and Acknowledgments.** No statement, questionnaire, or acknowledgment signed or agreed to by a franchisee in connection with the commencement of the franchise relationship

shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

**17. Prohibitions on Communicating with Regulators.** Any provision in the franchise agreement or related agreements that prohibits the franchisee from communicating with or complaining to regulators is inconsistent with the express instructions in the Franchise Disclosure Document and is unlawful under RCW 19.100.180(2)(h).

**18. Advisory Regarding Franchise Brokers.** Under the Washington Franchise Investment Protection Act, a “franchise broker” is defined as a person that engages in the business of the offer or sale of franchises. A franchise broker represents the franchisor and is paid a fee for referring prospects to the franchisor and/or selling the franchise. If a franchisee is working with a franchise broker, franchisees are advised to carefully evaluate any information provided by the franchise broker about a franchise.

**7.19.** Item 5 of the Disclosure Document and Section 3 of the Franchise Agreement are amended to state that the initial franchise fee and all other initial payments owed by franchisees to the Franchisor under the Franchise Agreement will be deferred until the Franchisor completes its pre-opening obligations under the Franchise Agreement and the outlet is opened for business.

**8.20.** Item 6 of the Disclosure Document and Section 12.12 of the Regional Developer Agreement are amended to state that if Franchisor’s reasonable costs and expenses in reviewing the proposed securities offering are lower than \$10,000, the securities offering fee will not exceed Franchisor’s actual costs and expenses (including legal and accounting fees) for reviewing the proposed offering.

**9.21.** Section 29.1.1 of the Franchise Agreement is deleted.

**10.22.** Nothing in Section 30 (Business Judgment) of the Franchise Agreement limits any rights or protections a franchisee may have under the Washington Franchise Investment Protection Act.

~~No statement, questionnaire, or acknowledgment signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.~~

{ See the last page of this Exhibit **DE** for your Signature. }

**WISCONSIN**

The Wisconsin Fair Dealership Law, Chapter 135 of the Wisconsin Statutes supersedes any provision of the Franchise Agreement if such provision is in conflict with that law. The Disclosure Document and Franchise Agreement are amended accordingly.

No statement, questionnaire, or acknowledgment signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

**ACKNOWLEDGMENT:**

If any one of the preceding State Specific Addenda (“Addenda”) is checked as an “Applicable Addenda” below or if the jurisdictional requirements for application of one of the following State’s franchise sales law is independently satisfied, then that Addenda will be incorporated into the Disclosure Document and/or, if applicable as indicated in such Addenda, the Franchise Agreement, [Area Development Agreement](#), and any other specified agreement(s) entered into by us and the undersigned Franchisee. To the extent any terms of an Applicable Addenda conflict with the terms of the Disclosure Document or, as applicable, Franchise Agreement, [Area Development Agreement](#) or other specified agreement(s), the terms of the Applicable Addenda will supersede the terms of the Disclosure Document or, as applicable, Franchise Agreement, [Area Development Agreement](#), or other specified agreement(s).

- |                                     |                                       |
|-------------------------------------|---------------------------------------|
| <input type="checkbox"/> California | <input type="checkbox"/> New York     |
| <input type="checkbox"/> Hawaii     | <input type="checkbox"/> North Dakota |
| <input type="checkbox"/> Illinois   | <input type="checkbox"/> Rhode Island |
| <input type="checkbox"/> Indiana    | <input type="checkbox"/> Virginia     |
| <input type="checkbox"/> Maryland   | <input type="checkbox"/> Washington   |
| <input type="checkbox"/> Minnesota  | <input type="checkbox"/> Wisconsin    |

|

**EXHIBIT ~~E~~F**  
**TO THE FRANCHISE DISCLOSURE DOCUMENT**  
**LISTS OF CURRENT AND FORMER FRANCHISEES, AND CURRENT REGIONAL**  
**DEVELOPERS**

**LIST OF CURRENT FRANCHISEES  
AS OF DECEMBER 31, ~~2023~~2024**

FRANCHISEE/OWNER	ADDRESS	CITY	STATE	ZIP	PHONE
<del>Heroz-I, LLC</del> Karan Wittke Gajendra Singh	<del>2005</del> 2055 W. Frye Rd., Suite #1	Chandler	AZ	85224	480-508-5923
<del>Admak</del> Admek Foods, LLC Karan Wittke Raja Ganesh Mathyalagan	1435 E. Warner Blvd. Suite B102	Gilbert	AZ	85296	480-545-4699
Heroz, LLC Karan Wittke and Gajendra Singh	3570 Val Vista Dr., Suite 111	Gilbert	AZ	85296	480-889-0041
Hari Krupa, LLC Nikhil Chokasi Hetal Chokshi	21001 N. Tatum Blvd. Suite #78-1600	Phoenix	AZ	85050	480-502-7962
Sunitaxmi, LLC Laxmi and Sunita Dubey	2737 W. Thunderbird Rd. Suite 107	Phoenix	AZ	85053	602-424-7777
Sunitaxmi, LLC Laxmi and Sunita Dubey	1855 W. Deer Valley Rd., Suite 201	Phoenix	AZ	85027	623-434-7678
One Way Property Management, Inc. Paramjit and Amarjeet Nagra	1075 N 51 <sup>st</sup> Ave, Suite 101	Phoenix	AZ	85043	602-424-7072
<del>A3 Subs, LLC</del> <del>Kevin and Sandra Johnson</del>	<del>1158 W. Washington St., #107</del>	<del>Tempe</del>	<del>AZ</del>	<del>85281</del>	<del>602-863-5003</del>
RGO Franchises, LLC Ofir Ventura and Leor Rozen	20331 N. US Hwy 93	Willow Beach	AZ	86445	928-275-4162
<del>Sahib Holdings, LLC</del> <del>Kiranjit — K.Sidhu</del> Calpanino Foods, Inc. Frederick and Laura Schiff	4431 E. Balfour Rd.	Brentwood	CA	94513	925-634-0207
S&S. Sangha Inc. Steve Sangha	1810 East Shaw, #105	Clovis	CA	93611	559-299-1609
<del>Anupreet Bhandal</del>	<del>870 W. El Monte Way, Suite L</del>	<del>Dinuba</del>	<del>CA</del>	<del>93618</del>	<del>559-591-3054</del>
Pedram Binesh	8879 N. Chestnut Ave.	Fresno	CA	93720	559-298-3388
Money J, Inc. Balwinder Liddar	5780 N. First St., Suite 103	Fresno	CA	93710	559-438-7827
Otis Investments, LLC. Harsimrat Kaur, Manpreet Singh and Sukhdeep Kaur	3763 W. Shaw Ave.	Fresno	CA	93722	559-271-8900
Muskan Food & Fuel, Inc Gurmej Singh and Jasbir Kaur	4385 W. Clinton Ave.	Fresno	CA	93711	559-275-4480
<del>Brar &amp; Chahal Investments</del> <del>Navjeet Singh</del>	<del>5993 E. Belmont Ave.</del>	<del>Fresno</del>	<del>CA</del>	<del>93727</del>	<del>559-255-3597</del>
Paramveer Food & Fuel, Inc. Rajdeep Singh	4395 W. Ashlan Ave.	Fresno	CA	93722	559-276-2067
Beal Developments, LLC George Beal	5979 W. Shaw Ave.	Fresno	CA	93722	559-515-6697
Powars, Inc.	873 Sutton Way	Grass Valley	CA	95945	530-477-2660

FRANCHISEE/OWNER	ADDRESS	CITY	STATE	ZIP	PHONE
Kulprit Singh					
Glenn and Becky Hitchrick	729 W. Lacey Blvd. #2	Hanford	CA	93230	559-582-7651
Edwards Food Mart, Inc. Abdul Jobah	130 S. Edwards St.	Independence	CA	93562	442-326-5526
Navneet Kaur	913 Sierra St.	Kingsburg	CA	93631	559-897-5540
Century Petroleum, Inc. <del>Abjinder (Lucky) Singh</del>	655 E. Main St.	Merced	CA	95340	209-722-9019
Sidhu Foods, Inc. Sandeep Singh	731 East Yosemite Suite E	Merced	CA	95340	209-723-2436
Hunt Convenience Stores, LLC Joseph Hunt and Joshua Hunt	Port of Subs Express & Mkt 407 Hollow Way	Nevada City	CA	95959	530-478-1788
Sierra Minit Mart, Inc. <del>Don Forrester</del>	730 S. Plano	Porterville	CA	93257	559-781-6649
Sierra Minit Mart, Inc. <del>Don Forrester</del>	1012 W. Henderson	Porterville	CA	93257	559-781-4705
Folsom Brothers, Inc. Rajdeep Kang	12399 Folsom Blvd	Rancho Cordova	CA	95742	916-351-9090
<del>Placer Restaurant Group</del> RAD Subs of Rocklin, LLC <del>Harinder Johl</del> Michelle Lucas	2230 Sunset Blvd #390	Rocklin	CA	95765	916-872-1776
Surinder (Paul) & Amarjeet Gill	1079 West Manning Ave	Reedley	CA	93654	559-643-0381
<del>Kiranjit (Nikki) Sidhu</del> Cape, LLC Peter D'Souza	350 Raley's Towne Centre	Rohnert Park	CA	94928	702-558-3972
H&S Business Center, Inc. Jaswinder and Suhjit Sangha Harjit Singh	77 S. Academy St.	Sanger	CA	93657	559-801-1425
PKJ Enterprises, Inc. Parmjit Singh & Kuldeep Rattanpal	2101 W. College, #F	Santa Rosa	CA	95401	707-571-7678
<del>Warholak</del> Calpanino Foods, Inc. <del>Steven Miller</del> Frederick and Laura Schiff	3101 Harrison Ave.	South Lake Tahoe	CA	96150	530-544-6313
<del>Toor Brar, Corp.</del> <del>Amarjot Toor and Balveer Brar</del> Delsol Empire Delia Sanchez-Guerrero	11260 Donner Pass Road, #C5	Truckee	CA	96161	530-582-5230
Sierra Minit Marts, Inc. <del>Don Forrester</del>	1595 East Bardsley Ave.	Tulare	CA	93274	559-685-1650
JAR Petroleum, Inc. Abjinder Singh	100 E. Glenwood Ave	Turlock	CA	95380	209-667-5367
Otis Investments, Inc. Harsimrat Kaur	1229 S. Mooney Blvd., Suite B	Visalia	CA	93277	559-732-7827
<del>ARAICH, INC</del> Araich, Inc. Harjit Araich	1541 E. Noble Ave.	Visalia	CA	93292	559-636-2461

FRANCHISEE/OWNER	ADDRESS	CITY	STATE	ZIP	PHONE
<a href="#">Big Skye, Inc.</a> <a href="#">Chris Forrester</a>	<a href="#">6610 Betty Drive</a>	<a href="#">Visalia</a>	<a href="#">CA</a>	<a href="#">93291</a>	<a href="#">530-305-9060</a>
<a href="#">Broken Spoke JC, LLC</a> <a href="#">Joseph and Caron Bates</a>	<a href="#">340 S. Wilcox Street</a>	<a href="#">Castle Rock</a>	<a href="#">CO</a>	<a href="#">80104</a>	<a href="#">720-826-3376</a>
<a href="#">RAD Subs of Boise, LLC</a> <a href="#">Michelle Lucas</a>	<a href="#">722 N. Benjamin Lane</a>	<a href="#">Boise</a>	<a href="#">ID</a>	<a href="#">83704</a>	<a href="#">208-322-7678</a>
<a href="#">RAD Subs of Nampa, LLC</a> <a href="#">Michelle Lucas</a>	<a href="#">5844 E. Franklin Rd.</a>	<a href="#">Nampa</a>	<a href="#">ID</a>	<a href="#">83687</a>	<a href="#">208-442-0075</a>
Northern Posse, LLC Roger, Cory, Ryan, and Eric Sorensen	North Point Food Court 72 West 2nd South	Rexburg	ID	83440	208-356-5655
RC & Sons, Inc. Brij Bhushan and Vimmi Midha	995 Broyles Ranch Rd	Battle Mountain	NV	89820	775-635-9111
B&G Foods, Inc. Manpreet Kaur & Mehtab Singh	1621-B #50 East	Carson City	NV	89701	775-883-1552
Capital City Enterprises <del>Gogi</del> <a href="#">Gurmukh</a> Badhan & Diego Carrasco	3721 N. Carson St.	Carson City	NV	89706	775-841-7678
B & G Foods, Inc. Manpreet Kaur & Mehtab Singh	931 Jacks Valley Rd., #A	Carson City	NV	89705	775-267-3993
JLM Quest, LLC Lisa and Jason Massey	6 Pine Cone Rd.	Dayton	NV	89403	775-241-9471
Mahal Foods, Inc. Baljit Kaur and Navjeet Singh	2525 Mtn. City Hwy 104	Elko	NV	89801	775-777-3668
GPR Elko, LLC <del>Dennis</del> O'Keefe <a href="#">and Robert Leonhardt</a>	3600 West Idaho Street	Elko	NV	89801	775-738-1230
Sammich, Inc. Lisa and Jason Massey	1775 W. Williams Ave.	Fallon	NV	89406	775-423-7272
Mahal Foods, Inc. Baljit Kaur and Navjeet Singh	1460 US Hwy 95-A, Suite 3	Fernley	NV	89408	775-835-6994
<del>HIRA FOODS</del> <a href="#">Hira Foods</a> , Inc. Kulwinder Kaur	1329 Highway #395, #19	Gardnerville	NV	89410	775-782-9505
Samreen Foods, Inc. Navtej Singh and Ramandeep Kaur	705 Highway 362	Hawthorne	NV	89415	775-945-2825
GV Enterprise, LLC Michael Tarnopol	2285 N. Green Valley Pkwy	Henderson	NV	89014	702-434-8464
<del>C.</del> S. Hilu, LLC Salman Sabbah	832 <a href="#">S.</a> Boulder Hwy	Henderson	NV	89015	702-558-3972
<del>S</del> unset41, Inc. Michael Adams and Deanna Stazzone	1405 W. Sunset Rd. <a href="#">#101</a>	Henderson	NV	89014	702-433-4100
Jay Shree Krishna, LLC	2642 W. Horizon Ridge	Henderson	NV	89052	702-914-8288

FRANCHISEE/OWNER	ADDRESS	CITY	STATE	ZIP	PHONE
Smita Patel	Suite A-1				
GV Enterprise, LLC Michael Tarnopol	75 S. Valle Verde Dr. Bldg. 200, Ste 230	Henderson	NV	89102	702-914-2700
<del>ESE Development, Inc. Steve and Brooklyn Edwards</del>	<del>151 N. Gibson, Suite #120</del>	<del>Henderson</del>	<del>NV</del>	<del>89014</del>	<del>702-527-7444</del>
MR Whitsett, Inc. Jerry Whitsett	McCarran Int'l Airport, Gate B 5757 Wayne Newton Blvd.	Las Vegas	NV	89111	702-261-7456
Jay & Jot, Inc. Jaiwant S. Bains Prabjot S. Dhaliwal	1730 E. Charleston	Las Vegas	NV	89104	702-366-9664
SAS Group, Inc. Amarjeet Johal	3281 S. Highland, #802	Las Vegas	NV	89109	702-731-6333
BG Adams Empire, Inc. Michael Adams	840 S. Rancho, #13	Las Vegas	NV	89106	702-877-2118
Tigerland, LLC Brian O'Connor and Maribel Salazar	9255 S. Eastern, #300	Las Vegas	NV	89123	702-260-9115
<del>Budhi Gopalsd, LLC Kinjal Patel-Shrabani Das</del>	<del>5715 S. Eastern Avenue Suite 102</del>	<del>Las Vegas</del>	<del>NV</del>	<del>89119</del>	<del>702-739-3013</del>
BG Adams Empire, Inc. Michael Adams	10120 W. Flamingo Rd. #5	Las Vegas	NV	89147	702-476-6552
Pastrana Enterprise, LLC Gretter Pastrana	1910 Village Center Cir., #5	Las Vegas	NV	89134	702-869-4216
<del>M.R. Whitsett, Inc. Jerry Whitsett</del>	<del>McCarran Int'l Airport, Gate D 5757 Wayne Newton Blvd.</del>	<del>Las Vegas</del>	<del>NV</del>	<del>89111</del>	<del>702-261-7456</del>
Bansal's Investment Group, Inc. Ankit Bansal	2833 East E.Desert Inn Road #3	Las Vegas	NV	89121	702-894-9588
<del>J.K International, L.L.C. Khushvir Kaur &amp; Jaiwant Bains</del>	<del>1306 W. Craig Rd. #K</del>	<del>Las Vegas</del>	<del>NV</del>	<del>89032</del>	<del>702-642-7330</del>
CAT Enterprise, Inc. Gretter Pastrana and Enrique Sanchez	6080 W. Badura Ave #140	Las Vegas	NV	89118	702-646-7678
Support Mede, LLC Michael Egan	7120 Durango Rd., Suite 16	Las Vegas	NV	89149	702-220-7678
Subs223, LLC Lynne David	6005 S. Ft. Apache Rd., Suite 120	Las Vegas	NV	89148	702-680-4646
BGAdams Enterprise Pedro Duran and Gretter Pastrana	8552 W. Lake Mead Blvd.	Las Vegas	NV		702-255-0935
Brance Enterprises, LLC Hugo PalacioPalacios and Rosemary Palacios-Malone	4388 E. Craig Rd., Suite #155	Las Vegas	NV	89115	702-396-0666
<del>M.R. Whitsett, Inc. Jerry Whitsett</del>	<del>McCarran Int'l Airport Gate D</del>	<del>Las Vegas</del>	<del>NV</del>	<del>89111</del>	<del>702-261-5858</del>

FRANCHISEE/OWNER	ADDRESS	CITY	STATE	ZIP	PHONE
	<del>5757 Wayne Newton Blvd.</del>				
GV Enterprises, LLC Michael Tarnopol	1263 E. Silverado Ranch Blvd., Ste. 105B	Las Vegas	NV	89183	951-315-0037
<del>Sabbah, Inc. Abdalla Sabbah</del>	<del>8164 S. Las Vegas Blvd. Ste. 105</del>	<del>Las Vegas</del>	<del>NV</del>	<del>89123</del>	<del>725-205-3195</del>
Port Lovelock, LLC Dennis O'Keefe	163 E. Main St.	Lovelock	NV	89419	775-273-7353
Johnport, LLC Izabela Larsen	500 USA Parkway #103	McCarran	NV	89434	775-284-4470
Marluis US, LLC Gretter Pastrana	6572 N. Decatur Blvd. #130	North Las Vegas	NV	89131	702-395-0424
<a href="#">J K International, L.L.C. Khushvir Kaur and Jaiwant Bains</a>	<a href="#">1306 W. Craig Rd. #K</a>	<a href="#">North Las Vegas</a>	<a href="#">NV</a>	<a href="#">89032</a>	<a href="#">702-642-7330</a>
<a href="#">M.R. Whitsett, Inc. Jerry Whitsett</a>	<a href="#">McCarran Int'l Airport, 5757 Wayne Newton Blvd. Gate D50</a>	<a href="#">North Las Vegas</a>	<a href="#">NV</a>	<a href="#">89111</a>	<a href="#">702-261-7456</a>
<a href="#">M.R. Whitsett, Inc. Jerry Whitsett</a>	<a href="#">McCarran Int'l Airport – Gate D 5757 Wayne Newton Blvd.</a>	<a href="#">North Las Vegas</a>	<a href="#">NV</a>	<a href="#">89111</a>	<a href="#">702-261-5858</a>
JAC Sandwich Shop, LLC Charles Hill and Jaynie Hill	150 S Hwy. 160 C-6	Pahrump	NV	89048	775-751-6000
Roseport, Inc. Shawna Mefford	18122 Wedge Parkway	Reno	NV	89511	775-853-3393
Kamal Foods, Inc. Kamal Basanti	273 E. Plumb Lane, Suite 101	Reno	NV	89502	775-323-0999
Sandhu Businesses, Inc. Navjot Singh, Sharanbir Singh, and Jaswinder Kaur	3372 Kietzke Lane	Reno	NV	89502	775-826-3003
Hira and Lopez Investments, Inc. Balwinder Hira and Juan Chivas Lopez	5000 Smithridge Dr. #B-16	Reno	NV	89502	775-827-0770
Basanti, Inc. MR Daljit	2900 Clearacre Lane #U	Reno	NV	89512	775-322-7990
Sheru, Inc. Amandeep Singh	10555 Stead Blvd. #14	Reno	NV	89506	775-972-0100
Sub-Conscious, Inc. Bob & Kelle Covington	417 Keystone Avenue	Reno	NV	89503	775-786-1975
Hira Foods, Inc. Kulwinder Kaur	3350 S. McCarran Blvd.	Reno	NV	89502	775-826-4668
Walia Foods, LLC Sumit Ahluwalia and Claudia Garcia	1775 Mill St.	Reno	NV	89502	775-329-6166
Solorio Enterprises, LLC Eugenia and Oscar Solorio	5150 Mae Anne Ave., #209	Reno	NV	89523	775-746-0100
AS Bajwa, Inc.	190 Lemmon Dr.	Reno	NV	89506	775-677-0100

FRANCHISEE/OWNER	ADDRESS	CITY	STATE	ZIP	PHONE
Anokh Singh and Sukhjinder Singh					
Sanpreet Enterprises, LLC Amandeep Singh, Rajdeep Kaur, Sanpreet Singh	6275 E. Sharlands Ave. #4	Reno	NV	89523	775-624-0100
PJ Brothers, Inc. Dewinder Kaur and Gurkamal Jaswal	720 S. Meadows Pkwy, Ste. 4	Reno	NV	89521	775-284-4085
<del>Basanti 2, Inc. Amardeep Singh &amp; Avtar</del> S&D Management LLC Dharminder and Sunita Singh	University of Nevada, Reno, Joe Crowley Student Union, 87 W. Stadium Way, Suite 290C	Reno	NV	89557	775-682-7678
<del>Basanti 2, Inc. Amardeep Singh &amp; Avtar Singh</del> S&D Management, LLC Dharminder and Sunita Singh	Grand Sierra Resort 2500 E. Second Street #21	Reno	NV	89595	775-786-0108
Pia Foods, Inc. Ramandip Singh and Ashoo Thakore	7695 S. Virginia St.	Reno	NV	89511	775-622-9349
<del>Bajwa Food, Inc. Sukhjinder Singh and Navdeep Kaur Bajwa</del>	<del>210 Silver Lake Road, Unit 145</del>	<del>Reno</del>	<del>Nevada</del>	<del>89508</del>	<del>775-830-7865</del>
NJPOS1, LLC Jaswinder Kaur	2900 Nevada Avenue	Silver Springs	NV	89429	775-842-7484
Sandhu Businesses, Inc. Jaswinder Kaur, Navjot Singh and Sharanbir Singh	1658 Prater Way	Sparks	NV	89431	775-356-2030
Basanti 2, Inc. Amardeep Singh Avtar Singh	1357 Baring Blvd.	Sparks	NV	89434	775-358-1212
Safdar, Inc. Amjad Nizar	662 N. McCarran Blvd.	Sparks	NV	89431	775-359-5454
Johal Foods, LLC Harchand Johal Singh Harinder Kaur and Lahkvir Kaur	9712 Pyramid Hwy	Sparks	NV	89441	775-425-0100
S& D Management, LLC. Sunita Singh and Dharminder Singh	4731 Galleria Parkway, Suite 101	Sparks	NV	89436	775-626-2256
Minhas, Inc. Jitendera Singh & Ramandip Singh	2483 Wingfield Hills Rd., Ste. 130	Sparks	NV	89436	775-453-1003
Red Skies, LLC Sharab Ahmad, Sohan Singh and Amandeep Kaur	Gold Ranch Casino & RV Resort 350 Gold Ranch Rd.	Verdi	NV	89439	775-301-4040

FRANCHISEE/OWNER	ADDRESS	CITY	STATE	ZIP	PHONE
<del>L. Tovoso, LLC</del> Jason and Lisa Massey	<del>1490 W. Winnemucca Blvd.</del>	<del>Winnemucca</del>	<del>Nevada</del>	<del>89445</del>	<del>775-835-2423</del>
Sheru, Inc. Amandeep Singh	115 W. Goldfield Ave.	Yerington	NV	89447	775-434-3033
<del>Bend Support Stand 10, LLC</del> <del>Mare Scott and Tarryn Eppinger</del> Jody Sigstad	<del>63056 Lower Meadow Dr., Suite 160</del>	<del>Bend</del>	<del>OR</del>	<del>97701</del>	<del>541-388-1580</del>
Subport Utah, LLC Jay Taylor and Michael Taylor	177 W. 12300 South	Draper	UT	84020	801-938-9046
POS Fillmore 238, LLC Dennis O'Keefe	875 S. Hwy 99	Fillmore	UT	84631	435-558-4851
JR Subs, LLC Jasmine Nava Ratsamee Suwannarom	1320 S. Swaner Road, Suite A	Salt Lake City	UT	84104	801-977-3747
Subport Utah, LLC Jay Taylor and Michael Taylor	5215 Wiley Post Way Suite 100	Salt Lake City	UT	84116	801-363-1755
Victus Ventures, LLC Adam Caldwell and Shalayne Wilson	922 East Brigham Rd., Bldg. 3 Suite A	St. George	UT	84790	435-627-3834
<del>Dhillon Management, Inc.</del> <del>Gurpreet &amp; Ravinder Dhillon</del> Krishna Rani, LLC Rameet and Ranbir Mittal	<del>1068 Lakeway Dr.</del>	<del>Bellingham</del>	<del>WA</del>	<del>98226</del>	<del>360-714-1886</del>
Haij Enterprise, LLC Harpaul Singh Sidhu	13300 Bothell-Everett Hwy, #301	Mill Creek	WA	98012	425-338-1836
RT Sandhu Enterprises, Inc. Harpreet Singh	22000 64th Ave West, Suite B	Mountlake Terrace	WA	98043	425-776-5652
TR Sandhu, LLC Harpreet Singh	8825 34th Ave., NE, Suite #1	Tulalip	WA	98271	360-716-2950

**FRANCHISE AGREEMENTS SIGNED BUT OUTLET NOT OPENED  
AS OF DECEMBER 31, ~~2023~~2024**

FRANCHISEE/OWNER	CITY	STATE	PHONE
<del>Kingman PO Subs, LLC</del>	<del>Kingman</del>	<del>Arizona</del>	<del>702-429-7355</del>
<del>Subwiches, LLC</del>	<del>Mesa</del>	<del>Arizona</del>	<del>480-861-9085</del>
<del>EK Onkar Restaurants</del> Benipal, Inc.	<del>Doyle</del> Denver	<del>CA</del> Colorado	<del>775-742-2509</del> 379-8878
<del>Parth Vasudev</del>	<del>Parker</del>	<del>Colorado</del>	<del>775-338-4698</del>
<del>Big-Skye, Inc.</del> Chris Forrester & Georgia Goddard	<del>Visalia</del> Orlando	<del>CA</del> Florida	<del>530-305-9060</del> 813-500-9928

<a href="#">MCG POS, LLC</a>	<a href="#">Woodbury</a>	<a href="#">Minnesota</a>	<a href="#">651-503-7355</a>
<a href="#">Andrew Junker and Mark Stephenson</a>	<a href="#">Bend</a>	<a href="#">Oregon</a>	<a href="#">541-633-5930</a>
<a href="#">Stand 11, LLC</a>	<a href="#">Eugene</a>	<a href="#">Oregon</a>	<a href="#">775-302-6637</a>
<a href="#">Chucole's Subs Operations, LLC</a>	<a href="#">Cedar Park</a>	<a href="#">Texas</a>	<a href="#">813-482-1992</a>
<a href="#">Buckley Ventures, LLC</a>	<a href="#">Tooele</a>	<a href="#">Utah</a>	<a href="#">801-503-7311</a>
<del>Bajwa Food</del> <a href="#">JBD Works, Inc.</a>	<del>Reno</del> <a href="#">Arlington</a>	<del>NV</del> <a href="#">Virginia</a>	<del>775-636-6599</del> <a href="#">240-483-5343</a>

**LIST OF FORMER FRANCHISEES  
AS OF DECEMBER 31, ~~2023~~ 2024**

<del>NSS Group, Inc.</del> <del>Naran Shetha &amp; Saluja Shrestha</del>	<del>Suisan City</del>	<del>CA</del>	<del>707-422-7762</del>
<del>EKM, Inc.</del> <del>Sukhdeep Singh &amp; Hardeo Singh</del>	<del>Susanville</del>	<del>CA</del>	<del>530-237-3241</del>
<del>Brylynne, Inc.</del> <del>Bryan Martin</del>	<del>Henderson</del>	<del>NV</del>	<del>702-896-0896</del>
<del>Jasman Corporation</del> <del>Sandip Singh &amp; Astinder Kaur</del>	<del>Las Vegas</del>	<del>NV</del>	<del>702-433-6784</del>
<del>MR Dziejwit, Inc.</del> <del>Terrence Dziejwit</del>	<del>Las Vegas</del>	<del>NV</del>	<del>702-912-0535</del>
<del>PB Mountain, LLC</del> <del>Dennis O'Keefe</del>	<del>Battle Mountain</del>	<del>NV</del>	<del>775-363-3600</del>

**TRANSFERS  
AS OF DECEMBER 31, 2023**

<b>FRANCHISEE/OWNER</b>	<b>CITY</b>	<b>STATE</b>	<b>PHONE</b>
<del>One Way Property Management, Inc.</del> <del>Paramjit &amp; Amarjeet Nagra</del> <del>Anupreet Bhandal</del>	<del>Phoenix</del> <a href="#">Dinuba</a>	<del>AZ</del> <a href="#">California</a>	<del>602-424-7777</del> <a href="#">559-837-9470</a>
<del>Money J, Inc.</del> <del>Mandeep Liddar</del> <del>Navjeet Singh</del>	<del>Fresno</del>	<del>CA</del> <a href="#">California</a>	<del>559-271-8900</del> <a href="#">837-9470</a>
<del>Murtos I, Inc.</del> <del>David Murtos</del>	<del>Merced</del>	<del>CA</del>	<del>209-723-2436</del>
<del>Port Lovelock LLC</del>	<del>Hawthorne</del>	<del>NV</del>	<del>775-945-2825</del>

<del>Bajwaa, Inc. Sukhjinder Singh &amp; Navdeep Kaur</del>	<del>Sparks</del>	<del>NV</del>	<del>775-453-1003</del>
Krishna Corporation Smita Patel & Bhavna Makwana Abdalla Sabbah	Las Vegas	<del>NV</del> Nevada	702-260-9115 773-2599
Rossmoor Investment Alan & Sharon Chute	Henderson	NV	702-433-4100
Shogren Enterprises LLC Bryan Martin	Las Vegas	NV	702-646-7678
Gurjas Corporation Gurdev (Dave) Sanghera and Tejinder (TJ) Kaur	Reno	NV	775-827-0770
Bendport Connection, LLC Marissa & Paul Dorseth	Bend	OR	541-388-1580

**TRANSFERS**  
**AS OF DECEMBER 31, 2024**

<u>FRANCHISEE/OWNER</u>	<u>CITY</u>	<u>STATE</u>	<u>PHONE</u>
<a href="#">Kiranjit Sidhu</a>	<a href="#">Brentwood</a>	<a href="#">California</a>	<a href="#">702-544-7515</a>
<a href="#">Hari Johl</a>	<a href="#">Rocklin</a>	<a href="#">California</a>	
<a href="#">Kiranjit Sidhu</a>	<a href="#">Rohnert Park</a>	<a href="#">California</a>	<a href="#">702-544-7515</a>
<a href="#">Steve Miller</a>	<a href="#">South Lake Tahoe</a>	<a href="#">California</a>	<a href="#">530-545-1601</a>
<a href="#">Amarjot Toor &amp; Balvear Brar</a>	<a href="#">Truckee</a>	<a href="#">California</a>	<a href="#">707-484-1247</a>
<a href="#">Kinjal Patel</a>	<a href="#">Las Vegas</a>	<a href="#">Nevada</a>	<a href="#">702-501-2474</a>
<a href="#">Amardeep Singh &amp; Avtar Singh</a>	<a href="#">Reno</a>	<a href="#">Nevada</a>	<a href="#">775-688-9906</a>
<a href="#">Marc &amp; Tarryn Eppinger</a>	<a href="#">Bend</a>	<a href="#">Oregon</a>	<a href="#">360-936-6985</a>
<a href="#">Gurpreet &amp; Ravinder Dhillon</a>	<a href="#">Bellingham</a>	<a href="#">Washington</a>	<a href="#">360-714-1886</a>

**LIST OF CURRENT REGIONAL DEVELOPERS**

<u>REGIONAL DEVELOPER/OWNER</u>	<u>ADDRESS</u>	<u>CITY</u>	<u>STATE</u>	<u>ZIP</u>	<u>PHONE</u>
<a href="#">Shane and Kirstin Shaw</a>	<a href="#">7415 E. Pampa Avenue</a>	<a href="#">Mesa</a>	<a href="#">Arizona</a>	<a href="#">85212</a>	<a href="#">480-861-9085/ 623-337-6188</a>
<a href="#">Kevin Johnson</a>	<a href="#">2402 E. 5<sup>th</sup> Street #1448</a>	<a href="#">Tempe</a>	<a href="#">Arizona</a>	<a href="#">85281</a>	<a href="#">403-880-8744</a>
<a href="#">Robert Lucas</a>	<a href="#">631 Lakeridge Drive</a>	<a href="#">Auburn</a>	<a href="#">California</a>	<a href="#">95603</a>	<a href="#">916-698-0679</a>
<a href="#">Chris and Georgia Goddard</a>	<a href="#">608 S. Main Avenue #13</a>	<a href="#">Minneola</a>	<a href="#">Florida</a>	<a href="#">34715</a>	<a href="#">813-500-9928/ 727-259-5648</a>
<a href="#">Michelle Lucas and Liz Caldwell</a>	<a href="#">2244 N. Buteo Place</a>	<a href="#">Kuna</a>	<a href="#">Idaho</a>	<a href="#">83634</a>	<a href="#">916-698-0685/ 208-761-4643</a>
<a href="#">Bryan Denson</a>	<a href="#">606 Paradise Court</a>	<a href="#">Gaithersburg</a>	<a href="#">Maryland</a>	<a href="#">20877</a>	<a href="#">240-483-5343</a>
<a href="#">Pat Mancuso</a>	<a href="#">731 Bielenberg Drive,</a>	<a href="#">Woodbury</a>	<a href="#">Minnesota</a>	<a href="#">55125</a>	<a href="#">651-503-7355</a>

	<a href="#">Suite 202</a>				
<a href="#">Angad Singh</a>	<a href="#">455 Sarment Court</a>	<a href="#">Reno</a>	<a href="#">Nevada</a>	<a href="#">89506</a>	<a href="#">775-379-8878</a>
<a href="#">Scott and Jody Sigstad</a>	<a href="#">1120 Telegraph Street</a>	<a href="#">Reno</a>	<a href="#">Nevada</a>	<a href="#">89502</a>	<a href="#">775-302-6637/ 775-345-4563</a>
<a href="#">Chuck and Nicole Goddard</a>	<a href="#">1909 Gilded Crest Drive</a>	<a href="#">Leander</a>	<a href="#">Texas</a>	<a href="#">78641</a>	<a href="#">813-482-1992/ 813-690-5043</a>
<a href="#">Jay Taylor and Michael Taylor</a>	<a href="#">177 W 12300 S #110</a>	<a href="#">Draper</a>	<a href="#">Utah</a>	<a href="#">84020</a>	<a href="#">775-772-9096/ 801-598-5164</a>

Regional Developer – Mesa, Arizona: [Shane Shaw, SubwichesRD6, LLC](#)

[SubwichesRD6, LLC is our regional developer for the Mesa, Arizona metro area. Mr. Shaw has served as a member of SubwichesRD6, LLC, in Mesa, Arizona, since April 2024. He has also served as a Sales Representative with Southern Carlson, in Phoenix, Arizona, since May 1996. No supplemental disclosure to Item 3 or Item 4 is required as to Mr. Shaw.](#)

Regional Developer – Mesa, Arizona: [Kirstin Shaw, SubwichesRD6, LLC](#)

[SubwichesRD6, LLC is our regional developer for the Mesa, Arizona metro area. Ms. Shaw has served as a member of SubwichesRD6, LLC, in Mesa, Arizona, since April 2024. She has also served in various positions with LoanDepot, in Scottsdale, Arizona, since May 2013, including as a Prefunding Audit Manager since February 2022. No supplemental disclosure to Item 3 or Item 4 is required as to Ms. Shaw.](#)

Regional Developer – Phoenix, Arizona: [Kevin Johnson, Triple A Subs, LLC](#)

[Triple A Subs, LLC is our regional developer for the Phoenix, Arizona metro area. Mr. Johnson has served as Managing Partner of Triple A Subs, LLC, in Tempe, Arizona, since September 2023. Prior to that, he was a franchisee of Edo Japan, in Okotoks, Alberta, Canada, from May 2007 to October 2022. No supplemental disclosure to Item 3 or Item 4 is required as to Mr. Johnson. Mr. Johnson has 17 years of experience in restaurant operations and franchising.](#)

Regional Developer – Sacramento, California: [Robert Lucas, R. Lucas Properties, LLC](#)

[R. Lucas Properties, LLC is our regional developer for the greater Sacramento, California metro area. Mr. Lucas has served as President of R. Lucas Properties, LLC, in Sacramento, California, since December 2007. No supplemental disclosure to Item 3 or Item 4 is required as to Mr. Lucas. He has more than 30 years’ experience in labor standards, business regulation, budget management, and construction licensing.](#)

Regional Developer – Orlando, Florida: [Christopher Goddard](#)

[Christopher Goddard is our regional developer for the Orlando, Florida area. Mr. Goddard has served as regional developer in Orlando, Florida, since April 2024. He has also served as a Lead IT Architect with Centene Corporation since April 2015, in Minneola, Florida. No supplemental disclosure to Item 3 or Item 4 is required as to Mr. Goddard.](#)

Regional Developer – Orlando, Florida: [Georgia Goddard](#)

Georgia Goddard is our regional developer for the Orlando, Florida area. Mrs. Goddard has served as regional developer in Orlando, Florida, since April 2024. She has also served as a Design Consultant with Houston Shutters in Tampa, Florida, from December 2008 to December 2022. No supplemental disclosure to Item 3 or Item 4 is required as to Mrs. Goddard.

Regional Developer – Boise, Idaho: Michelle Lucas, RAD Love, LLC

RAD Love, LLC is our regional developer for Boise, Idaho. Ms. Lucas has served as Managing Member of RAD Love, LLC, in Auburn, California, since December 2023. She has also served as President of Happy Time Preschool, in Sacramento, California, since May 2016. No supplemental disclosure to Item 3 or Item 4 is required as to Ms. Lucas.

Regional Developer – Boise, Idaho: Liz Caldwell, RAD Love, LLC

RAD Love, LLC is our regional developer for Boise, Idaho. Ms. Caldwell has served as Member of Rad Love, LLC, in Boise, Idaho, since April 2024. She has served as Account Manager of Books are Fun from August 2022 to April 2024, in Boulder, Colorado. She also served as the Owner of Wholesale Book Distributors in Boise, Idaho from June 2007 to August 2022. No supplemental disclosure to Item 3 or Item 4 is required as to Ms. Caldwell.

Regional Developer – Washington DC, Maryland, and Virginia: James Bryan Denson, JBD Works, Inc.

JBD Works, Inc. is our regional developer for the Maryland, Virginia, and Washington DC area. Mr. Denson has served as the President and CEO of JBD Works, Inc., in Gaithersburg, Maryland, since October 2024. He also served as Senior Policy Analyst for SE&M Solutions, LLC, in Gaithersburg, Maryland from July 2023 to November 2024. Previously, Mr. Denson served as Director of Global Operations with Premise Data Corporation, in Gaithersburg, Maryland, from July 2022 to February 2023. He also served as Sr. Director of Strategic Growth with TransUnion, in Gaithersburg, Maryland, from July 2015 to June 2022. No supplemental disclosure to Item 3 or Item 4 is required as to Mr. Denson.

Regional Developer – Minneapolis / St. Paul, Minnesota: Patrick Mancuso, POS MN REGION, LLC

POS MN Region, LLC is our regional developer for the greater Minneapolis / St. Paul, Minnesota metro area. Mr. Mancuso has served as President and Managing Member of POS MN Region, LLC, in Woodbury, Minnesota, since December 2023. He has also served as CEO of A House For You, Inc. (also known as Mancuso Consulting Group), in Woodbury, Minnesota, since 1995. He has also served as a Master Faculty Trainer for Keller Williams, in Woodbury, Minnesota, since 2002. No supplemental disclosure to Item 3 or Item 4 is required as to Mr. Mancuso.

Regional Developer – Minneapolis / St. Paul, Minnesota: Ashley Mancuso, POS MN REGION, LLC

POS MN Region, LLC is our regional developer for the greater Minneapolis / St. Paul, Minnesota metro area. Ms. Mancuso has served as Vice President of POS MN Region, LLC, in Woodbury, Minnesota, since December 2023. She has served as Operations Director for A House For You, Inc. (also known as Mancuso Consulting Group), in Woodbury, Minnesota, since August 2019. No supplemental disclosure to Item 3 or Item 4 is required as to Ms. Mancuso.

Regional Developer – Denver (East), Colorado: Angad Singh, ~~Benipa~~BSPI, Inc.

~~Benipal~~BSPI, Inc. is our regional developer for Denver (East), Colorado. Mr. Singh has served as President of Benipal, Inc., in Reno, Nevada, since October 2023. He has also served as a franchise owner and operator with 7-Eleven, in Reno, Nevada, since April 2019, and a franchise owner and operator with Motel 6, in Twin Falls, Idaho, since May 2020. No supplemental disclosure to Item 3 or Item 4 is required as to Mr. Singh.

Regional Developer – ~~Boise, Idaho: Michelle Lucas, RAD Love~~Eugene and Bend, Oregon: Scott Sigstad, Portofino Foods, LLC

~~RAD Love~~Portofino Foods, LLC is our regional developer for ~~Boise, Idaho. Ms. Lucas~~the Eugene and Bend, Oregon area. Mr. Sigstad has served as ~~President of RAD Love~~a Managing Member of Portofino Foods, LLC, in ~~Auburn, California~~Salem, Oregon, since ~~December 2023~~April 2024. He has also served as Managing Member of R & S Distribution, LLC since November 2011, in Reno, Nevada. No supplemental disclosure to Item 3 or Item 4 is required as to Mr. Sigstad.

Regional Developer – Eugene and Bend, Oregon: Jody Bratt Sigstad, Portofino Foods, LLC

Portofino Foods, LLC is our regional developer for the Eugene and Bend, Oregon area. Mrs. Sigstad has served as a Managing Member of Portofino Foods, LLC, in Salem, Oregon, since April 2024. She has also served as ~~president of Happy Time Preschool, in Sacramento, California, since May 2016~~Managing Member of Delray Design, in Reno, Nevada, since March 2012. No supplemental disclosure to Item 3 or Item 4 is required as to Mrs. Sigstad.

Regional Developer – Austin, Texas: Nicole Goddard, Chucole’s Subs Holdings, LLC

Chucole’s Subs Holdings, LLC is our regional developer for the greater Austin, Texas metro area. Ms. Goddard has served as a member of Chucole’s Subs Holdings, LLC, in Leander, Texas, since January 2024. She has also served as a member of Chucole’s Chicken Holdings, LLC, a regional developer for the greater Austin, Texas metro area for Daddy’s Chicken Shack, since March 2023. She is also the President of C C Mason Elementary School’s PTO since June 2023. Prior to this, she was a board member of C C Mason Elementary School’s PTO from June 2022 to June 2023. She was at home from April 2019 to June 2022. No supplemental disclosure to Item 3 or Item 4 is required as to Ms. ~~Lucas~~Goddard.

Regional Developer – Austin, Texas: Charles Goddard, Chucole’s Subs Holdings, LLC

Chucole’s Subs Holdings, LLC is our regional developer for the greater Austin, Texas metro area. Mr. Goddard has served as a member of Chucole’s Subs Holdings, LLC, in Leander, Texas, since January 2024. He has also served as a member of Chucole’s Chicken Holdings, LLC, a regional developer for the greater Austin, Texas metro area for Daddy’s Chicken Shack, since March 2023. He has worked as a Software Engineer and Engineering Manager with Apple, Inc., in Austin, Texas, since November 2011. No supplemental disclosure to Item 3 or Item 4 is required as to Ms. Goddard.

Regional Developer – Salt Lake City, Utah: Jay Taylor, J&M Subport Holdings, LLC

J&M Subport Holdings, LLC is our regional developer for Salt Lake City, Utah. Mr. Taylor has served as Managing Partner and co-CEO of J&M Subport Holdings, LLC, in Draper, Utah, since June 2010. He has been a Port of Subs franchisee in Draper, Utah, and Salt Lake City, Utah, since November 2010. No supplemental disclosure to Item 3 or Item 4 is required as to Mr. Taylor.

Regional Developer – Salt Lake City, Utah: Michael Taylor, J&M Subport Holdings, LLC

POS Franchising, LLC  
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J&M Subport Holdings, LLC is our regional developer for Salt Lake City, Utah. Mr. Taylor has served as co-CEO of J&M Subport Holdings, LLC, in Draper, Utah, since January 2024. He has also served as Project Manager for The 4C Group, in Park City, Utah, since December 2022. He served as a Project Manager for J&L Home Building, in American Fork, Utah, from September 2019 to December 2022, and as a Project Manager with Broderick and Henderson Commercial Construction, in Orem, Utah, from September 2015 to September 2019. He also has been a Port of Subs franchisee in Draper, Utah, and Salt Lake City, Utah, since November 2010. No supplemental disclosure to Item 3 or Item 4 is required as to Mr. Taylor.

~~Regional Developer—Sacramento, California: Robert Lucas, R. Lucas Properties, LLC~~

~~R. Lucas Properties, LLC is our regional developer for the greater Sacramento, California metro area. Mr. Lucas has served as President of R. Lucas Properties, LLC, in Sacramento, California, since December 2007. No supplemental disclosure to Item 3 or Item 4 is required as to Mr. Lucas. He has more than 30 years' experience in labor standards, business regulation, budget management, and construction licensing.~~

~~Regional Developer—Austin, Texas: Nicole Goddard, Chucole's Subs Holdings, LLC~~

~~Chucole's Subs Holdings, LLC is our regional developer for the greater Austin, Texas metro area. Ms. Goddard has served as a member of Chucole's Subs Holdings, LLC, in Leander, Texas, since January 2024. She has also served as a member of Chucole's Chicken Holdings, LLC, a regional developer for the greater Austin, Texas metro area for Daddy's Chicken Shack, since March 2023. She is also the President of C C Mason Elementary School's PTO since June 2023. Prior to this, she was a board member of C C Mason Elementary School's PTO from June 2022 to June 2023. She was at home from April 2019 to June 2022. No supplemental disclosure to Item 3 or Item 4 is required as to Ms. Goddard.~~

~~Regional Developer—Austin, Texas: Charles Goddard, Chucole's Subs Holdings, LLC~~

~~Chucole's Subs Holdings, LLC is our regional developer for the greater Austin, Texas metro area. Mr. Goddard has served as a member of Chucole's Subs Holdings, LLC, in Leander, Texas, since January 2024. He has also served as a member of Chucole's Chicken Holdings, LLC, a regional developer for the greater Austin, Texas metro area for Daddy's Chicken Shack, since March 2023. He has worked as a Software Engineer and Engineering Manager with Apple, Inc., in Austin, Texas, since November 2011. No supplemental disclosure to Item 3 or Item 4 is required as to Ms. Goddard.~~

~~Regional Developer—Minneapolis / St. Paul, Minnesota: Patrick Mancuso, POS MN REGION, LLC~~

~~POS MN Region, LLC is our regional developer for the greater Minneapolis / St. Paul, Minnesota metro area. Mr. Mancuso has served as President and Managing Member of POS MN Region, LLC, in Woodbury, Minnesota, since December 2023. He has also served as CEO of A House For You, Inc. (also known as Mancuso Consulting Group), in Woodbury, Minnesota, since 1995. He has also served as a Master Faculty Trainer for Keller Williams, in Woodbury, Minnesota, since 2002. No supplemental disclosure to Item 3 or Item 4 is required as to Mr. Mancuso.~~

~~Regional Developer—Minneapolis / St. Paul, Minnesota: Ashley Mancuso, POS MN REGION, LLC~~

~~POS MN Region, LLC is our regional developer for the greater Minneapolis / St. Paul, Minnesota metro area. Ms. Mancuso has served as Vice President of POS MN Region, LLC, in Woodbury, Minnesota, since December 2023. She has served as Operations Director for A House For You, Inc. (also known as Mancuso~~

~~Consulting Group), in Woodbury, Minnesota, since August 2019. No supplemental disclosure to Item 3 or Item 4 is required as to Ms. Mancuso.~~

~~Regional Developer—Mesa, Arizona: Shane Shaw, SubwichesRD6, LLC~~

~~SubwichesRD6, LLC is our regional developer for the Mesa, Arizona metro area. Mr. Shaw has served as a member of SubwichesRD6, LLC, in Mesa, Arizona, since April 2024. He has also served as a Sales Representative with Southern Carlson, in Phoenix, Arizona, since May 1996. No supplemental disclosure to Item 3 or Item 4 is required as to Mr. Shaw.~~

~~Regional Developer—Mesa, Arizona: Kirstin Shaw, SubwichesRD6, LLC~~

~~SubwichesRD6, LLC is our regional developer for the Mesa, Arizona metro area. Ms. Shaw has served as a member of SubwichesRD6, LLC, in Mesa, Arizona, since April 2024. She has also served in various positions with LoanDepot, in Scottsdale, Arizona, since May 2013, including as a Prefunding Audit Manager since February 2022. No supplemental disclosure to Item 3 or Item 4 is required as to Ms. Shaw.~~

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**EXHIBIT ~~F~~G**  
**TO THE FRANCHISE DISCLOSURE DOCUMENT**  
**FORM OF GENERAL RELEASE**

## FORM OF GENERAL RELEASE

The Franchisee, on behalf of itself and its subsidiaries, affiliates, heirs, successors and assigns, hereby releases and discharges any and all liabilities, obligations or claims, whether known or unknown, including without limitation, any claimed violation or breach of the Franchise Agreement, [Area Development Agreement](#), or federal or state laws, including franchise investment laws, against POS Franchising, LLC (“Franchisor”), including its current and former parents, officers, directors, limited liability company managers, employees, subsidiaries or affiliates, and any and all of its respective past and present representatives. The Franchisee realizes the facts as presently known or understood to exist with respect to any known or unknown claims it may have against Franchisor may, in fact, be either incorrect or incomplete, or both. Notwithstanding such possibility, the Franchisee freely enters into this Agreement and assumes all risks of any such possibility and waives any rights whatsoever to attack the validity and finality of this Agreement even if the present knowledge and understanding of the facts on the part of the Franchisee is in any way incorrect. The Franchisee expressly waives any and all rights and benefits against Franchisor conferred upon themselves by the provisions of Section 1542 of the California Civil Code. Section 1542 of the California Civil Code reads as follows:

**A general release does not extend to claims that the creditor or releasing party does not know or suspect to exist in his or her favor at the time of executing the release and that, if known by him or her, would have materially affected his or her settlement with the debtor or released party.**

Except in connection with a negotiated settlement of a bona fide dispute in which the person giving the release or waiver is represented by independent legal counsel, the foregoing general release does not apply with respect to claims arising under the Washington Franchise Investment Protection Act, RCW 19.100, or the rules adopted thereunder.

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**EXHIBIT ~~G~~H**  
**TO THE FRANCHISE DISCLOSURE DOCUMENT**  
**MANUAL TABLE OF CONTENTS**

<b>Operations Manual: <del>266</del>397 Total Pages</b>			-
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	Table of Contents		<del>8</del> 5-9
Section 1	Food Safety and Sanitation- OPS 1		<del>9-22</del> 10-59
	+ Security OPS 2		<del>23-34</del>
<del>Section 2</del>	+ Restaurant Housekeeping OPS 3		<del>35-72</del>
<del>Section 3</del>	+ Product Preparation		
Section 4	<del>OPS 4</del> 1	73-140	<del>60-124</del>
	Guest Services OPS 5		
Section 5	+ Other Revenue Streams	141-150	125-218
	Service System OPS 6		
<del>Section 6</del>	+ Sliced Fresh Catering OPS 7		151-182
<del>Section 7</del>	+ Shift Security and Management		183-189
Section 8	<del>OPS 8</del> 1	190-208	219-248
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Section 9	+ Training and Operations	209-249	279
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<del>Index</del> Section 6	Service/Guest Relations	250-266	280-293
Section 7	Technology		294-397

### State Effective Dates

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

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

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

State	Effective Date
California	<del>May 23, 2024</del> <a href="#">Pending</a>
Hawaii	<del>June 12, 2024</del> <a href="#">Pending</a>
Illinois	<del>April 18, 2024</del> <a href="#">Pending</a>
Indiana	<del>May 22, 2024</del> <a href="#">Pending</a>
Maryland	<del>May 23, 2024</del> <a href="#">Pending</a>
Michigan	May 31, 2024
Minnesota	<del>May 29, 2024</del> <a href="#">Pending</a>
New York	<del>May 23, 2024</del> <a href="#">Pending</a>
North Dakota	<del>May 22, 2024</del> <a href="#">Pending</a>
Rhode Island	<del>May 25, 2024</del> <a href="#">Pending</a>
South Dakota	<del>April 18, 2024</del> <a href="#">Pending</a>
Virginia	<del>April 29, 2024</del> <a href="#">Pending</a>
Washington	<del>June 14, 2024</del> <a href="#">Pending</a>
Wisconsin	<del>April 18, 2024</del> <a href="#">Pending</a>

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

## RECEIPT

This Disclosure Document summarizes certain provisions of the franchise agreement, [area development agreement](#) and other information in plain language. Read this Disclosure Document and all agreements carefully.

If POS Franchising, LLC (“Franchisor”) offers you a franchise, Franchisor must provide this Disclosure Document to you at least 14 calendar days (or sooner, if required by applicable state law) before you sign a binding agreement with, or make a payment to, Franchisor or any affiliate of Franchisor in connection with the proposed franchise sale.

New York and Iowa require that Franchisor give you this Disclosure Document at the earlier of the first personal meeting or 10 business days (14 calendar days for Iowa) before the execution of the franchise or other agreement or the payment of any consideration that relates to the franchise relationship. Michigan requires that Franchisor give you this Disclosure Document at least 10 business days before the execution of any binding franchise or other agreement or the payment of any consideration, whichever occurs first.

If Franchisor does not deliver this Disclosure Document on time or if it contains a false or misleading statement or a material omission, a violation of federal law and state law may have occurred and should be reported to the Federal Trade Commission, Washington, D.C. 20580 and the applicable state agency listed on Exhibit A to this Disclosure Document.

The names, principal business addresses, and telephone numbers of the franchise sellers offering the franchise (with name and contact information to be inserted as necessary) are:

Name	Principal Business Address	Telephone Number
Andrew Beach	480 East Happy Canyon Road, Castle Rock, Colorado 80108	800.245.0245
Healey Mendicino	480 East Happy Canyon Road, Castle Rock, Colorado 80108	800.245.0245
Chips Weldon	480 East Happy Canyon Road, Castle Rock, Colorado 80108	800.245.0245

We have authorized the persons listed on Exhibit A to this Franchise Disclosure Document to receive service of process for us in the listed states.

Issuance Date: April ~~15, 2024~~ [24, 2025](#)

I have received this Disclosure Document dated April ~~15, 2024~~ [24, 2025](#). Please refer to the State Effective Dates page for the effective date of this Disclosure Document in your state. This Disclosure Document included the following exhibits:

Exhibit A	State Administrators and Agents for Service of Process	Exhibit E	<del>Lists of Current and Former Franchisees, and Current Regional Developers</del> <a href="#">State Specific Addenda</a>
Exhibit B	Financial Statements	Exhibit F	<del>Form of General Release</del> <a href="#">Lists of Current and Former Franchisees, and Current Regional Developers</a>
Exhibit C	Franchise Agreement	Exhibit G	<del>Manual Table</del> <a href="#">Form</a> of <del>Contents</del> <a href="#">General Release</a>
Exhibit D	<del>State Specific Addenda</del> <a href="#">Area Development Agreement</a>	<a href="#">Exhibit H</a>	<a href="#">Manual Table of Contents</a>

\_\_\_\_\_  
Date of Receipt

\_\_\_\_\_  
Signature of Prospective Franchisee (on behalf of the prospective franchisee and any corporation, limited liability company, or other business entity having or proposed to have an interest in the franchise or any proposed franchised location)

By \_\_\_\_\_  
Print Name

**[Retain this copy for your records.]**

## RECEIPT

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Date of Receipt

Signature of Prospective Franchisee (on behalf of the prospective franchisee and any corporation, limited liability company, or other business entity having or proposed to have an interest in the franchise or any proposed franchised location)

By \_\_\_\_\_  
Print Name

**[Return this copy to us.]**