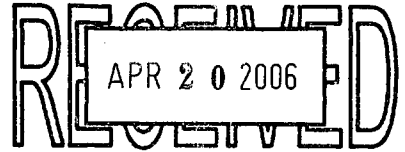


**EXHIBIT A – ZERO'S SUBS
FRANCHISE AGREEMENT**

4/6/06

DEPARTMENT OF CORPORATIONS



SACRAMENTO OFFICE



ZERO'S SUBS FRANCHISE AGREEMENT

between

**ZERO'S MR. SUBMARINE, INC.,
a Delaware corporation**

and

Dated: _____, 2006

Location:

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SAMPLE

ZERO'S SUBS, INC.
FRANCHISE AGREEMENT

THIS FRANCHISE AGREEMENT is signed on _____, 2006, between **ZERO'S MR. SUBMARINE, INC.** a Delaware corporation having its principal place of business is 2859 Virginia Beach Blvd., Suite 105, Virginia Beach, Virginia 23452 (the "Franchisor," "we" "our" or "us") and _____, residing at _____ (the "Franchisee," "you " or "your").

BACKGROUND

A. We have developed through significant expenditures of time, skill, effort and money relating to the establishment, development and operation of a Zero's Subs Restaurant (the "Franchised Business") which offers a menu including a widely diverse selection of high quality subs, pizza, salads, and other products, that cater to all age and income groups.

B. We have developed a distinctive exterior and interior design, decor, color scheme, fixtures and furnishings for the Franchised Business restaurant, and has developed the uniform standards, specifications, methods, policies and procedures for the restaurant operations, inventory and management control, training and assistance, and advertising and promotional programs (the "System"); all of which may be changed, improved upon, and further developed from time to time.

C. We have developed, through dedicated operations, marketing methods, and merchandising policies, the reputation, public image and good will of its System and established a firm foundation for its franchised retail operations consisting of the highest standards of training, management, supervision, appearance, services and quality of products.

D. The System is identified by means of certain trade names, service marks, trade marks, logos, emblems and indicia of origin, including the mark "Zero's Subs[®]" and logo, and such other trade names, service marks, and trademarks as are now, and may hereafter be designated for use in connection with the System (the "Proprietary Marks");

E. We continue to develop, expand, use, control and add to the Proprietary Marks and the System for the benefit of and use by us and our franchisees in order to identify for the public the source of the products and services marketed under the Proprietary Marks and to represent the System's high standards of quality and service.

F. You desire to operate a Franchised Business under the System and the Proprietary Marks and to obtain a license from us for that purpose, as well as to receive the training and other assistance provided by us in connection therewith.

G. You acknowledge that you have read this Agreement and the Franchise Offering Circular, and that you have no knowledge of any representations about the Franchised Business or about us or our franchising program or policies made by us or by our officers, directors, shareholders, employees or agents which are contrary to the statements in the Franchise Offering Circular or to the terms of this Agreement, and that you understand and accept the terms, conditions and covenants contained in this Agreement as being reasonably necessary to maintain our high standards of quality and service and the uniformity of those standards at all facilities which operate pursuant to the System and thereby to protect and preserve the goodwill of the Proprietary Marks.

H. You understand and acknowledge the importance of our uniformly high standards of quality and service and the necessity of operating the Franchised Business in strict conformity with our quality control standards and specifications.

The parties agree as follows:

ARTICLE 1 - GRANT OF FRANCHISE

SECTION 1.1 GRANT.

We grant to you and you accept, upon the terms contained in this Agreement, the non-exclusive and personal license, right and authority to operate a Zero's Subs Restaurant in strict conformity with our quality control standards and specifications which are a material part of the System, which may be changed, improved and further developed from time to time, only at the specific location which will be selected by you and will be more particularly described in the Site Selection Addendum attached Attachment A. You accept the license and agree to perform all of your obligations as set forth in this Agreement.

SECTION 1.2 SITE SELECTION AREA.

Subject to the terms of this Agreement, we grant to you the non-exclusive right and license to select a site to operate the Franchised Business within the jurisdictional boundaries of _____ (the "Site Selection Area").

SECTION 1.3 EXCLUSIVE TERRITORY.

Provided you have fully complied with your obligations under this Agreement, we agree not to grant or establish another franchise location for a Zero's Subs Restaurant within a 2-mile radius of the location set forth in Attachment A, unless such location is within the geographic boundaries of an area with a population greater than one million persons ("Densely Populated Urban Area" or "DPUA") in which case we agree not to grant another franchise location within a 1-mile radius (the "Exclusive Territory"). We reserve the right to establish company-owned units, or license other franchisees to establish Franchised Businesses, at any site we deem appropriate outside of the Exclusive Territory.

SECTION 1.4 RELOCATION.

You may relocate the Franchised Business to a new location in the same Exclusive Territory upon the following conditions:

- (a) You are not in default of any term of this Agreement or the lease for the former location;
- (b) You deliver to us a current financial statement, including a profit and loss statement for the Franchised Business during the last 12 months of operation at the former location, and a copy of the lease for the new location;
- (c) The new restaurant must be constructed, located and equipped in accordance with our then current design and other standards; and
- (d) You must be current on all of your financial obligations to us and our affiliates.

You must give us written notice of the proposed relocation 90 days before the relocation date. If you fail to timely deliver notice, this is a ground for default with opportunity to cure as set forth in Section 13.2. Relocation without notice to us is grounds for default without opportunity to cure as set forth in Section 13.1. The restaurant must open for business in the new location within 30 days (which may be extended for another 30 days for good cause) of the date on which the restaurant in the old location closed. You will also enter into an amendment of this Agreement to conform this Agreement to our then current form of Franchise Agreement, including the then current royalty rate, except that: (i) the term of the amended Franchise Agreement will expire on the same day that this Agreement would have expired; and (ii) there will be no requirement for a new Initial Franchise Fee.

SECTION 1.5 RESERVATION OF CERTAIN RIGHTS.

Subject to Section 1.3, we reserve the right to establish Franchised Businesses at any site we deem appropriate. We also reserve the right to sell related products and services in other channels of distribution. We reserve the right to offer, grant and support franchises in similar and other lines of business. We make no representation or warranty to you that there will be any right to participate in these franchises.

ARTICLE 2 - TERM AND RENEWAL

SECTION 2.1 INITIAL TERM.

Except as otherwise provided in this Agreement, the term of this Agreement is 15 years beginning on the date of signing this Agreement; provided, however, that if you lease your business premises and if the lease agreement for your business premises is terminated before the expiration of the term of this Agreement, then we may, at our option, terminate this Agreement.

SECTION 2.2 RENEWAL TERM.

You may, at our option, continue the Franchised Business for an additional 15-year term, or such period as remains in the lease (including any renewal options) underlying the initial term of this Agreement, if that period is less than 15 years, subject to the following conditions which must be met before each renewal period, unless and to the extent expressly waived in writing by us:

(a) You must give us written notice of your election to renew this Agreement not less than 6 months before the end of the current term of this Agreement;

(b) At least 6 months before the expiration of the current term of this Agreement, we will inspect the Franchised Business and give notice of all required modifications to the nature and quality of the products and services offered at the Franchised Business, your advertising, marketing and promotional programs, your financial and inventory control systems, and the maintenance, refurbishing, equipment upgrade and replacement, renovating and remodeling necessary to comply with our then current standards and specifications and with the requirements of the lease for the Franchised Business. If you elect to renew this Agreement, then you must complete, to our satisfaction, all required modifications, as well as adopt and implement any new methods, programs, modifications, techniques or operational systems required by our notice no later than 2 months before expiration of the current term of this Agreement;

(c) You must not be in default of any term of this Agreement, any amendment of or successor to this Agreement, or any other agreement between you and us or our subsidiaries, affiliates and suppliers;

(d) You have satisfied all monetary obligations owed by you to us and its subsidiaries, affiliates and suppliers;

(e) You must sign our then current form of Franchise Agreement. The new Franchise Agreement supersedes in all respects this Agreement, the terms of which may differ from the terms of this Agreement, including the requirement of a higher percentage royalty fee and/or advertising contributions. In lieu of the then current Initial Franchise Fee, you are required to pay a renewal fee of 10% of the then current Initial Franchise Fee;

(f) You and your approved General Manager must attend our then current qualification and training programs at your expense;

(g) You, your shareholders, directors and officers must sign a general release, in a form we prescribe any claims against us and our subsidiaries and affiliates, and their respective officers, directors, agents and employees. You will not be required, however, to release us for violations of or failure to comply with federal or state franchise registration and disclosure laws;

- (h) You must present evidence satisfactory to us that you have the right to remain in possession of the premises where the Franchised Business is located for the duration of the renewal term;
- (i) Your operation and management of the Franchised Business must be in full compliance with the System; and
- (j) You must maintain and be in good standing with all of its necessary and applicable licenses and permits.

If any of the foregoing conditions to renewal have not been met at least 2 months before the expiration of the current term of this Agreement, then we have no obligation to renew this Agreement and will give you at least 30 days' prior written notice of our intent not to renew this Agreement, which notice will set forth the reasons for our refusal to renew.

ARTICLE 3 – OUR DUTIES

SECTION 3.1 PRE-OPENING OBLIGATIONS.

Our duties before the opening of the Franchised Business are as follows:

- (a) Grant the right to use the trademark "Zero's Subs[®]" in connection with the Franchised Business and within your Exclusive Territory;
- (b) Designate an Exclusive Territory for the Franchised Business;
- (c) Provide location research and site selection assistance including real estate and demographic analysis, as we deem advisable, subject to the availability of personnel;
- (d) Assist in negotiation of the lease or property purchase for the franchise;
- (e) Loan to you a single copy of our confidential Manuals, which will include guidelines and specifications for equipment, supplies, inventory, management and operation of the Franchised Business and which guidelines and specifications must be adopted by you. The Manuals are confidential and remain our property. We may modify the Manuals from time to time, but these modifications will not alter your status and rights under this Agreement.
- (f) Loan to you: (i) a sample set of standard building plans and specifications and/or standard recommended floor plan; (ii) specifications of our requirements for design, decoration, layout, equipment, furniture, fixtures and signs for your Zero's Subs Franchise; and (iii) specifications for Zero's Subs uniforms for your employees. These items may be purchased from any approved supplier.
- (g) Provide you and a General Manager with a mandatory initial training program related to the operation of your Franchised Business subject to no additional fees above the Initial Franchise Fee. However, you are responsible for all costs of travel, lodging and meals while training takes place; and
- (h) Make available to you an On-Site Training Program of 80 hours which provides on-site assistance both before and during the initial 2 weeks of operation of your Franchised Business at the location of the Franchised Business.

SECTION 3.2 POST-OPENING OBLIGATIONS.

Our obligations following the opening of the Franchised Business are as follows:

- (a) Provide general advisory assistance and field support we deem to be helpful you in the ongoing operation, advertising and promotion of the Franchised Business.

- (b) Continue efforts to establish and maintain high standards of quality, cleanliness, safety, customer satisfaction and service.
- (c) Provide you with updates, revisions and amendments to the Manuals.
- (d) Subject to the availability of our staff, provide management consulting services for special projects or assistance upon a mutually acceptable arrangement pertaining to fees and expenses.
- (e) Administer a National Advertising Fund, if we establish a Fund.
- (f) Coordinate and conduct periodic training programs for our network of Franchisees, as we deem necessary in our sole discretion.
- (g) On a periodic basis, conduct, as we deem advisable, inspections of the Franchised Business and its operations and evaluate the methods and staff employed by the Franchised Business.
- (h) For an additional fee of \$150/per day plus meal and travel expenses you may supplement the On-site Training Program by having our field support training staff provide additional training at your location after the Franchised Business opens.

All of our obligations under this Agreement are to you, and no other party is entitled to rely on, enforce or obtain relief for breach of these obligations either directly or by subrogation.

ARTICLE 4 - FEES

In consideration of the right and license to operate the Franchised Business granted in this Agreement, you will pay to us the following fees:

SECTION 4.1 INITIAL FRANCHISE FEE.

The Initial Franchise Fee payable to us by you is \$20,000 payable upon signing this Agreement. The Initial Franchise Fee is deemed fully earned upon receipt by us, and is non-refundable.

SECTION 4.2 ROYALTY FEES.

You will pay to us a continuing non-refundable weekly royalty fee 5% of Gross Sales. The royalty fee is non-refundable and will be paid weekly and sent to us by electronic funds transfer due on Tuesday (for the preceding Sunday through Saturday period) or such other specific day of the week which we designate from time to time (the "Due Date"). Before the opening of the Franchise, you will sign an Authorization Agreement for Prearranged Payments (Direct Debits) of Royalty Fees by electronic transfer of funds from your bank account to our bank account, in the form attached as Attachment E. You will report to us by telephone, facsimile or e-mail, as may be reasonably directed by us, no later than 5:00 p.m. Monday (the "Reporting Date"), with such information and pursuant to such standard transmittal procedures regarding your Gross Sales and such additional information as we may request. We have the right to verify the royalty payments from time to time, as it deems necessary, in any reasonable manner. If you fail to have sufficient funds in the account or otherwise fail to pay any royalties due as of the Due Date, you owe a \$50 penalty, and a late charge equivalent to 1½% per month; however, you are not required to pay a late payment at a rate greater than the maximum interest rate permitted by applicable law.

SECTION 4.3 NATIONAL ADVERTISING FUND CONTRIBUTION.

Pursuant to Section 10.2, we have established a National Advertising Fund pursuant to which you will be required to pay to us a continuing non-refundable weekly advertising contribution of up to 2% of your Gross Sales. The advertising fee is non-refundable and will be paid weekly and sent to us by electronic funds transfer due on Tuesday (for the preceding Sunday through Saturday period) or such other specific day of the week which we designate from time to time (the "Due Date"). Before the opening of the Franchise, you will sign an Authorization

Agreement for Prearranged Payments (Direct Debits) of Advertising Fees by electronic transfer of funds from your bank account to our bank account, in the form attached as Attachment E. You will report to us by telephone, facsimile or e-mail, or as may be reasonably directed us no later than 5:00 p.m. on Monday (the "Reporting Date"), with such information and pursuant to such standard transmittal procedures regarding your Gross Sales and such additional information as we may request. We have the right to verify such advertising payments from time to time, as it deems necessary, in any reasonable manner. If you fail to have sufficient funds in the account or otherwise fails to pay any Advertising Fee due as of the Due Date, you owe a \$50 penalty, and a late charge equivalent to 1½% per month; however, you will not be required to pay a late payment at a rate greater than the maximum interest rate permitted by applicable law. We will deposit and disburse the amounts contributed in accordance with the provisions of ARTICLE 10 and any other guidelines or standards, which we may adopt. An advertising council composed of franchisees will be formed to advise us of advertising policies. After the first full year of operation of the Franchised Business, your contributions will be pre-calculated on the basis of the previous year's Gross Sales. You will be required to make contributions to the National Advertising Fund in addition to your obligation to conduct local marketing and promotion as set forth in Section 10.3 of the Franchise Agreement.

SECTION 4.4 LOCAL STORE MARKETING EXPENDITURES.

Pursuant to ARTICLE 10 and independent of any National Advertising Fund contributions, you will be required to make annual expenditures of at least 2% of your Gross Sales on local marketing and promotion. This local marketing and promotion will be conducted by you either individually or in conjunction with other franchisees and must comply with the policies and procedures established by us for prior approval of all proposed marketing and promotion campaigns and materials. You will be required to submit to us a report, on our form, that demonstrates that you have fulfilled the minimum requirement for local marketing and promotion. These local marketing and promotion requirements and fees exist independently of a National Advertising Fund.

SECTION 4.5 TRANSFER FEE.

A non-refundable transfer fee equal to 30% of the then current initial franchise fee must be paid to us by you to cover our administrative and other expenses in connection with the transfer of the Franchised Business, unless the transfer is made by you to a corporation formed solely for the convenience of ownership. All transfers must be in accordance with the terms of this Agreement and consistent with the transfer guidelines provided to you by us. This transfer fee must be fully paid before any such transfer. In addition, at the transferee's expense, the transferee, its Franchisee/General Manager, and shift supervisor must complete any training programs then in effect for current Franchisees upon our reasonable terms and conditions. The transfer fee is non-refundable.

SECTION 4.6 TRAINING EXPENSES.

We provide you with a mandatory initial training program in restaurant operations and management for up to 2 persons during a training period of up to 6 weeks at Franchisor's training facility and administrative offices in Virginia Beach, VA. We require you to attend the initial training program before the opening of Franchisee's first Franchised Business and will provide the initial training program, including curriculum materials, at no cost to Franchisee. However, you are solely responsible for your expenses and those of your employees during the training program including the costs of travel, lodging, meals, and the wages of your employees.

SECTION 4.7 SUPPLEMENTAL TRAINING FEE.

If you request Supplemental Training you will pay us an additional fee of \$150/per day plus meal and travel expenses for 3 to 7 days.

SECTION 4.8 PUBLIC AND PRIVATE OFFERING PROSPECTUS REVIEW FEE.

For each proposed offering by you, you must pay to us a non-refundable document review fee of \$5,000 or such greater amount as may be required to reimburse us for our reasonable costs and expenses associated with reviewing the proposed offering materials, including legal and accounting fees.

SECTION 4.9 MANAGEMENT CONSULTING FEE.

You may retain us to provide management consulting services for special projects or assistance based upon availability of our personnel at the minimum rate of \$200 and a maximum of \$400 per person/per day plus reimbursement of all reasonable travel, lodging, meal and other expenses incurred by us in connection with the rendering of such services. We reserve the right to make reasonable adjustments from time to time to such daily rate at our discretion. These consulting fees are non-refundable and must be paid to us in advance.

SECTION 4.10 COSTS OF MAJOR ALTERATIONS.

Once every 5 to 7 years, you will be required to make such major alterations to the restaurant as we may require at your expense.

SECTION 4.12 MANUALS REPLACEMENT FEE.

If a Manual is lost, stolen or destroyed, you will be required to pay to us a non-refundable replacement fee of \$500 for each volume of the replacement Manual.

SECTION 4.13 RENEWAL FEE.

You must pay to us a non-refundable renewal fee upon the expiration of the initial term or any renewal term of this Agreement in order to renew this Agreement. The renewal fee is 10% of the then current initial franchise fee.

SECTION 4.14 DEFINITION OF GROSS SALES.

"Gross Sales" is defined as all sales generated through the Franchised Business including fees for any and all services you perform, whether for cash or credit (regardless of collectibility), and billings of every kind related to the Franchised Business, including revenues from the sale of merchandise of proprietary products or clothing, catering, use of jukeboxes, vending machines, video games, pinball machines or similar arcade-like machines and from video lottery terminals; provided, however, that "Gross Sales" does not include any sales tax or other taxes collected from customers by you for transmittal to the appropriate taxing authority.

ARTICLE 5 -YOUR DUTIES

SECTION 5.1 COMPLIANCE WITH SYSTEM.

You understand and acknowledge that every detail of the appearance and operation of the Franchised Business in compliance with the System is critical to us, you and other franchisees in order to:

- (a) Develop and maintain high and uniform operating standards;
- (b) Increase the demand for the products and services sold by franchisees; and
- (c) Protect the Proprietary Marks and the System, and our trade secrets, reputation and goodwill.

SECTION 5.2 SITE REQUIREMENTS.

(a) The criteria that we use to evaluate the site selected include visibility, traffic count, demographics, and local competition. We will approve or disapprove your proposed site within 10 days after receipt of all materials

reasonably requested by us. If the Spectra analysis and demographics review are not favorable for a site, we will discourage you from selecting the site but the final decision is yours. You will have a period of 180 days after signing the Franchise Agreement to locate a site for the Franchised Business, to obtain our approval of the site and to sign the lease. We will be available from time to time, and at our sole discretion, to provide general site selection assistance to you. If you fail to find a suitable site we approve with this 180-day period, we may terminate your Franchise Agreement, refund to you the Initial Franchise Fee and neither party has any further obligation to the other except for those matters which expressly survive the termination of the Franchise Agreement including the obligation of confidentiality. The Franchisee must commence the operation of the Franchised Business within 120 days after signing the lease for the Franchised Business site.

(b) We must approve the site and any lease of the Premises. You must deliver a copy of the final draft of the lease to us at least 10 days before signing. The Landlord, you, your Landlord and we must sign our form of Option for Assignment of Lease set forth as Attachment B the Franchise Agreement. You must agree not to sign or agree to any modification of the lease or sublease that would adversely affect our rights without our written approval.

(c) You must commence the operation of the Franchised Business within 120 days after signing the lease for the Franchised Business site.

SECTION 5.3 PRE-OPENING REQUIREMENTS.

Before beginning any construction or leasehold improvements of the Franchised Business, you, at your expense, must comply with all of the following requirements:

(a) You will have received determination of the site you selected for the operation of the Franchised Business and the lease for such site, in accordance with the terms of this Agreement. Such approval will be evidenced by our and your execution of the Site Selection Addendum, attached hereto as Attachment A;

(b) The proposed site must be in compliance with all applicable local and state laws, regulations and ordinances including all zoning, signage and parking requirements;

(c) You will employ a qualified general contractor or such other qualified person as we may approve in our absolute and sole discretion for the purposes of supervising the construction of the Franchised Business and ensuring the completion of all construction or leasehold improvements, and you must submit to us a statement identifying the general contractor and describing the general contractor's qualifications and financial responsibility; and

(d) You must obtain all business licenses, permits and certifications required for lawful construction and ongoing operation of the Franchised Business (including zoning, access, variances, health and safety, and sign and fire requirements) and must certify in writing to us that all such licenses, permits and certifications have been obtained.

SECTION 5.4 CONSTRUCTION AND OPENING REQUIREMENTS.

(a) You must employ a qualified licensed architect or engineer to prepare a site plan and adopt the standard building plans and specifications to the specific site and/or adapt the recommended floor plan to the Premises. You will completely construct and equip, at your expense, the Franchise Location in accordance with our standards and specifications. During the period of construction, you will provide to us such periodic progress reports as we may in our discretion require, signed by you and your general contractor, warranting that construction is proceeding on schedule and in accordance with the approved final plans and with all applicable laws, ordinances and regulations. We and our agents have the right to inspect the construction at all reasonable times. You must complete construction (including all exterior and interior carpentry, electrical, painting, and finishing work, and installation of all furnishings, fixtures, equipment, and signs) in accordance with the approved final plans, at your expense, within 120 days after the lease is signed, or sooner if required by the lease (exclusive of time lost by reason of strikes, lockouts, fire, and other casualties and acts of God). You will promptly notify us of the date of completion of construction and, within 10 days thereafter, we will conduct a final inspection of the restaurant and its premises. You

will not open the Franchised Business without our express written authorization. Our authorization to open may be conditioned upon your strict compliance with all initial inventory, fixtures, furnishings, and equipment requirements.

(b) You must open the Franchised Business for operation within 10 days after receipt of our written authorization to open, provided that the Franchised Business has been fully staffed and that all employees have successfully completed training. The parties agree that time is of the essence in the construction and opening of the Franchised Business.

SECTION 5.5 INITIAL TRAINING.

In accordance with the terms and conditions set forth in ARTICLE 3, you/General Manager, and Shift Supervisor must attend and complete, to our reasonable satisfaction, our mandatory initial training program at least 30 days before the opening of the Franchised Business. Any person employed as Franchisee's General Manager must attend and complete to our reasonable satisfaction this initial training program within 30 days of the General Manager's initial employment.

SECTION 5.6 SUPERVISION REQUIREMENTS.

For the first year from the date of the opening of the Franchised Business, the Franchised Business must at all times be under the direct, on-premises supervision of you, your General Manager or an operating partner ("Operating Partner") designated by you and approved by us, who: (i) has attended and successfully completed our training program; and (ii) must devote his or her full time and energy during business hours to the supervision and management of the Franchised Business, unless otherwise exempted by permission of us.

SECTION 5.7 ONGOING TRAINING.

You will cause your employees (including any person subsequently acting as the General Manager of the Franchised Business) to attend and complete, to our reasonable satisfaction, all of our training and market development meetings as may be scheduled by us. Attendance by you or your Operating Partner and the General Manager of the Franchised Business is required. We will only provide and pay for instruction and training materials in connection with such additional training. You and/or your Operating Partner and your employees will be responsible for any other expenses incurred in training.

SECTION 5.8 OPERATION OF THE FRANCHISED BUSINESS.

You will use the Franchised Business solely for the operation of the Franchised Business in strict accordance with the Manuals; keep the Franchised Business open and in normal operation for such minimum hours and days as we may from time to time prescribe; and refrain at all times from using or permitting the use of the premises of the Franchised Business for any other purpose or activity other than as contemplated by this Agreement without first obtaining our written consent.

SECTION 5.9 MAINTENANCE.

You will continuously maintain the Franchised Business in the highest degree of sanitation, repair and condition as we may reasonably require, and in that connection make all additions, alterations, repairs and replacements (but not without our prior written consent) as may be required for that purpose, including periodic redecorating, replacement of inventory and replacement of obsolete signs, fixtures or materials as we may reasonably direct, or as otherwise required under the lease for the Franchised Business.

SECTION 5.10 HEALTH AND SAFETY STANDARDS.

You must meet and maintain the highest safety standards and ratings applicable to the operation and management of the Franchised Business and its personnel as we may reasonably require.

SECTION 5.11 WORKING CAPITAL.

You must meet and maintain sufficient levels of working capital for use in connection with the management and operation of the Franchised Business as we may reasonably require.

SECTION 5.12 DESIGN MODIFICATIONS.

At our request, you must refurbish the Franchised Business, at your expense, to conform to the then current Franchised Business design and decor, trade dress, color scheme and presentation of trademarks and service marks consistent with the design concepts then in effect for new Franchised Businesses licensed to operate under the System and in accordance with the Manuals, including structural changes, remodeling, redecoration and other modifications to existing improvements as we deem necessary. However, those modifications expected to cost \$25,000 or more ("Major Design Modifications") will not be required to be performed more often than once every 7 years, unless required by the lease for the Franchised Business. Those modifications expected to cost less than \$25,000 (Minor Design Modifications") must be made by you at any time or frequency we demand.

SECTION 5.13 COMPLIANCE WITH UNIFORM STANDARDS.

You must operate the Franchised Business in conformity with such uniform methods, standards and specifications as we may from time to time prescribe to ensure that the highest degree of product quality and service is uniformly maintained. You will conduct your business in a manner which reflects favorably at all times on the System and the Proprietary Marks. You will not engage in deceptive, misleading or unethical practices or conduct any other act that may have a negative impact on the reputation and goodwill of us or any other franchisee operating under the System. Pursuant to this ongoing responsibility, you agree to:

(a) Maintain in sufficient supply as we may prescribe in the Manuals or otherwise in writing and use at all times only such products and supplies as conform to our standards and specifications as contained in the Manuals, and to refrain from deviating therefrom without our prior written consent;

(b) Sell or offer for sale only such products and services as meet our uniform standards of quality, quantity and which have been expressly approved for sale in writing by us in accordance with our methods and techniques; to sell or offer for sale all approved items; to refrain from any deviation from our standards and specifications for serving or selling such products or services; and to discontinue selling and offering for sale any such products or services as we may, in our sole discretion, disapprove in writing at any time;

(c) Lease or purchase and install at your expense all fixtures, furnishings, signs and equipment as we may reasonably specify from time to time in the Manuals or otherwise in writing, and to refrain from installing or permitting to be installed on or about the Franchised Business without our prior written consent any fixtures, furnishings, signs, cards, promotional literature, equipment or other items not previously specifically approved as meeting our standards and conforming to our specifications;

(d) Purchase and maintain any and all signs for use at the Franchised Business, whether for interior or exterior use, in conformity with our quality control standards and specifications;

(e) Employ such minimum number of employees as may be prescribed by us and to comply with all applicable federal, state and local laws, rules and regulations with respect to such employees;

(f) Maintain a competent, conscientious staff; and

(g) Maintain all licenses and permits in good standing.

SECTION 5.14 PURCHASE AND LEASE OF PRODUCTS, EQUIPMENT AND SUPPLIES.

(a) In order to maintain the uniformly high standards and reputation of the System, you will be required to purchase or lease certain items either from us or the approved suppliers that meet our specifications.

These specifications may include minimum standards for quality, quantity, delivery, performance, design, appearance, durability, style, warranties, price range and other related restrictions. All meat, special spice, design and build-out standards, signage, uniforms, displays, and inventory must be purchased from our approved supplier or us. You may obtain other products, including food, beverage, ingredients (other than the special spice), paper goods and standard equipment from any source that meets our specifications and approval. We consider these specifications to be of critical importance to the success of the System. The Manuals sets forth these specifications in further detail.

(b) If you propose to purchase or lease any items not previously approved in writing by us, but which you believe meet our quality control specifications, you must first notify us. We may require, among other things, submission of sufficient samples, specifications, photographs, drawings, and other related information to determine whether such items meet our specifications. We will advise you within a reasonable time whether the proposed supplier meets our specifications and our approval will not be unreasonably withheld. You will be notified in writing of our approval or disapproval and of revocation of approved suppliers. Suppliers must maintain our standards in accordance with our written specifications and any modifications thereto. Failure to correct a deviation from the System's specifications will result in termination of status as an approved supplier.

SECTION 5.15 INSPECTION OF PREMISES.

You will permit us or our agents or representatives to enter upon the premises of the Franchised Business at any reasonable time for purposes of conducting inspections, taking photographs and interviewing employees and customers. You will cooperate fully with our agents or representatives in such inspections by rendering such assistance as they may reasonably request. Upon notice from us or our agents or representatives, and without limiting our other rights under this Agreement, you will take such steps as may be necessary to immediately and diligently correct any deficiencies detected during such inspections, including immediately ceasing and preventing the further use of any products, equipment, inventory, advertising materials, supplies or other items that do not conform to our then current specifications, standards or requirements. If you fail or refuse to correct these deficiencies, we have the right to enter upon the premises of the Franchised Business, without being guilty of trespass or any other tort, for the purpose of making or causing to be made such corrections as may be required, at your sole expense, which you agree to pay upon demand.

SECTION 5.16 PROPRIETARY METHODS.

You acknowledge and agree that we have developed certain products, services, operational systems and management techniques and may continue to develop additional products and proprietary methods and techniques for use in the operation of the Franchised Business which are all highly confidential and which are our trade secrets. Because of the importance of quality control, uniformity of product and the significance of such proprietary products in the System, it is to the mutual benefit of the parties that we closely control the dissemination of this proprietary information. Accordingly, you agree that if such information and techniques become a part of the System, you will comply and strictly follow these techniques in the operation of your business and will purchase from us or from an approved source designated us any supplies or materials necessary to protect and implement such techniques.

SECTION 5.17 DEVELOPMENT OF THE MARKET.

You will at all times use your best efforts to promote and increase the sales and consumer recognition of the products and services offered at the Franchised Business pursuant to the System and the Manuals, to effect the widest and best possible distribution of our products and services from the Franchised Business and to devote your best efforts in controlling the Franchised Business, your managers, assistants and employees.

SECTION 5.18 DISPLAY OF PROPRIETARY MARKS AND LOGOS.

You will display our Proprietary Marks and logos at the Franchised Business, on uniforms and otherwise in the manner prescribed us. The color, design and location of said displays will be specified us and may be changed from time to time in our sole discretion. Specifically, you will conspicuously display to customers the sign or notice designated us which will serve to notify and inform third parties that we are engaged in the business of franchising

and which will provide sufficient information to enable third parties to contact us to inquire about prospective franchises. You will not display any signs or posters at the premises or elsewhere without our prior written consent.

SECTION 5.19 COMPUTERIZED POINT-OF-SALE AND INFORMATION SYSTEM.

You must purchase and maintain a Computerized Point-of-Sale and Information System. We reserve the right to poll (via modem) our franchisees' computer systems in order to compile sales data, consumer trends, food and labor costs, and other such financial and marketing information, as we may deem appropriate. We may distribute this data on a confidential basis to our franchisees.

SECTION 5.20 OTHER REQUIREMENTS.

You will comply with all other requirements set forth in this Agreement, in the Manuals or as we may designate from time to time.

ARTICLE 6 - PROPRIETARY MARKS

SECTION 6.1 GRANT OF LICENSE.

We grant to you the right and license to use the "Zero's Subs[®]" mark and any logo derived therefrom in connection with the operation of your Franchised Business and the provision of services and products to your customers. We represent with respect to the Proprietary Marks that we: (1) have, to the best of our knowledge, all rights, title and interest in and to the Proprietary Marks; (2) have taken and continue to take all steps which we deem reasonably necessary to preserve and protect the ownership and validity of the Proprietary Marks; and (3) will use and license you and other franchisees to use the Proprietary Marks only in accordance with the System and the operating standards and quality control specifications attendant thereto which underlie the goodwill associated with and symbolized by the Proprietary Marks.

SECTION 6.2 CONDITIONS FOR USE.

With respect to your use of the Proprietary Marks pursuant to the licensed granted under this Agreement, you agree that:

(a) You will use only the Proprietary Marks designated us and will use them only in the manner required or authorized and permitted us.

(b) You will use the Proprietary Marks only in connection with the right and license to operate the Franchised Business.

(c) During the term of this Agreement and any renewal, you will identify yourself as a licensee and not the owner of the Proprietary Marks and will make any necessary filings under state law to reflect such status. To the extent feasible, you will identify yourself as a licensee of the Proprietary Marks on all invoices, order forms, receipts, business stationary and contracts, as well as at the Franchised Business on a sign provided us that is conspicuously displayed to customers.

(d) Your right to use the Proprietary Marks is limited to such uses as are authorized under this Agreement or in the Manuals, and any unauthorized use thereof constitutes an infringement of our rights and grounds for termination of this Agreement.

(e) You will not use the Proprietary Marks to incur or secure any obligation or indebtedness.

(f) You will not use the Proprietary Marks as part of your corporate or other legal name.

(g) You will comply with our instructions in filing and maintaining the requisite trade name or fictitious name registrations, and will execute any documents deemed necessary us or our counsel to obtain protection for the Proprietary Marks or to maintain their continued validity and enforceability.

(h) If you become aware of any infringement of the Proprietary Marks, or if your use of the Proprietary Marks is challenged by a third party, then you are obligated to immediately notify us, and we have the sole discretion to take such action as we deem appropriate. If we determine that no action to protect the Proprietary Marks is necessary, then you may take any action it deems necessary to protect your own interest, at your own expense. If it becomes advisable at any time in our sole discretion to modify or discontinue the use of any name or mark and/or use one or more additional or substitute names or marks, you will modify or discontinue the use of any such name or mark, and use such additional or substitute name or mark, and will be responsible for the tangible costs (such as replacing signs and materials) of complying with this obligation. If litigation alleging that the Proprietary Marks infringe a third party's rights is instituted or threatened against you, you will promptly notify us and will cooperate fully in defending or settling such litigation

(i) We indemnify you against and will reimburse you for all damages you are held liable in any proceeding from your use of the Proprietary Marks in accordance with this Agreement, but only if you: (a) have timely notified us of the claim or proceeding; (b) have otherwise complied with this Agreement; (c) allow us sole control of the defense and settlement of the action; and (d) cooperate fully with us and our counsel in the defense of the action.

SECTION 6.3 ACKNOWLEDGMENTS.

You expressly understand and acknowledge that:

(a) We own all rights, title and interest in and to the Proprietary Marks and the goodwill associated with and symbolized by them;

(b) The Proprietary Marks are valid and serve to identify the System and those who are licensed to operate a Franchised Business in accordance with the System;

(c) Your use of the Proprietary Marks pursuant to this Agreement does not give you any ownership interest or other interest in, or to the Proprietary Marks, except the non-exclusive license granted in this Agreement;

(d) Any and all goodwill arising from your use of the Proprietary Marks and/or the System inures solely and exclusively to our benefit, and upon expiration or termination of this Agreement no monetary amount will be assigned as attributable to any goodwill associated with your use of the System or the Proprietary Marks;

(f) The license and rights to use the Proprietary Marks to you are non-exclusive, and we thus may: (i) use, and grant franchises and licenses to others to use the Proprietary Marks and the System; (ii) establish, develop and franchise other systems different from the System licensed to you without offering or providing you any rights in, to or under such other system; and (iii) modify or change, in whole or in part, any aspect of the Proprietary Marks or the System so long as your rights are in no way materially harmed;

(g) We reserve the right to substitute different trade names, trademarks and service marks for use in identifying the System, the Franchised Business and other Franchised Businesses operating, all of which will become Proprietary Marks;

(h) We will have no liability to you for any senior users that may claim rights to the Proprietary Marks; and

(i) You will not register or attempt to register the Proprietary Marks in your name or that of any other person, firm, entity or corporation.

ARTICLE 7 - CONFIDENTIAL MANUALS

SECTION 7.1 COMPLIANCE.

In order to protect our reputation and goodwill and to maintain uniform standards of operation in connection with the Proprietary Marks, you will conduct your business in strict compliance with the operational systems, procedures, policies, methods and requirements prescribed in the Manuals and any supplemental bulletins, notices, revisions, modifications or amendments thereto, all of which will be deemed a part of this Agreement. One registered set of the Manuals will be provided to you on loan from us during the training program, and you will sign a corresponding receipt for the Manuals.

SECTION 7.2 USE.

You agree to immediately adopt and use the programs, services, methods, standards, materials, policies and procedures set forth in the Manuals, as they may be modified us from time to time. You acknowledge that we are the owner or licensee of all proprietary rights in, and to the System, and the Manuals, and any changes or supplements.

SECTION 7.3 CONFIDENTIALITY.

You will at all times treat the Manuals, any other manuals created for or approved for use in the operation of the Franchised Business and all of the information contained in the Manuals as proprietary and confidential, and will use all reasonable efforts to maintain such information as confidential. The Manuals must remain on the premises of the Franchised Business at all times.

SECTION 7.4 TRADE SECRETS.

You acknowledge, know and agree that designated portions of the Manuals are "trade secrets" owned and treated as such by us.

SECTION 7.5 ACCESS.

The trade secrets must be accorded maximum security consistent with your need to make frequent reference thereto. You will strictly limit access to the Manuals to employees who have a demonstrable and valid need to know the information contained therein in order to perform their duties. You will strictly follow any provisions in the Manuals regarding the care, storage and use of the Manuals and all related proprietary information.

SECTION 7.6 DUPLICATION.

You will not at any time, without our prior written consent, copy, duplicate, record or otherwise reproduce in any manner any part of the Manuals, updates, supplements or related materials, in whole or in part, or otherwise make the same available to any unauthorized person.

SECTION 7.7 OUR PROPERTY.

The Manuals will at all times remain our sole property. Upon the expiration or termination of this Agreement for any reason, you will return to us the Manuals and all supplements thereto.

SECTION 7.8 UPDATES OR REVISIONS.

We retain the right to prescribe additions to, deletions from or revisions to the Manuals, which become binding upon you upon being mailed or otherwise delivered to you, as if originally set forth in this Agreement. The Manuals, and any such additions, deletions or revisions thereto, will not alter your rights and obligations under this Agreement.

SECTION 7.9 MASTER SET.

You will at all times insure that its set of the Manuals is kept current and up-to-date, and upon any dispute as to the contents of the Manuals, the terms contained in the master set (#0001) of the Manuals maintained us at our headquarters will be controlling.

SECTION 7.10 REPLACEMENT FEE.

If the Manuals are lost, stolen or destroyed, you will pay us a non-refundable replacement fee of \$1,000 for each volume of the replacement Manual.

ARTICLE 8 - CONFIDENTIAL INFORMATION

SECTION 8.1 CONFIDENTIAL RELATIONSHIP.

The parties expressly understand and agree that the relationship established between us and you by this Agreement is one of confidence and trust, and that as a result, We will be disclosing and transmitting to you certain trade secrets and other confidential and proprietary information concerning various aspects of your operation of the Franchised Business, its methods of operation, techniques and all proprietary systems, procedures and materials relevant thereto pursuant to the System and this Agreement.

SECTION 8.2 OBLIGATIONS OF FRANCHISEE.

In order to preserve and protect the trade secrets and the confidential and proprietary information (the "Confidential Information") which are disclosed to you during the term of this Agreement, you agree that:

- (a) You will treat and maintain the Confidential Information as confidential both during the term of this Agreement and thereafter;
- (b) You will use the Confidential Information only for the operation of the Franchised Business under this Agreement;
- (c) You will disclose the Confidential Information only as necessary to your employees or agents who have a demonstrable and valid need to know the Confidential Information and not to anyone else;
- (d) You will restrict disclosure of the Confidential Information to only those employees or agents who are directly connected with the performance of work requiring knowledge thereof and will disclose only so much of the Confidential Information as is required to enable those employees or agents to carry out their assigned duties;
- (e) You will advise your employees or agents of the confidential nature of the information and the requirements of nondisclosure thereof; and
- (f) You and we will conduct a review to determine which employees will have access to the Confidential Information and to the Manuals. You will not disclose any Confidential Information or provide access to the Manuals to an employee or agent until that person signs a nondisclosure agreement in a form prescribed us, acknowledging the confidential and proprietary nature of the Confidential Information and agreeing not to disclose such information during the course of employment or thereafter. We will be designated a third-party beneficiary of the nondisclosure agreements with the right to enforce its provisions independently of you.

SECTION 8.3 CONFIDENTIAL INFORMATION DEFINED.

Any information, knowledge, know-how, systems, programs and other methods and techniques which we designate as confidential will be deemed Confidential Information for purposes of this Agreement, except information which you can demonstrate came to your attention before its disclosure by us or which, at the time of its disclosure by us to you, had become a part of the public domain through publication or communication by others or

which, after disclosure to you by us, becomes a part of the public domain through publication or communication by others. It is understood and agreed that information, improvements to the System or techniques prepared, compiled or developed by you, your employees or agents during the term of this Agreement and relating to the Franchise Business, whether developed separately or in conjunction with us, will be considered as part of the Confidential Information. You grant to us an irrevocable, worldwide, exclusive, royalty-free license, with the right to sub-license the information, improvement or technique.

SECTION 8.4 PROTECTION OF INFORMATION.

You acknowledge that you have knowledge of confidential matters, trade secrets, management and training techniques, operational, accounting, quality control procedures, programs and other methods developed by us through and in our System which, for purposes of this Agreement, are owned by us and which are necessary and essential to the operation of the Franchised Business, without which information you could not efficiently, effectively and profitably operate the Franchised Business. You further acknowledge that the Confidential Information was unknown to you before negotiation for, and signing of this Agreement and that the unique and novel combination of "know how" and methods developed by us and licensed to you by us for the operation of the Franchised Business are peculiar to us. You will take all steps necessary, at your expense, to protect the Confidential Information and will not divulge the Confidential Information either during or upon the termination of this Agreement without the our prior written consent.

SECTION 8.5 REMEDIES.

You acknowledge that, in addition to any remedies available to us under ARTICLE 13, we may attempt to obtain a temporary restraining order and/or an injunction against violation of the requirements of this ARTICLE.

SECTION 8.6 COMMUNICATION WITH CUSTOMERS.

In order to maintain the high standards of quality control throughout the System, we reserve the right to use test customers from time to time, without prior notification to you, in order to determine whether the Franchised Business is maintaining high standards of quality, integrity, safety, appearance and customer service.

ARTICLE 9 - ACCOUNTING, INSPECTIONS AND RECORDS

SECTION 9.1 MAINTENANCE OF BOOKS AND RECORDS.

You will maintain during the term of this Agreement and will preserve for not less than 5 years from the date of preparation full, complete and accurate books, records and accounts in accordance with the System and in the form and manner prescribed us in the Manuals or otherwise in writing from time to time.

SECTION 9.2 FRANCHISEE REPORTS

(a) **Weekly Royalty Reports.** You must prepare and send to us a Weekly Royalty Report (the "WRR"). Each WRR will cover a period from the preceding Sunday through Saturday of the preceding week. The reports on the reported sales must be telephoned, facsimile or e-mailed on or before 5:00 p.m. on the Monday (the "Reporting Date") following the end of the reporting period. The WRR will report the Gross Sales to our corporate office and other such information from which the Royalty Fee and Advertising Contributions are calculated for the preceding week. Each WRR will be in the form and format prescribed by us, setting further certain information as requested by us. All WRRs received by us will be treated as confidential information, and will not be made available to any third party without your and our consent. If you fail to report Gross Sales by the Reporting Date, we will draft your account the minimum of \$200 per week for Royalties and \$100 for Advertising Fees; greater if we reasonably estimate that the franchise location is generating higher Gross Sales.

(b) **Monthly Reports.** Within 15 business days after the end of each month, an income statement of your Restaurant for the month and for the fiscal year to date, prepared in accordance with generally accepted

accounting principles ("GAAP") consistently applied, in our recommended format if such statements are available; and

(c) **Annual Financials.** Within 90 days after the end of your fiscal year, which will be the calendar year, an income statement and balance sheet of your Restaurant for the fiscal year (reflecting all year-end adjustments), and a statement of changes in cash flow of the Restaurant, prepared in accordance with GAAP, consistently applied, and in our recommended format as well as copies of your federal and state tax returns. We reserve the right to require that you have reviewed financial statements prepared on an annual basis.

SECTION 9.3 OTHER SUBMISSIONS.

You will also submit to us, for review and auditing, such other forms and other reports, including annual accounting of local advertising expenditures and any and all other information and data as we may reasonably designate, in the form and at the times and places reasonably required us, upon request and as specified from time to time in the Manuals or otherwise in writing, at any time during the term of this Agreement.

SECTION 9.4 INSPECTION.

We or our designated agents have the right at all reasonable times to examine and copy, at your expense, your books, records, receipts and tax returns. We also have the right, at any time, to have an independent audit made of your books. If an inspection reveals that any payments to us have been understated in any report to us, then you will immediately pay to us, upon demand, the amount understated plus interest calculated at the Default Rate on a daily basis. If any inspection discloses an understatement in any report of 2% or more, you will, in addition to the payment of interest thereon, reimburse us for any and all costs and expenses connected with the inspection (including reasonable accountants' and attorneys' fees). The foregoing remedies will be in addition to any other remedies available to us.

ARTICLE 10 - ADVERTISING

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

SECTION 10.1 SUBMISSION AND APPROVAL OF PROMOTIONAL AND MARKETING MATERIALS.

All promotional and marketing materials to be used by you in any medium will be presented in a dignified manner and will conform to such standards and requirements as we may specify from time to time in the Manuals or otherwise. You will submit to us for our written approval, samples of all promotional and marketing materials in whatever form that you desire to use at least 10 days before their insertion. We have 72 hours from the time of receipt of the materials to approve, disapprove, or revise the materials. You will comply with all revisions to the promotional and marketing materials that we may require before approving the promotional and marketing materials. You will not use any advertising or promotional plans or materials that have not been approved by us in writing, and you will cease to use any plans or materials promptly upon notice us. Your failure to obtain our written approval of all proposed advertising is a default of this Agreement in accordance with Section 13.2.

SECTION 10.2 NATIONAL ADVERTISING FUND CONTRIBUTION.

(a) We have established a National Advertising Fund (the "Fund"). You will pay to us a continuing, non-refundable, weekly contribution of 2% of your Gross Sales for the preceding week for advertising, marketing and promotional programs. We have established a direct debit program to facilitate payments to the Fund. The advertising sums paid by you will be maintained in an account separate from our operating monies. Upon your request, we will annually account for advertising funds expended, including a reasonable allocation for our overhead expenses incurred in connection with administration and management of the Fund. It is understood and agreed that

we will allocate advertising funds as we deem appropriate. The allocation of the advertising fees will be applied to the DMA for a territory in which you are located.

(b) The Fund will be administered entirely by us, and we have the right to allocate advertising funds to specific regions and apportion expenditures as we see fit. Some of the factors considered by us in making allocations include advertising benefits from other markets, competitive pressure and estimated market capabilities, and specific local market opportunities. You will not necessarily receive a significant direct benefit from the allocation of advertising funds and we are not required to spend any amount on advertising in the area where your Franchised Business is located.

(c) If all of the advertising fees are not spent in the fiscal year in which they accrue, they will remain in the Fund for use during the following year. However, advertising funds may not be used for the solicitation of other franchisees.

(d) If Company Units are established, they will be required to contribute to the Marketing Fund and any Cooperative on the same basis as franchisees.

SECTION 10.3 LOCAL STORE MARKETING EXPENDITURES.

Independent of any National Advertising Fund contributions, you will be required to make annual expenditures of at least 2% of your Gross Sales on local marketing and promotion. This local marketing and promotion will be conducted by you either individually or in conjunction with other franchisees and must comply with the policies and procedures we establish for prior approval of all proposed marketing and promotion campaigns and materials. You are required to submit to us a report, on a form we prescribe, that demonstrates that you have fulfilled the minimum requirement for local marketing and promotion. These local marketing and promotion requirements and fees exist independently of the National Advertising Fund.

ARTICLE 11 - INSURANCE

SECTION 11.1 PROCUREMENT.

You will procure, before beginning any operations under this Agreement, and thereafter maintain in full force and effect during the term of this Agreement, at your expense, an insurance policy or policies protecting you and us, and our officers, directors, partners and employees, against any loss, liability, personal injury, death, property damage or expense whatsoever from fire, lightning, theft, vandalism, malicious mischief and the perils included in the extended coverage endorsement, arising or occurring upon or in connection with the Franchised Business or the construction of or leasehold improvements to the Franchised Business, or by reason of the operation or occupancy of the Franchised Business, as well as such other insurance applicable to such other special risks, if any, as we may reasonably require for our own and your protection. You will be obligated to procure the insurance and to submit certificates of insurance to us 30 days before the opening to the public of the Franchised Business.

SECTION 11.2 MINIMUM COVERAGE.

The policy or policies must be written by an insurance company satisfactory to us in accordance with the standards and specifications set forth in the Manuals or otherwise in writing, and will include, at a minimum (except as additional coverage and higher policy limits may reasonably be specified from time to time us in the Manuals or otherwise in writing) the following:

(a) Comprehensive general liability insurance, including contractual liability, broad form property damage, personal injury, advertising injury, product liability, completed operations and independent contractors coverage, and fire damage coverage in the amount of \$1,000,000, or higher amount as required by the least, combined single limit, and naming us as an additional insured in each policy or policies;

(b) Worker's compensation and employer's liability insurance as well as such other insurance as may be required by statute or rule of the state in which the Franchised Business is located and operated;

(c) Fire, vandalism and extended coverage insurance with primary and excess limits of not less than the full replacement value of the Franchised Business and its furniture, fixtures and equipment; and

(d) Business interruption insurance in amounts equal to at least the average monthly royalties, Advertising Fund Contributions and Local Store Marketing deposits payable to us, but not less than \$100,000 annual coverage.

SECTION 11.3 CONSTRUCTION COVERAGE.

In connection with any construction, leasehold improvements, renovation, refurbishment or remodeling of the premises of the Franchised Business, you will cause the general contractor to maintain with a reputable insurer comprehensive general liability insurance (with comprehensive automobile liability coverage for both owned and non-owned vehicles, builder's risk, product liability and independent contractors coverage) in at least the amount of \$1,000,000 with us named as an additional insured, and worker's compensation and employer's liability insurance as required by state law. A copy of the certificate of insurance for worker's compensation coverage will be provided to us.

SECTION 11.4 CERTIFICATES.

At least 30 days' before the grand opening of the Franchised Business and on each policy renewal date thereafter, you will submit to us a certificate of insurance evidencing the required coverage. The evidence of insurance will include a statement by the insurer that the policy will not be canceled or materially altered without at least 30 days' prior written notice to us.

SECTION 11.5 INDEPENDENCE OF COVERAGE REQUIREMENTS.

Your obligation to obtain and maintain the foregoing policy or policies in the amounts specified will not be limited in any way by reason of any insurance which may be maintained us, and your performance of that obligation will not relieve you of liability under the indemnity provision set forth in ARTICLE 17.

SECTION 11.6 FAILURE TO PROCURE.

Should you for any reason fail to procure or maintain the insurance required by this Agreement, as revised from time to time for all franchisees by the Manuals or otherwise in writing, we have the right and authority (without, however, any obligation) to immediately procure the insurance and to charge the cost to you, which costs, together with a reasonable fee for our expenses in so acting, including all attorneys' fees, will be payable by you immediately upon notice.

SECTION 11.7 THIRD PARTIES.

You will ensure that all third parties with which you conduct business are properly insured.

ARTICLE 12 - TRANSFER OF INTEREST

SECTION 12.1 TRANSFER BY FRANCHISOR.

We have the right to assign this Agreement, and all of its rights and privileges, to any person, firm, corporation or other entity provided that, with respect to any assignment resulting in the subsequent performance by the assignee of our functions under this Agreement: (i) the assignee will, at the time of assignment, be capable of performing our obligations, and (ii) the assignee expressly assumes and agrees to perform our obligations beginning on the transfer date. Specifically, you expressly agree that we may sell our assets, our rights to the Proprietary Marks and the System outright to a third party; may go public; may engage in a private placement of some or all of our securities; may merge, acquire other corporations, or be acquired by another corporation; may undertake a refinancing, recapitalization, leveraged buy-out or other economic or financial restructuring. Nothing contained in

this Agreement requires us to remain in the restaurant services business or to offer the same products and services, regardless of whether they bear our Proprietary Marks, if we exercise the right to assign our rights in this Agreement.

SECTION 12.2 TRANSFER BY FRANCHISEE.

(a) Neither you, any immediate or remote successor to any part of your interest in the Franchised Business, any individual, partnership, corporation or other legal entity which directly or indirectly controls you, if you means a corporation, nor any general partner or any limited partner (including any corporation which controls, directly or indirectly, any general or limited partner) if you means a partnership, will sell, assign, transfer, convey, give away, pledge, mortgage or otherwise encumber any direct or indirect interest in you or in the Franchised Business without our prior written consent provided, however, that our prior written consent is not required for a transfer of less than a 5% interest in a publicly held corporation or for transfer to a wholly owned corporation you formed expressly for this purpose. For these purposes, and under this Agreement in general, a publicly held corporation is a "Reporting Company" as defined by the Securities Exchange Act of 1934. You must notify us in writing at least 60 days before the date of the intended assignment. Any purported assignment or transfer, by operation of law or otherwise, without our written consent is null and void and constitutes a material breach of this Agreement, for which we may then terminate without opportunity to cure pursuant to Section 13.1 of this Agreement.

(b) We will not unreasonably withhold our consent to a transfer of any interest in you or in this Agreement. If, however, a transfer, alone or together with other previous, simultaneous or proposed transfers, will have the effect of transferring a controlling interest in the Franchised Business, we may, in our sole discretion, require any or all of the following as conditions of our approval:

(i) All of your accrued monetary obligations and all other outstanding obligations to us, our subsidiaries, affiliates and suppliers will be up to date, fully paid and satisfied;

(ii) You are not in default of any term of this Agreement, any amendment or successor, any other franchise agreement or other agreement between you and us, or our subsidiaries, affiliates or suppliers;

(iii) You and each of your partners, shareholders, officers and directors must sign general release under seal, in a form satisfactory to us, of any claims against us and our officers, directors, shareholders and employees in their corporate and individual capacities, including claims arising under federal, state and local laws, rules and ordinances; provided, however, that you are not required to release us for violations of federal and state franchise registration and disclosure laws including the Maryland Franchise Registration and Disclosure Law;

(iv) The transferee must demonstrate to our satisfaction that the transferee meets our educational, managerial and business standards; possesses a good moral character, business reputation and credit rating; has the aptitude and ability to operate the Franchised Business (as may be evidenced by prior related experience, our testing criteria or otherwise); has at least the same managerial and financial criteria required of new franchisees; and will have sufficient equity capital to operate the Franchised Business;

(v) The transferee must enter into a written assignment, under seal and in a form satisfactory to us, assuming and agreeing to discharge all of your obligations under this Agreement. If the transferee is not an individual, then the shareholders, partners or other owners of the transferee must jointly and severally guarantee your obligations under this Agreement in writing in a form satisfactory to the Franchisor;

(vi) At our option, the transferee must sign (and/or, upon Franchisor's request, will cause all interested parties to sign) for a term ending on the expiration date of this Agreement and with the renewal term as may be provided by this Agreement, the standard form of Franchise Agreement then being offered to new franchisees and such other ancillary agreements as we may require for the Franchised Business, which agreements supersede this Agreement in all respects and the terms of which agreements may differ from the terms of this Agreement, including a higher percentage royalty fee and advertising contributions and the implementation of other fees;

(vii) The transferee must upgrade, at the transferee's expense, the Franchised Business to conform to the then current specifications then being used in new Franchised Businesses, and will complete the upgrading and other requirements within the time we specify;

(viii) You will remain liable for all direct and indirect obligations to us in connection with the Franchised Business before the effective date of the transfer, but will continue to remain responsible for your obligations of nondisclosure, noncompetition and indemnification as provided elsewhere in this Agreement and will sign any instruments we reasonably request to further evidence this liability;

(ix) At the transferee's expense, the transferee and his or her Franchisee/General Manager, and Shift Supervisor will complete any training programs then in effect for current franchisees upon such terms as we may reasonably require unless the managers and employees have been trained previously by us;

(x) The transferee must have signed an Acknowledgment of Receipt of all required legal documents, such as the then current Franchise Offering Circular and the then current Franchise Agreement and ancillary agreements;

(xi) The transferor will pay to us a transfer fee equal to 30% of the then current initial franchise fee to cover our administrative expenses in connection with the proposed transfer; and

(xii) The transferor must provide us with a copy of the agreements of purchase and sale between the transferor and the transferee. The terms and price of the proposed transaction between the transferor and a transferee will be fair and reasonable in the sole discretion and based upon our good faith judgment. **NOTE: THIS RIGHT OF APPROVAL WILL NOT CREATE ANY SPECIAL LIABILITY OR DUTY ON OUR PART TO THE PROPOSED TRANSFEREE.**

(c) You will not grant a security interest in the Franchised Business or in any of its assets unless the secured party agrees that upon the occurrence of an event of default by you under any documents related to the security interest, we have the right and option to be substituted as the obligor to the secured party and to cure any default of you. Notwithstanding the foregoing, we will not be construed as your guarantor or surety.

(d) You acknowledge and agree that each of the foregoing conditions of transfer that must be met by you and/or the transferee are necessary and reasonable to assure the transferee's full performance of your obligations under this Agreement.

SECTION 12.3 ADDITIONAL REQUIREMENTS - CORPORATE FRANCHISEES.

The following requirements will apply to you if you form a corporation, in addition to those requirements set forth elsewhere in this Agreement, the Manuals or otherwise:

(a) You must be newly organized and its Articles of Incorporation will at all times provide that its activities are confined exclusively to operating the Franchised Business or other approved businesses.

(b) The Articles of Incorporation, Bylaws and other governing documents, and any amendments thereto, including the resolutions of the Board of Directors authorizing entry into this Agreement, will be promptly furnished to us.

(c) Each stock certificate of the Corporation issued to shareholders in the Franchised Business will have conspicuously endorsed upon its face a statement in a form satisfactory to us, such as:

"THE TRANSFER, PLEDGE OR ALIENATION OF THIS STOCK IS SUBJECT TO THE TERMS AND RESTRICTIONS CONTAINED WITHIN THE FRANCHISE AGREEMENT BETWEEN ZERO'S, MR. SUBMARINE, INC. AND _____."

(d) You will maintain a current list of all owners of record and all beneficial owners of any class of voting stock of you and will furnish the list to us upon request together with the addresses and phone numbers of each shareholder.

(e) All shareholders must jointly and severally guarantee your performance under this Agreement and will bind themselves to the terms of this Agreement; provided, however, that the requirements of Section 12.3(e) will not apply to a publicly held corporation.

SECTION 12.4 OFFERINGS BY FRANCHISEE.

Securities or partnership interests in you may be offered to the public, by private offering or otherwise, but only with our prior written consent, regardless of whether our consent is required under Section 12.2, which consent will not be unreasonably withheld. All materials required for the offering by federal or state law as well as any materials to be used in any exempt offering will be submitted to us for review at least 60 days before the documents are filed with any government agency or distributed to investors. No offering by you can imply (by use of the Proprietary Marks or otherwise) that we are participating in an underwriting, issuance or offering of your securities, and our review of any offering is limited solely to the subject of the franchise relationship between you and us. You and any other participants in the offering must fully indemnify us in connection with the offering pursuant to an indemnity agreement in form and substance satisfactory to us and our counsel. For each proposed offering, you will pay to us a non-refundable fee of \$5,000 or such greater amount as is necessary to reimburse us for our reasonable costs and expenses associated with reviewing the proposed offering, including legal and accounting fees.

SECTION 12.5 FRANCHISOR'S RIGHT OF FIRST REFUSAL.

(a) Any party who holds an interest in you or in the Franchised Business and who desires to accept any bona fide offer from a third party to purchase his, her or its interest must notify us in writing of each offer and, except as otherwise provided in this Agreement, we have the right and option, exercisable within 30 days after receipt of written notification, to send written notice to the seller that we intend to purchase the seller's interest on the same terms and conditions offered by the third party. Any material change in the terms of any offer by the third party before closing constitutes a new offer subject to the same right of first refusal as in the case of an initial offer. If we elect to purchase the seller's interest, the closing must occur by the later of: (i) the closing date specified in the third party offer; or (ii) within 60 days from the date of notice to the seller of our election to purchase. Our failure to exercise the option afforded by this Section will not constitute a waiver of any other provision of this Agreement, including all of the requirements of this Section with respect to a proposed transfer.

(b) If the consideration, terms and/or conditions offered by a third party are such that we may not reasonably be required to furnish the same consideration, terms and/or conditions, then we may purchase the Franchised Business 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 a third party, an independent appraiser will be designated, and his determination will be final and binding.

SECTION 12.6 TRANSFER UPON DEATH OR MENTAL INCAPACITY.

Upon the death, mental incapacity or disability of you or a shareholder of a corporation or a general partner of a partnership which has been formed to own and operate the Franchised Business pursuant to the System, we will consent to the transfer of the interest in you, the Franchised Business and this Agreement to the spouse, heirs or relative by blood or by marriage, of the Franchisee, shareholder or partner, whether such transfer is made by will or by operation of law, if, in our sole discretion and judgment, the person or persons meet our educational, managerial and business standards; possess a good moral character, business reputation and credit rating; have the aptitude and ability to conduct the Franchised Business; have at least the same managerial and financial criteria required by new franchisees and have sufficient equity capital to operate the Franchised Business. If we do not approve the transfer, the executor, administrator or personal representative of such person will transfer the interest to a third party we approve within 6 months after such death, mental incapacity or disability. Such transfer will be subject to our right of first refusal and to the same conditions as any *inter vivos* transfer.

SECTION 12.7 NON-WAIVER OF CLAIMS.

Our consent to a transfer of any interest in the Franchised Business will not constitute a waiver of any claims we may have against the transferring party, and it will not be deemed a waiver of our right to demand exact compliance with any of the terms of this Agreement, or any other agreement to which we and the transferee are parties by the transferee.

SECTION 12.8 OPERATION OF THE FRANCHISED BUSINESS BY US.

In order to prevent any interruption of the business of the Franchised Business and any injury to the goodwill and reputation thereof which would cause harm to the Franchised Business and thereby depreciate the value thereof, you authorize us, and we have the right, but not the obligation, to operate the Franchised Business for so long as we deem necessary and practical, and without waiver of any other rights or remedies we may have under this Agreement, in the event: (i) any of your principals, shareholders or partners is absent or incapacitated by reason of illness or death and you is not, therefore, in our sole judgment, able to manage the Franchised Business, or (ii) any allegation or claim is made against the Franchised Business, you or any principals, directors, shareholders, partners or employees of you, involving or relating to misrepresentations or any fraudulent or deceptive practice. All revenues from the operation of the Franchised Business during such period of operation by us will be kept in a separate account and the expenses of the Franchised Business, including reasonable royalty fees, advertising contributions, compensation and expenses for our representative, will be charged to this account.

ARTICLE 13 - DEFAULT AND TERMINATION

As a matter of policy, we will make every good faith effort to avoid terminating this Agreement without having first employed all reasonable steps under this Agreement to cause you to correct and cure any default. Furthermore, the terms and conditions regarding default and termination are subject to any applicable state statutes or regulations regarding the termination of a franchise.

SECTION 13.1 DEFAULT WITH NO OPPORTUNITY TO CURE.

You will be deemed to be in default and we may, at our option, terminate this Agreement and all rights granted under this Agreement, without affording you any opportunity to cure the default, effective immediately upon receipt of our notice, upon the occurrence of any of the following events:

(a) If you become insolvent or make a general assignment for the benefit of creditors, or if you file a petition in bankruptcy or such a petition is filed against and consented to by you, or if you are adjudicated as bankrupt, or if a bill in equity or other proceeding for the appointment of a receiver of you or other custodian for your business or assets is filed and consented to by you, or if a receiver or other custodian (permanent or temporary) of your business or assets is appointed by any court of competent jurisdiction, or if proceedings for a conference with a committee of creditors under any state, federal or foreign law should be instituted by or against you, or if a final judgment remains unsatisfied or of record for 30 days or longer (unless *supersedeas* bond is filed), or if execution is levied against your operating location or property, or suit to foreclose any lien or mortgage against the premises or equipment is instituted against you and not dismissed within 30 days, or if any substantial real or personal property of the Franchised Business will be sold after levy thereupon by any sheriff, marshal or constable;

(b) If you cease to do business at the Franchised Business for 2 or more consecutive days, excluding holidays, or loses the right to possession of the premises upon which the Franchised Business is located or otherwise forfeits the right to do or transact business in the jurisdiction where the Franchised Business is located; provided, however, that if any such loss of possession results from the governmental exercise of the power of eminent domain, or if, through no fault of you, the premises are damaged or destroyed by a disaster such that they cannot, in our judgment, reasonably be restored within 120 days, then, in either event, you will have 60 days to identify an alternative location within the Primary Market Area for the operation of the Franchised Business (the "Substituted Site") and submit all information reasonably requested by us in connection with the Substituted Site for our review and approval. Our approval of the Substituted Site will not be unreasonably withheld, but may be conditioned upon

the payment of an agreed minimum royalty fee to us during the period in which the Franchised Business is not in operation. Notwithstanding the foregoing, we will have a right to terminate this Agreement if you are not in possession of the Substituted Site and open for business to the general public within 5 months of your receipt of our approval;

(c) If you fail to operate and maintain the Computerized Point-of-Sale and Information System or an equivalent subject to our prior written approval in accordance with our requirements and guidelines as outlined in the Manuals, or if you attempt to modify the system without our prior written approval.

(d) If you understate by 2% or more of Gross Sales in connection with any report required to be submitted to us;

(e) If you have made any material misrepresentation or omission in this Agreement or any other agreement to which you and us are parties;

(f) If you (or the principal stockholder or general partner of a corporation or partnership franchisee) repeatedly engages in the excessive use of alcohol and/or abuse of drugs;

(g) If you, by act or omission, permit a continued violation in connection with the operation of the Franchised Business of any law, ordinance, rule or regulation of a governmental agency, in the absence of a good faith dispute over its application or legality and without promptly resorting to an appropriate administrative or judicial forum for relief therefrom;

(h) If you fail to obtain and maintain all required licenses under state and local law for the establishment and operation of a restaurant;

(i) If you misuse or make any unauthorized use of the Proprietary Marks, engage in any business or markets any service or products under a name or mark which is confusingly similar to the Proprietary Marks, or otherwise materially impair the goodwill associated therewith or our rights therein;

(j) If a threat or danger to public safety results from the construction, maintenance or operation of the Franchised Business;

(k) If you are convicted of a crime of moral turpitude or similar felony or convicted of any other crime or offense that we reasonably believe is likely to have an adverse effect on the System, the Proprietary Marks, the goodwill associated therewith or our interest herein;

(l) If a judgment or a consent decree against you, or any of your officers, directors, shareholders or partners is entered in any case or proceeding involving allegations of fraud, racketeering, unfair or improper trade practices or similar claim which is likely to have an adverse effect on the System, or the Proprietary Marks, the goodwill associated therewith or our interest therein;

(m) If you attempt to transfer any rights or obligations under this Agreement to any third party without our prior written consent, contrary to any of the terms of ARTICLE 12;

(n) If you fail to comply with any of the covenants contained in ARTICLE 15;

(o) If, contrary to ARTICLES 7 and 8, you disclose or divulge the contents of the Manuals or any other trade secrets or Confidential Information provided by us;

(p) If you knowingly maintain false books or records or submit any false statements, applications or reports to use or our assignee;

(q). If you fail to locate a site for the Franchised Business and obtain our approval of the site and sign the lease within 180 days after signing this Agreement or fail to open for business to the general public within 120 days after signing the lease;

(r). If you willfully and repeatedly engage in a course of conduct which constitutes a misrepresentation or a deceptive or unlawful act or practice in connection with your sale of the services and products offered at the Franchised Business;

(s). If you fail to strictly comply with the product and quality control standards and specifications, fail to have suppliers approved us or otherwise fails to meet any other significant specifications or guidelines set forth in the Manuals;

(t). If any other franchise agreement issued to you us is terminated for any reason;

(u). If you receive 3 or more notices of default under Section 13.2 during the term of this Agreement regardless of whether the defaults are cured after notice;

(v). If you willfully engage in any illegal, immoral or unethical acts or any act in violation of our mission;

(w). If you default under your lease agreement for the premises on which the Franchised Business is located or under any other agreement to which you and us, or any parent or subsidiary corporation or any other affiliated entity of us, are parties and fail to cure said default within the grace period (if any) provided for in the agreement;

(x). If you relocate the Franchised Business without obtaining our prior approval; or

(y). If you buy or use any goods in the operation of the Franchised Business which have not been approved by us.

SECTION 13.2 DEFAULT WITH 30-DAY OPPORTUNITY TO CURE.

Except as provided in Section 13.1, you will have 30 days after receiving from us a written notice of default within which to remedy any default described in this Section and provide evidence of cure to us. If any default is not cured within that time, or such longer period as applicable law may require, this Agreement, at our option, terminates without further notice to you effective immediately upon the expiration of the 30-day period or such longer period as applicable law may require. You will be in default for any failure to comply substantially with any of the requirements imposed by this Agreement, as it may from time to time reasonably be supplemented by updates to the Manuals, or for any failure to carry out the terms of this Agreement in good faith. Defaults include the occurrence of any of the following:

(a). If you fail, refuse or neglect to pay promptly any monies owing to us or its subsidiaries or affiliates or suppliers when due, or to submit the financial information or other reports required by us under this Agreement;

(b). If you fail to maintain any of the standards or procedures we prescribe in this Agreement, the Manuals, any other franchise agreement between us and you, or any other written agreements between the parties or otherwise;

(c). If you fail to comply with your duties set forth in ARTICLE 5 or fail to perform any obligation owing to us or to observe any covenant or agreement made by you, whether the obligation, covenant or agreement is set forth in this Agreement or in any other agreement with us including any other franchise agreement between we and you or any entity related to us;

(d). If you fail to adequately promote the Franchised Business as provided in the Manuals or otherwise in writing;

(e) If you fail to maintain and submit to us all reports required pursuant to ARTICLE 9, including financial statements, weekly, monthly and other reports of Gross Sales and copies of tax returns;

(f) If you fail to maintain our quality control standards with respect to your use of signage and other uses of the Proprietary Marks;

(g) If you fail to notify us, within 90 days of the relocation date, of your intention to relocate the Franchised Business;

(h) If you, your Franchisee/General Manager, and Shift Supervisor fail to attend and successfully complete any mandatory training program unless attendance is excused or waived, in writing, by us; or

(i) If you fail to obtain our prior written approval of any advertising, marketing or promotional plans and materials in whatever form used by you in connection with your promotion of the Franchised Business or otherwise fail to comply with our policies and procedures with respect to advertising, marketing or promotion.

SECTION 13.3 NO RIGHT OR REMEDY.

No right or remedy conferred upon or reserved to us is exclusive of any other right or remedy provided or permitted by law or equity.

SECTION 13.4 DEFAULT AND TERMINATION.

The events of default and grounds for termination described in this ARTICLE 13 are in addition to any other grounds for termination contained elsewhere in this Agreement or otherwise.

ARTICLE 14- OBLIGATIONS UPON TERMINATION

Upon termination or expiration of this Agreement, all rights granted under this Agreement to you will terminate and you will observe and perform the following:

SECTION 14.1 CESSATION OF OPERATION.

You will immediately cease to operate the Franchised Business and will not thereafter, directly or indirectly, represent to the public or hold itself out as a franchisee of ours.

SECTION 14.2 CESSATION OF USE OF PROPRIETARY MARKS.

You will immediately and permanently cease to use, in any manner whatsoever, any equipment, format, confidential methods, customer data base, programs, literature, procedures and techniques associated with the System, the name "Zero's Subs[®]" and any Proprietary Marks and distinctive trade dress, forms, slogans, uniforms, signs, symbols or devices associated with the System. In particular, you will cease to use all signs, fixtures, furniture, equipment, advertising materials or promotional displays, uniforms, stationary, forms and any other articles which display the Proprietary Marks associated with the System.

SECTION 14.3 CANCELLATION OF NAME.

You will take all action as may be necessary to cancel any assumed name or equivalent registration which contains the Proprietary Marks or any other trademark, trade name or service mark of our, and you will furnish us with evidence satisfactory to us of compliance with this obligation within 30 days after termination or expiration of this Agreement.

SECTION 14.4 OPTIONAL ASSIGNMENT OF LEASE (ATTACHMENT B).

(a) You will, at our option pursuant to Section 14.11, assign to us any interest, which you have in any lease or sublease for the premises of the Franchised Business. If we elect to exercise our option to acquire the lease or sublease, we will pay for any furniture, equipment, supplies and signs acquired us as a result of the assignment, at your cost or fair market value (whichever is less,) less any sums of money owed by you to us and less any sums of money necessary to upgrade and renovate the premises to meet our then current standards for our Franchised Business and less any sums necessary to acquire clear title to the lease or sublease interest. If the parties are unable to agree on the fair market value of these items, an independent appraiser will be appointed to determine the fair market value of these items. The determination of the appraiser will be final and binding upon the parties. The parties will split the costs and expenses associated with the appointment of an independent appraiser.

(b) If we do not elect to exercise our option to acquire the lease or sublease, you will make all modifications or alterations to the premises of the Franchised Business immediately upon termination or expiration of this Agreement as may be necessary to distinguish the appearance of said premises from that of other Franchised Businesses under the System, and will make such specific additional changes as we may reasonably request for that purpose. If you fail or refuse to comply with the requirement of this ARTICLE 14, we have the right to enter upon the premises of the Franchised Business without being guilty of trespass or any other tort for the purpose of making or causing to be made the changes as may be required, at your expense, which expense you agree to pay upon demand.

SECTION 14.5 OUR RIGHT TO CONTINUE OPERATIONS.

If this Agreement is terminated, we may, at our option, immediately enter the premises of the Franchised Business and continue to provide services to customers of the Franchised Business and apply receipts therefrom to debts owed to us by you. We will have no other obligations to you in connection with our operation of the Franchised Business following termination.

SECTION 14.6 NON-USAGE OF MARKS.

You agree, if you continue to operate or subsequently begin to operate any other business, not to use any reproduction, counterfeit, copy or colorable imitation of the Proprietary Marks or trade dress, 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 our exclusive rights in and to the Proprietary Marks or trade dress, and agrees not to utilize any designation of origin or description or representation which falsely suggests or represents an association or connection with us so as to constitute unfair competition.

SECTION 14.7 PROMPT PAYMENT UPON DEFAULT.

You will promptly pay all sums owing to us and our subsidiaries, affiliates and suppliers. Upon termination due to your default, such sums will include all damages, costs and expenses, including reasonable attorneys' fees, incurred us as a result of the default, which obligation will give rise to and remain, until paid in full, a lien in favor of us against all of the personal property, machinery, fixtures, equipment and inventory owned by you and on the premises of the Franchised Business at the time of default.

SECTION 14.8 PAYMENT OF COSTS.

You will pay to us all damages, costs and expenses, including reasonable attorneys' fees, incurred us after the termination or expiration of this Agreement in obtaining injunctive or other relief for the enforcement of any provision of this ARTICLE 14 or any other obligation under this Agreement.

SECTION 14.9 RETURN OF MATERIALS.

You will immediately turn over to us all copies of all materials in your possession including the Manuals, all records, files, instructions, correspondence, customer database, brochures, agreements, disclosure statements and

any and all other materials relating to the operation of the Franchised Business in your possession, and all copies thereof (all of which are acknowledged to be our property), and will retain no copy or record of any of the foregoing, excepting only your copy of this Agreement, any correspondence between the parties and any other documents which you reasonably need for compliance with any provision of law. In addition to the foregoing, you will deliver to us a complete list of all persons employed by you during the 3 years immediately preceding termination, together with copies of all employment files of each employee on the list. All costs of delivering all materials required by this Section will be borne by you.

SECTION 14.10 ASSIGNMENT OF TELEPHONE LISTINGS.

You will promptly notify the appropriate telephone company and all telephone directory listing agencies of the termination or expiration of your right to use any telephone number and any regular, classified or other telephone directory listings associated with any Proprietary Marks and authorize the transfer of same to or at our direction. In connection therewith, you will execute a Telephone Assignment Agreement in the form of Attachment C. You agree to sign updated letters of direction to any telephone companies and telephone directory listing agencies directing termination and/or transfer of your right to use any telephone number associated with the Proprietary Marks, which we may hold until termination or expiration. You acknowledge that as between us and you, we have the sole right to and interest in all telephone numbers and directory listings associated with any Proprietary Marks. You authorize us and appoint us and any officer of us as your attorney in fact, to direct the appropriate telephone company and all listing agencies to transfer all listings to us upon termination of this Agreement.

SECTION 14.11 OPTION TO PURCHASE.

We will have the right, but not the obligation, to purchase any of the tangible assets of the Franchised Business, including the signs, advertising materials, promotional displays, supplies, forms, inventory, software, furniture or other items bearing the Proprietary Marks, at your cost or fair market value, whichever is less. If the parties cannot agree on fair market value within a reasonable time, we will designate an independent appraiser, and the appraiser's determination will be final and binding. Our election to purchase must be exercised by written notice to you within 30 days after termination or expiration of this Agreement. If we elect to exercise any option to purchase we have the right to set off all amounts due from you under this Agreement and the cost of the appraisal, if any, against any payment therefore.

SECTION 14.12 COVENANT OF FURTHER ASSURANCES.

You will sign any legal document that may be necessary to effectuate termination and will furnish to us, within 30 days after the effective date of termination, written evidence satisfactory to us of your compliance with the foregoing obligations.

SECTION 14.13 COMPLIANCE WITH COVENANTS.

You will comply with all applicable covenants contained in ARTICLE 15.

SECTION 14.14 NO FURTHER INTEREST.

Other than as specifically set forth above, you have no interest in the Franchised Business upon termination or expiration of this Agreement.

ARTICLE 15 - COVENANTS

SECTION 15.1 BEST EFFORTS.

You covenant that during the term of this Agreement, and subject to the post-termination provisions contained in this Agreement, and except as otherwise approved in writing us, you will devote your full time, energy and best efforts to the efficient and effective management and operation of the Franchised Business.

SECTION 15.2 NON-SOLICITATION AND NON-COMPETITION.

You have specifically acknowledged that pursuant to this Agreement, you will receive valuable specialized training and confidential and other information regarding our business, promotional, sales, marketing and operational methods and techniques and the System. You covenant that during the term of this Agreement and subject to the post-termination provisions contained in this Agreement, and except as otherwise approved in writing us, you will not, either directly or indirectly, for yourself or through, on behalf of or in conjunction with any person, persons, partners or corporation:

- (a) Divert or attempt to divert any business or customer of the Franchised Business to any competitor, by direct or indirect inducement or otherwise, or do or perform, directly or indirectly, any other act injurious or prejudicial to the goodwill associated with the Proprietary Marks and the System;
- (b) Employ or seek to employ any person who is at that time employed us or by any other franchisee or multi-unit operator of ours or otherwise directly or indirectly induce such person to leave his or her employment;
- (c) Own, maintain, engage in, be employed by, advise, assist, invest in, franchise, make loans to or have any interest in any business which is the same as or substantially similar to the Franchised Business; or
- (d) Sell goods or services in any venue other than through, and on the premises of, the Franchised Business (with the exception of any catering activities carried out through the Franchised Business).

SECTION 15.3 RESTRICTIVE COVENANTS.

You covenant that, except as otherwise approved in writing us, for a continuous uninterrupted period commencing upon the expiration or termination of this Agreement, regardless of the cause for termination, and continuing for 2 years thereafter, you will not either directly or indirectly, for itself or through, on behalf of or in injunction with any person, persons, partnership or corporation, own, maintain, engage in, be employed by, advise, assist, invest in, franchise, make loans to or have any interest in any business which is the same as or substantially similar to the Franchised Business and which is located within a radius of 15 miles of the approved site or the location of any Franchisor-owned or operated or franchisee-operated Franchised Business which is in existence on the date of expiration or termination of this Agreement. If the period of time or the area specified above, should be adjudged unreasonable in any proceeding, then the period of time will be reduced by such number of months or the area will be reduced by the elimination of such portion thereof, or both, so that such restrictions may be enforced in such area and for such time as is adjudged to be reasonable.

SECTION 15.4 NO UNDUE HARDSHIP.

You acknowledge and agree that the covenants not to compete set forth in this Agreement are fair and reasonable and will not impose any undue hardship on you, or your shareholders or partners, if you are a corporation or partnership, since you, your shareholders or partners have other considerable skills, experience and education which afford you, your shareholders or partners the opportunity to derive income from other endeavors.

SECTION 15.5 INAPPLICABILITY OF RESTRICTIONS.

Sections 15.2(c) and 15.3 will not apply to the ownership by you of less than a 5% beneficial interest in the outstanding equity securities of any publicly held corporation.

SECTION 15.6 INDEPENDENCE OF COVENANTS.

The parties agree that each of the covenants in this Agreement will be construed as independent of any other covenant or provision of this Agreement. If any or all portions of the covenants in this ARTICLE is held unreasonable or unenforceable by a court or agency having valid jurisdiction in an unappealed final decision to which we are a party, you expressly agree to be bound by any lesser covenant subsumed within the terms of such

covenant that imposes the maximum duty permitted by law, as if the resulting covenant were separately stated in and made a part of this Agreement.

SECTION 15.7 MISSION.

You agree to support our mission and to conduct the Franchised Business in accordance with our operating policies and stated principles.

SECTION 15.8 MODIFICATION OF COVENANTS.

You understand and acknowledge that we have the right, in our sole discretion, to reduce the scope of any covenant set forth in this ARTICLE or any portion thereof, without your consent, effective immediately upon receipt by you of written notice thereof, and you agree that you will forthwith comply with any covenant as so modified, which will be fully enforceable notwithstanding the provisions of ARTICLE 23.

SECTION 15.9 ENFORCEMENT OF COVENANTS.

You expressly agree that the existence of any claims you may have against us, regardless of whether arising from this Agreement, will not constitute a defense to the enforcement by us of the covenants in this Agreement. You agree to pay all costs and expenses (including reasonable attorneys' fees) incurred us in connection with the enforcement of the covenants if the court awards reimbursement.

SECTION 15.10 WRITTEN AGREEMENTS.

At our request, you will require and obtain execution of covenants similar to those set forth in this ARTICLE (including covenants applicable upon the termination of a person's relationship with you) from your officers, directors, and shareholders. All covenants required by this Section will be in forms satisfactory to us including specific identification of us as a third party beneficiary of such covenants with the independent right to enforce them. Your failure to obtain the execution of a covenant required by this Section constitutes a default under Section 13.2.

ARTICLE 16 – MISCELLANEOUS

SECTION 16.1 CHANGES AND MODIFICATIONS

(a) We may modify this Agreement only upon the signing of a written agreement by the parties. We reserve and have the sole right to make changes in the Manuals, the System, the Computerized Point-of-Sale and Information System, or an equivalent subject to our prior written approval, and the Proprietary Marks at any time and without prior notice to you. You will promptly alter any signs, products, business materials or related items, at your sole cost and expense, upon written receipt of written notice of the change or modification in order to conform with our revised specifications. If any improvement or addition to the Manuals, the System or the Proprietary Marks is developed by you, then you grant to us in irrevocable, world-wide, exclusive, royalty-free license, with the right to sublicense the improvement or addition.

(b) You understand and agree that due to changes in competitive circumstances, presently unforeseen changes in the needs of customers, and/or presently unforeseen technological innovations, our System must not remain static, in order that it best serve the interests of the Franchisor, franchisees and the System. Accordingly, you expressly understand and agree that we may from time to time change the components of the System, including altering the programs, services, methods, standards, forms, policies and procedures of that System; adding to, deleting from or modifying those programs, products and services which the Franchised Business is authorized to offer; and changing, improving or modifying the Proprietary Marks. Subject to the other provisions of this Agreement, you expressly agrees to abide by any modifications, changes, additions, deletions and alterations.

SECTION 16.2 TAXES AND INDEBTEDNESS

(a) **Payment.** You will promptly pay, when due, all taxes levied or assessed by any federal, state or local tax authority and any and all other indebtedness incurred by you in the operation of the Franchised Business.

(b) **Dispute.** Upon any bona fide dispute as to liability for taxes assessed or other indebtedness, you may contest the validity or the amount of the tax or indebtedness in accordance with procedures of the taxing authority or applicable law; provided, however, in no event will you permit a tax sale or seizure by levy of execution or similar writ or warrant, or attachment by a creditor, to occur against the premises of the Franchised Business or any improvements thereon.

(c) **Compliance with Federal, State and Local Laws.** You will comply with all federal, state, and local laws, rules and regulations, and will timely obtain any and all permits, certificates, licenses and bonds necessary for the full and proper operation and management of the Franchised Business including a license to do business and provide services, fictitious name registration and sales tax permits. Copies of all subsequent inspection reports, warnings, certificates and ratings, issued by any governmental entity during the term of this Agreement in connection with the conduct of the Franchised Business which indicate your failure to meet or maintain the highest governmental standards or less than full compliance by you with any applicable law, rule or regulation, will be forwarded to us by you within 3 days of your receipt thereof.

(d) **Duty to Notify.** You will notify us in writing within 3 days of the commencement of any action, suit or proceeding, and of the issuance of any order, writ, injunction, award or decree of any court, agency or other governmental instrumentality, which may adversely affect the operation or financial condition of the Franchised Business. Additionally, any and all consumer related complaints will be answered by you within 15 days after receipt thereof or such shorter period of time as may be provided in said complaint. A copy of the answer will be forwarded to us within 3 days of the date that the answer is forwarded to the complainant.

SECTION 16.3 INDEPENDENT CONTRACTOR AND INDEMNIFICATION

(a) **Independent Contractor.** It is understood and agreed by the parties that this Agreement does not create a fiduciary relationship between them, that you are an independent contractor, and that nothing in this Agreement is intended to make either party an agent, legal representative, subsidiary, joint venturer, partner, employee or servant of the other for any purpose whatsoever. During the term of this Agreement and any extensions hereof, you will hold itself out to the public as an independent contractor operating the Franchised Business pursuant to a license from us and as an authorized user of the System and the Proprietary Marks that are owned us. You agree to take such affirmative action as may be necessary to do so, including exhibiting to customers the sign provided by Franchisor in a conspicuous place on the premises of the Franchised Business. We have no power to hire or fire your employees, and except as herein expressly provided, we may not control or have access to your funds or the expenditures thereof, or in any other way exercise dominion or control over the Franchised Business.

(b) **No Liability.** It is understood and agreed that nothing in this Agreement authorizes you to make any contract, agreement, warranty or representation on our behalf, or to incur any debt or other obligation in our name, and that we will not assume liability for or be deemed liable as a result of any such action or by reason of any act or omission of you in your conduct of the Franchised Business or any claim or judgment arising therefrom against us. You agree at all times to defend at your cost, and to indemnify and hold us harmless to the fullest extent permitted by law, and our corporate parent, the corporate subsidiaries, affiliates, successors, assigns and designees of either entity, and the respective directors, officers, employees, agents, shareholders, designees, and representatives of each (we and all others are collectively, the "Indemnities") from all losses and expenses incurred in connection with any action, suit, proceeding, claim, demand, investigation, or formal or informal inquiry (regardless of whether it is reduced to judgment) or any settlement thereof which arises out of or is based upon any of the following: (i) your infringement or any other violation or any other alleged violation of any patent, trademark or copyright or other proprietary right owned or controlled by third parties; (ii) your violation or breach of any contract, federal, state or local law, regulation, ruling, standard or directive of any industry standard; (iii) libel, slander or any other form of defamation by you; (iv) your violation or breach of any warranty, representation, agreement or obligation in this

Agreement; (v) any acts, errors or omissions of you or any of its agents, servants, employees, contractors, partners, proprietors, affiliates, or representatives; (vi) latent or other defects in the Franchised Business, whether or not discoverable us or you; (vii) the inaccuracy, lack of authenticity or nondisclosure of any information by any customer of the Franchised Business; (viii) any services or products provided by you at, from or related to the operation at the Franchised Business; (ix) any services or products provided by any affiliated or nonaffiliated participating entity; (x) any action against the Franchised Business by any customer of the Franchised Business, unless a court rules that Franchisor is held responsible.

(c) **No False Representations.** Except as otherwise expressly authorized by this Agreement, neither party will make any express or implied agreements, warranties, guarantees or representations or incur any debt in the name of or on behalf of the other party, or represent that the relationship between us and you is other than that of Franchisor and Franchisee. We do not assume any liability, and will not be deemed liable, for any agreements, representations, or warranties made by you which are not expressly authorized under this Agreement, nor will we be obligated for any damages to any person or property which directly or indirectly arise from or relate to the operation of the Franchised Business.

SECTION 16.4 APPROVALS AND WAIVERS

(a) **Written Consent.** Whenever this Agreement requires our prior approval or consent, you will make a timely written request to us, and approval or consent must be obtained in writing.

(b) **No Waiver.** No failure by us to exercise any power reserved to us by this Agreement, or to insist upon strict compliance by you with any obligation or condition under this Agreement, and no custom or practice of the parties at variance with the terms of this Agreement, will constitute a waiver of our right to demand exact compliance with any of the terms. Waiver by us of any particular default by you will not affect or impair our rights with respect to any subsequent default of the same, similar or different nature, nor will any delay, forbearance or omission of us to exercise any power or right arising out of any breach or default by you of any of the terms, provisions or covenants hereof affect or impair Our right to exercise the same, nor will such constitute a waiver us of any right hereunder or the right to declare any subsequent breach or default and to terminate this Franchise before the expiration of its term. Subsequent acceptance us of any payments due to us under this Agreement will not be deemed to be a waiver us of any proceeding breach by you of any terms, covenants or conditions of this Agreement.

SECTION 16.5 NOTICES

Any notices required or permitted under this Agreement must be in writing and must be personally delivered or mailed by certified mail, return receipt requested, or dispatched by overnight delivery envelope, to the respective parties at the following addresses unless and until a different address has been designated by written notice to the other party:

Notices to Us: Zero's Mr. Submarine, Inc.
2859 Virginia Beach Blvd.
Suite 105
Virginia Beach, Virginia 23452

with a copy to: Keith J. Kanouse, Esq.
Kanouse & Walker, P.A.
One Boca Place, Suite 324-Atrium
2255 Glades Road
Boca Raton, FL 33431

Notices to you: _____

Any notice sent by certified mail is deemed to have been given at the date and time of mailing.

SECTION 16.6 RELEASE OF PRIOR CLAIMS

By signing this Agreement, you, individually and on behalf of your heirs, legal representatives, successors and assigns, and each assignee of this Agreement by accepting assignment of the same, forever releases and discharges us and our officers, directors, employees, agents and servants, including our subsidiary and affiliated corporations, their respective officers, directors, employees, agents and servants, from claims relating to or arising under any franchise agreement or any other agreement between the parties signed before the date of this Agreement including any claims, whether presently known or unknown, suspected or unsuspected, arising under the franchise, securities or antitrust laws of the United States or of any state or territory thereof, except where a release is unenforceable under state law.

SECTION 16.7 DISCLOSURE STATEMENT AND DISCLAIMER

(a) **Compliance with Applicable Law.** You acknowledge by your signature that you received from us a Franchise Offering Circular for the state in which the Franchised Business will be located, and/or your place of residence, as appropriate, at least 10 business days before the signing of this Agreement.

_____ [Please initial to acknowledge that you have read and understand.]

(b) **Receipt of Agreement.** You acknowledge that you received from us this Agreement with all blanks filled in at least 5 business days before signing this Agreement. You represent that you have read this Agreement in its entirety and that you have been given the opportunity to clarify any provisions that you did not understand and to consult with an attorney or other professional advisor. You further represent that you understands the terms, conditions and obligations of this Agreement and agrees to be bound.

_____ [Please initial to acknowledge that you have read and understand]

(c) **Acknowledgment.** You acknowledge and accept the following:

YOUR SUCCESS IN OPERATING A FRANCHISE IS SPECULATIVE AND WILL DEPEND ON MANY FACTORS INCLUDING, TO A LARGE EXTENT, YOUR INDEPENDENT BUSINESS ABILITY. THIS FRANCHISE OFFERING IS NOT A SECURITY AS THAT TERM IS DEFINED UNDER APPLICABLE FEDERAL AND STATE SECURITIES LAWS. THE OBLIGATION TO TRAIN, MANAGE, PAY, RECRUIT AND SUPERVISE EMPLOYEES OF THE FRANCHISED BUSINESS RESTS SOLELY WITH YOU. YOU HAVE NOT RELIED ON ANY WARRANTY OR REPRESENTATION, EXPRESSED OR IMPLIED, AS TO THE POTENTIAL SUCCESS OR PROJECTED INCOME OF THE BUSINESS VENTURE CONTEMPLATED HEREBY. NO REPRESENTATIONS OR PROMISES HAVE BEEN MADE US TO INDUCE YOU TO ENTER INTO THIS AGREEMENT EXCEPT AS SPECIFICALLY INCLUDED HEREIN. WE HAVE NOT MADE ANY REPRESENTATION, WARRANTY OR GUARANTY, EXPRESS OR IMPLIED, AS TO THE POTENTIAL REVENUES, PROFITS OR SERVICES OF THE BUSINESS VENTURE TO YOU AND CANNOT, EXCEPT UNDER THE TERMS OF THIS AGREEMENT, EXERCISE CONTROL OVER YOUR BUSINESS. YOU ACKNOWLEDGE AND AGREE THAT YOU HAVE NO KNOWLEDGE OF ANY REPRESENTATION MADE BY US OR OUR REPRESENTATIVES OF ANY INFORMATION THAT IS CONTRARY TO THE TERMS CONTAINED HEREIN.

SECTION 16.8 ENTIRE AGREEMENT

This Agreement, the documents referred to in this Agreement and the Attachments constitute the entire, full and complete agreement between the parties concerning the subject matter of this Agreement, and supersede all prior agreements with no other representations having induced you to sign this Agreement. No amendment, change or variance from this Agreement is binding on the parties unless mutually agreed to and signed by themselves or their authorized officers or agents in writing.

SECTION 16.9 SEVERABILITY AND CONSTRUCTION

(a) **Severability.** Except as expressly provided to the contrary in this Agreement, each section, part, term and/or provision of this Agreement is considered severable, and if, for any reason, any section, part, term and/or provision in this Agreement is determined to be invalid and contrary to, or in conflict with, any existing or future law or regulation by a court or agency having valid jurisdiction, it will not impair the operation of, or have any other effect upon, such other portions, sections, parts, terms and/or provisions of this Agreement as may remain otherwise intelligible, and the latter continues to be given full force and effect and bind the parties, and the invalid sections, parts, terms and/or provisions will be deemed not to be a part of this Agreement; provided, however, that if we determine that the finding of invalidity or illegality adversely affects the basic consideration of this Agreement, We, at our option, may terminate this Agreement.

(b) **Covenants.** You expressly agree 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 any portion or portions which a court may hold to be unreasonable and unenforceable in a final decision to which we are a party, or from reducing the scope of any promise or covenant to the extent required to comply with a court order.

(c) **Captions.** All captions in this Agreement are intended solely for the convenience of the parties, and none of the captions is deemed to affect the meaning or construction of any provision of this Agreement.

(d) **References.** All references in this Agreement to the masculine, neuter or singular will be construed to include the masculine, feminine, neuter or plural, where applicable, and all acknowledgments, promises, covenants, agreements and obligations made or undertaken by you are deemed jointly and severally undertaken by all of the parties signing this Agreement in his or her individual capacity on your behalf. This Agreement may be signed in one or more originals, each of which is deemed an original.

(e) **Definition of Franchisee.** As used in this Agreement, the term "Franchisee" or "you" includes all persons who succeed to the interest of the original Franchisee by transfer or operation of law and includes not only the individual or entity defined as the "Franchisee" in the introductory paragraph of this Agreement, but also includes all partners if a partnership; all shareholders, officers and directors if a corporation; and all members if a limited liability company. By their signatures, all partners, shareholders, officers and directors of the entity that signs this Agreement as Franchisee acknowledge and accept the duties and obligations imposed upon each of them, individually, by the terms of this Agreement.

SECTION 16.10 FORCE MAJEURE.

If, as a result of hurricane, tornado, typhoon, flooding, lightning, blizzard and other unusually severe weather, earthquake, avalanche, volcanic eruption, fire, riot, insurrection, war, explosion, unavoidable calamity or other act of God (a "Force Majeure"), compliance by any party with the terms of this Agreement is rendered impossible or would otherwise create an undue hardship upon any party, all parties will be excused from their respective obligations for the duration of the Force Majeure and for a reasonable recovery period thereafter, but otherwise this Agreement continues in full force and effect.

SECTION 16.11 APPLICABLE LAW

(a) **Governing Law.** This Agreement takes effect upon its acceptance and signing by us. This Agreement will be interpreted and construed under the laws of the Commonwealth of Virginia except to the extent governed by the United States Trademark Act of 1946 (Lanham Act, 15 U.S.C. § 1051 *et seq.*).

(b) **Jurisdiction and Venue.** Except as otherwise expressly provided by applicable state law or regulation, the parties agree that any action brought by either party against the other will be brought in Princess Anne County, in the Commonwealth of Virginia and the parties waive all questions of personal jurisdiction or venue for the purpose of carrying out this provision.

(c) **Remedy.** No right or remedy conferred upon or reserved by the parties by this Agreement is intended and it will not be deemed to be exclusive of any other right or remedy provided or permitted in this Agreement, by law or at equity, but each right or remedy is cumulative of every other right or remedy.

(d) **Injunctive Relief.** Nothing contained in this Agreement bars our right to obtain injunctive relief against threatened conduct that will cause us loss or damage under the usual equity rules, including the applicable rules for obtaining restraining orders and preliminary injunctions.

SECTION 16.12 ARBITRATION

(a) Except as specifically otherwise provided in this Agreement, the parties agree that any dispute between them and any claim by either party that cannot be amicably settled will be determined solely and exclusively by arbitration under the rules of the American Arbitration Association. The rules are modified to provide that each party is entitled to conduct discovery in accordance with the Federal Rules of Civil Procedure. Upon the demand of either party to any dispute for arbitration, each will select a representative to act in its behalf. The 2 elected representatives will meet within 2 weeks of the time demand is made, unless the parties otherwise agree in writing. The 2 representatives will agree upon a single arbitrator (the "Arbitrator"), who will be a member of the Commonwealth of Virginia Bar Association and the American Bar Association and have been in "good standing" for at least 15 years. The Arbitrator will hear the dispute within 2 weeks of the date of the meeting of the representatives. Except as otherwise expressly provided by applicable state law or regulation, the Arbitrator will hear the dispute in the Commonwealth of Virginia or at such other location as may be designated us, and may properly consider all matters related thereto that would be admissible in a non-jury trial under applicable Federal Rules of Civil Procedure or Evidence. The Arbitrator's award will be announced within 7 days of the hearing of the dispute and includes all fees, costs and attorneys' fees to the prevailing party. Judgment upon the award of the Arbitrator is binding and will be entered in a court of competent jurisdiction. You know, understand and agree that it is the intent of the parties that any arbitration between you and us will be of your individual claims and that the claims subject to arbitration will not be arbitrated on a class-wide basis. In many instances, arbitration may be the sole proceeding available to the parties, who may also be required by the Arbitrator to pay a filing fee.

(b) Notwithstanding any provision contained in this Section, we may, at our sole option, institute an action or actions for temporary, preliminary, or permanent injunctive relief or seeking any other equitable relief against you in addition to any other rights and remedies provided in this Agreement. You will not be entitled to make, you will not make, and you waive, any claim for money damages by way of set-off, counterclaim, defense or otherwise based upon any claim or assertion by you that we have unreasonably withheld or unreasonably delayed any consent or approval to a proposed act by you under any of the terms of this Agreement. Your sole remedy for any claim will be an action or proceeding to enforce any provisions for specific performance or declaratory judgment.

SECTION 16.13 SURVIVAL

You acknowledge that you have conducted an independent investigation of all aspects relating to the Franchised Business and recognize that the business venture contemplated by this Agreement involves business risks and that your success will be largely dependent upon the skills and ability of you as an independent business person or organization. You acknowledge that you have received, read and understand this Agreement, the Attachments and

agreements relating to this Agreement, and that we have accorded you ample time and opportunity to consult with advisors of your own choosing about the potential benefits and risks of entering into this Agreement.

_____ (Please initial to acknowledge that you have read and understood)

IN WITNESS WHEREOF, the parties have duly signed, sealed and delivered this Agreement in triplicate on the day and year first above written.

FRANCHISOR:

ZERO'S MR. SUBMARINE, INC.

By: _____

Its:

FRANCHISEE:

DUPLICATE