UNITED STATES DISTRICT COURT
MIDDLE DISTRICT OF FLORIDA
TAMPA DIVISION

CLUCK-U CHICKEN, INC.,
A Florida corporation, and
ANTHONY L. TARTAGLIA, Jr.

Plaintiff,

v.

Case No. _____
JURY DEMAND

CLUCK-U CORP., a Maryland corporation, and JEAN PIERRE HADDAD

Defendants.
_____/

COMPLAINT

Plaintiff, Cluck-U Chicken, Inc. ("Franchisee") and Anthony L. Tartaglia, Jr. ("Guarantor") (Franchisee and Guarantor together "Plaintiffs"), by and through their attorneys, and as and for their complaint against Cluck-U Corp. and Jean Pierre Haddad (together "Defendants") state as follows:

PARTIES

1. Plaintiff Cluck-U Chicken, Inc. is a Florida corporation with its principal place of business in North Port, Florida.

2. Plaintiffs Anthony Tartaglia is an individual residing in North Port, Florida.

3. Upon information and belief, Defendant Cluck-U Corp. is a Maryland corporation with its principal place of business in Maryland.

4. Upon information and belief, Defendant Jean Pierre Haddad is an individual residing in Maryland.

JURISDICTION AND VENUE

5. This Court has subject matter jurisdiction to grant the relief sought herein pursuant to 28 U.S.C. § 1332 in that the parties are diverse and the demand exceeds $75,000.00 and 28 U.S.C. § 1331 and 1337 in that Plaintiffs assert a claim arising under the Sherman Act, 15 U.S.C. § 1.

6. Venue is proper in this Court pursuant to 28 U.S.C. § 1391(b)(2), 15 U.S.C. § 22, and 28 U.S.C. § 1409(e). A substantial part of the events giving rise to the claim occurred in this District.

INTRODUCTION

7. At all times material hereto, Defendants have franchised the "Cluck-U Chicken" concept.

8. Franchisee opened for business as a "Cluck-U Chicken" franchisee on or about February 23, 2014.

9. As a part of its obligations as a seller of a franchise, Defendants, in connection with the Franchise Agreement were obligated to make written prospectus-like presale disclosures about the franchise opportunity pursuant to the Federal Trade Commission Act, the FTC Franchise Rules, 26 C.F.R., part 436, and the North American Securities Administrators Association, Inc. ("NASAA") 2008 Franchise Registration and Disclosure Guidelines (the "NASAA Guidelines").

10. As more fully detailed herein, Defendants violated their affirmative legal obligations in that regard and made material misrepresentations to Franchisee and Guarantor.

11. Franchisee and Guarantor, however, were unaware that Defendants had violated their franchise disclosure obligations, and, reasonably relying upon Defendants' pre-sale disclosures, elected to move forward with franchise development.

12. Plaintiffs have has just recently discovered that Defendants made a number of misleading disclosures and material omissions in the disclosure documents provided to Plaintiffs.

13. Upon reasonable reliance that the disclosures made to Franchisee and Guarantor were true and accurate, Franchisee entered into a franchise agreement for the operation of a "Cluck-U Chicken" concept on or about May 21, 2013. A copy of the executed Franchise Agreement is attached hereto as **Exhibit A**.

14. Upon reasonable reliance that the disclosures made to Franchisee and Guarantor were true and accurate, Guarantor executed a guaranty guaranteeing certain obligations of Franchisee on or about May 21, 2013. A copy of the executed Guaranty is attached hereto as **Exhibit B**.

15. Only after building out the franchise and operating the franchise location for a period of time, did Plaintiffs begin to realize that Defendants, during the course of selling the franchise opportunity, had made numerous misrepresentations and material omissions about the franchise.

MATERIAL MISREPRESENTATIONS IN FDD

16. In connection with the sale of the franchise to Franchisee on May 1, 2013, Defendants provided Franchisee and Guarantor with a franchise disclosure document dated October 5, 2012. A true and correct copy of the October 5, 2012 franchise disclosure document (also referred to as an "FDD") is attached hereto as **Exhibit C.**

17. The FDD provided to Franchisee and Guarantor was outdated and did not contain the current, updated disclosures required by the FTC Rules and the NASAA Guidelines.

18. The Federal Trade Commission Franchise Guidelines provide "After the close of each fiscal year, a franchisor must update its disclosure document to ensure that the document is

current. These annual updates, including updated audited financial information, must be prepared within 120 days of the close of the fiscal year. After the 120-day period, the franchisor may use only the updated disclosure document and no other."

19. As set forth in the financial statements contained in the FDD, the Franchisor's fiscal year ends December 31.

20. Although the Plaintiffs purchased their franchise on May 21, 2013, more than 120 days after the Franchisor's fiscal year end, the FDD provided to Plaintiffs was last updated on October 5, 2012.

21. The FTC rule also requires that the FDD be updated each and every quarter. The guidelines further provide: "Each prospective franchisee should receive, at a minimum, the current basic disclosure document and any prior quarterly updates available when the disclosure is made. For example, a prospective franchisee who receives disclosures in August 2008 should receive not only the franchisor's annually updated 2008 disclosure document, but also any quarterly updates for the quarters ending March 31, 2008, and June 30, 2008."

22. The FDD provided to Plaintiffs did not have either the required annual or the required quarterly updates.

23. The FDD provided to Plaintiffs did not contain the required current disclosures regarding the financial condition of the Franchisor.

24. Plaintiffs relied on the disclosures made in the FDD to their detriment.

25. Only after developing and operating the franchise unit for a period of time did Plaintiffs discover that Defendants did not have the income necessary to fund the training and support promised to Plaintiffs during the sales process.

26. Defendants' failure to provide Plaintiffs with a current franchise disclosure document resulted in Defendants making multiple material misrepresentations to Plaintiffs.

27. The FTC rule requires that in Item 20 of the FDD the franchisor disclose certain information regarding the "franchised and company-owned outlets for each of the franchisor's last three fiscal years."

28. The Item 20 in the FDD provided to Plaintiffs had not been updated to reflect any information beyond 2011 and contained many misrepresentations.

29. During the sales process, Defendants represented to Plaintiffs that the system was growing and new franchise units were projected.

30. Contrary to the representations made, and unbeknownst to Plaintiffs, the franchise system was shrinking, and franchisor had stopped expanding the franchise system.

31. Item 7 of the FDD provided to Plaintiffs represented the costs necessary to begin operations to be between $250,000 and $350,000.

32. Contrary to the representations made, and unbeknownst to Plaintiffs, the actual costs exceeded $600,000.

33. Upon information and belief, Defendants knew or should have known that the estimates provided were not a good faith estimate.

34. Contrary to the representations made and unbeknownst to Plaintiffs, the actual costs of other units exceeded the estimates made.

35. Had Mr. Tartaglia and the Franchisee known that the initial investment required to open this franchise was so much more, Plaintiffs would not have entered into the franchise agreement.

36. The unexpected increased start-up costs left Plaintiffs without sufficient funding to cover the operating losses.

37. During the franchise sales process and in the FDD, Defendants promised to provide Plaintiffs with Franchisor's site and market criteria.

38. Despite repeated requests, Defendants failed and refused to provide any such site or market criteria.

39. This failure led to Plaintiffs choosing an inadequate location.

40. During the sales process and in the FDD, Defendants promised to provide Plaintiffs with a list of equipment and build-out requirements necessary to open the business.

41. Despite repeated requests, Defendants failed and refused to do so.

42. Plaintiffs were forced to determine their own equipment and prepare their own plans.

43. Then, just prior to opening, Defendants required Plaintiffs to make significant and costly changes to both the equipment and the facility.

44. The changes have actually hindered the ability of the Plaintiffs to succeed in the location and have caused inefficiencies.

45. Much of the equipment required is outdated and ineffectual.

46. During the sales process, Defendants represented that they would specify the inventory needed for operations.

47. Just prior to opening, Defendants required Plaintiffs to purchase approximately $30,000 worth of opening inventory that, in fact, was not needed and unusable in the business.

48. This unnecessary expenditure left Plaintiffs without adequate funding to operate the business and sustain business losses.

49. In Item 11 of the FDD, to disclose your obligations to the franchisee in providing assistance in hiring and training employees, and to disclose your training program including the subjects taught, the hours of classroom training, the hours of on-the-job training, the location of training, how often training classes are held, the nature of the location or facility where training is held, the nature of instructional materials, the instructor's experience, charges franchisees must pay for training, who may and who must attend training, whether the training is mandatory, and if not mandatory the percentage of franchisees who enrolled in the training during the preceding 12 months.

50. During the sales process and in Item 11 of the FDD, Defendants represented to Plaintiffs that they would provide Plaintiffs with a formal, training program including both classroom training and training in an existing Cluck-U restaurant.

51. The representations in the FDD included the following representations:

We will train four managers, including you. . . . Training will consist of "off-site training," including practical training and classroom training and "on-site training". **Off site practical training will be at an existing Cluck-U restaurant of Our choosing, not your unit.** Classroom training will be at Our corporate office or another designated location . . . . a minimum of four (4) persons must be certified by Cluck-U, Corp. as having completed the Cluck-U, Corp. corporate training program before the unit which is the subject of this Franchise Agreement may be opened for business; that training is to commence no later than four weeks prior to the scheduled or expected opening of the unit; that training will consist of a minimum of twenty (20) hours per week for four (4) weeks for each of the four (4) trainees . . . Off site training for a minimum of four (4) employees (including Franchisee) for a minimum period of four (4) weeks, twenty (20) hours per week, per employee is mandatory . . . **It is a mandatory**

program for all Franchisees . . . **The Hours of On-The-Job training will take place in an existing Cluck-U-Chicken restaurant, not Your new unit.** Training may be conducted at any designated Cluck-U Chicken location, including one of the following units: Clinton, at 7706 Old Branch Ave., Clinton, MD 20735; Largo, at 10426 Campus Way, So. Largo, MD 20749; 7415-B Baltimore Avenue College Park, MD 20740. Computer training will be conducted at our office at 14504 Greenview Drive, Suite 200, Laurel Maryland 20708.

52. Contrary to the representations made and unbeknownst to Plaintiff, Defendants had no formal training program.

53. Despite request, Defendants failed and refused to provide formal training to Plaintiffs.

54. Defendants provided no on-the-job training.

55. Defendants' failures to provide training resulted in Plaintiffs being unprepared for opening operations, losing many customers in the learning process.

56. Defendants knew that Plaintiffs would not be successful without formal training.

57. Indeed, Defendants stated in the FDD "If you do not complete all training to our satisfaction, we anticipate you will fail."

58. Unbeknownst to Plaintiffs, Defendants never intended to provide a formal training program to Plaintiffs.

59. If Plaintiffs had known that there was no formal training program, they would not have entered into this franchise.

60. During the sales process and in the FDD, Defendants represented that they would provide Plaintiffs with assistance in advertising.

61. Contrary to the representations made, Defendants have failed and refused to provide any assistance.

62. During the sales process and in the FDD, Defendants represented that they would use the franchise system purchasing power to negotiate favorable pricing of food and supplies for franchisees.

63. Contrary to the representations, Defendants failed and refused to negotiate favorable pricing for the benefit of the franchise system.

64. Indeed, contrary to the representations, the prices franchisees are required to pay are above market and higher than the prices individuals can obtain for identical products with no negotiated or system pricing.

65. Upon information and belief, Defendants have dictated above market prices to suppliers in order to obtain a larger rebate for themselves.

66. The franchise disclosure rules require franchisors to disclose the amounts of rebates received.

67. The disclosures in the FDD provided to Plaintiffs were outdated and did not disclose the actual amounts of rebates taken by Plaintiffs.

68. Upon information and belief, Defendants refused to provide Plaintiffs with the updated disclosure document because Defendants knew that the overall picture for the franchise system was drastically diminished, and these drastically different disclosures were likely to cause Plaintiffs to have serious misgivings about the franchise.

69. Although Plaintiffs had no knowledge that the disclosures were not accurate, Defendants knew that the disclosures made to Plaintiffs were not accurate.

70. Defendants have failed to perform their contract-in-fact and contract-in-law obligations under the Franchise Agreement to provide guidance and assistance to Plaintiffs in the build-out and operation of the franchise.

71. All of these breaches, detailed above, resulted in thousands of dollars in damages to Plaintiffs.

72. As a result of Defendant's breaches of its affirmative legal duties to Plaintiffs, Plaintiffs have invested in excess of $925,000 in a business that operates at a substantial loss.

73. Plaintiffs were open with Defendants in relaying the struggles and substantial losses to Defendants.

74. Defendants repeatedly advised Plaintiffs that they would see a difference after being open for an entire fiscal year.

75. Only after Plaintiffs retained franchise counsel in July, 2015, following the end of the first full year, did Plaintiffs come to understand that Defendants had intentionally made material misrepresentations to it.

76. Upon receipt of the information, on July 10, 2015, Plaintiffs demanded rescission of the franchise agreement. A true and correct copy of Plaintiff's demand for rescission is attached hereto as **Exhibit D**.

77. Therefore, Plaintiffs are entitled to rescission of the Franchise Agreement, along with an award of damages sufficient to put Plaintiffs in the position they would have occupied had it not entered into the Franchise Agreement.

COUNT I – FRAUD/FRAUDULENT INDUCEMENT

78. Plaintiffs reallege and incorporate by reference the preceding paragraphs as if fully set forth herein.

79. Defendant's actions, as detailed above constitute fraud.

80. Fraud occurs when a party makes a material misrepresentation with knowledge of its falsity (or recklessly without any knowledge of the truth) and as a positive assertion; the misrepresentation is made with the intention that it should be acted on by the other party; and the other party acts in reliance on the misrepresentation and thereby suffers injury.

81. A misrepresentation is a false statement of fact, a promise of future performance made with intent not to perform as promised, or a failure to disclose when there was a duty to disclose.

82. Defendants' actions constitute false or reckless statements of fact and failures to disclose in light of a duty to disclose.

83. The representations of Defendants, as detailed above, were false and made with knowledge of their falsity and/or were made recklessly without any knowledge of the truth of the representation.

84. The above representations were made with the intent that Plaintiffs rely and act upon said representations, and Plaintiffs did in fact rely and act upon these representations in entering into the Franchise Agreement, and in investing substantial sums to build, develop and operate the franchise location.

85. Moreover, Defendants failed to disclose certain material facts, actually known to it, when there was a duty to do so.

86. The Florida Franchise Act, Federal Trade Commission Act, FTC Franchise Rules, 26 C.F.R., part 436, and the North American Securities Administrators Association, Inc. ("NASAA") 2008 Franchise Registration and Disclosure Guidelines all require franchisors to

make certain disclosures, and, as described in detail above, Defendants failed to make such required disclosures.

87. As a result of Defendant's fraudulent conduct, Plaintiffs is entitled to rescission of the Franchise agreement and recovery of damages in an amount which will be proven at trial and not less than $925,000.

COUNT II – VIOLATION OF THE FLORIDA FRANCHISE ACT

88. Plaintiffs reallege and incorporate by reference paragraphs 1-77 as if fully set forth herein.

89. It is unlawful and a violation of the Florida Franchise Act, Fla. Stat. § 817.416, for a franchisor to:

a. Intentionally to misrepresent the prospects or chances for success of a proposed or existing franchise or distributorship;

b. Intentionally to misrepresent, by failure to disclose or otherwise, the known required total investment for such franchise or distributorship;

90. Defendants' conduct, as detailed above, in selling the "Cluck-U" opportunity to Plaintiffs, violated each of the above provisions.

91. As detailed above, Defendants made intentional misrepresentations to Plaintiffs in connection with the sale of a Cluck-U franchise.

92. Defendants had actual knowledge that the disclosures made to Plaintiffs were materially false.

93. Defendants failed and refused to provide the updated, accurate disclosures to Plaintiffs.

94. As a direct and proximate result of Defendant's violations, Plaintiffs has been damaged.

95. Accordingly, Plaintiffs is entitled to rescission of the Franchise agreement, recovery of damages in an amount which will be proven at trial and not less than $925,000, and recovery of its costs and reasonable attorneys' fees.

COUNT III – VIOLATION OF THE FLORIDA SALE OF BUSINESS OPPORTUNITIES ACT

96. Plaintiffs reallege and incorporate by reference paragraphs 1-77 as if fully set forth herein.

97. The Florida Sale of Business Opportunities Act, F.S. §§ 559.80 – 559.815 (the "FSBOA") applies to the sale of the franchise opportunity by Defendants to Plaintiffs because Plaintiffs are a Florida limited liability company and an individual residing in Florida, and the franchised location is located in Florida.

98. Defendants sold Plaintiffs a "business opportunity," as that term is defined in the FSBOA, because Plaintiffs paid Defendants an initial consideration of more than $500 for products, equipment, supplies and/or services to begin a business, and Defendants represented that (1) Plaintiffs would earn or would be likely to earn a profit in excess of the initial consideration paid to Defendants; and (2) Defendants would provide a sales, production, or marketing program in connection with Plaintiff's operation of the "Cluck-U" franchise.

99. While the relationship between Plaintiffs and Defendants constitutes a franchise, as defined by 16 C.F.R. § 436.2(a), the sale of the "Cluck-U" opportunity to Plaintiffs is not excluded from the definition of "business opportunity" because Defendants failed to comply with all the requirements set forth in the FSBOA.

100. Specifically, Defendants failed to comply with the requirements of the FTC Franchise Rule, 16 C.F.R. Part 436, by failing to provide the required disclosures, as detailed above.

101. Because Defendants failed to comply with the disclosure requirements of the FTC Rule, Defendants is not excluded from the definition of "business opportunity" under the FSBOA.

102. It is a violation of the FSBOA for any person selling a business opportunity to:

a) Misrepresent, by failure to disclose or otherwise, the known required total investment for such business opportunity.

b) Misrepresent or fail to disclose efforts to sell or establish more franchises or distributorships than it is reasonable to expect the market or market area for the particular business opportunity to sustain.

c) Misrepresent the training and management assistance available to the business opportunity purchaser.

d) Misrepresent the amount of profits, net or gross, which the franchisee can expect from the operation of the business opportunity.

e) Misrepresent their ability or the ability of a person or entity providing services as defined in s. 559.801(1)(a) to provide locations or assist the purchaser in finding locations expected to have a positive impact on the success of the business opportunity.

f) Misrepresent a material fact or create a false or misleading impression in the sale of a business opportunity.

g) Fail to provide or deliver the products, equipment, supplies, or services as specified in the written contract required under s. 559.811.

103. Defendants' conduct, as detailed above, in selling the "Cluck-U" opportunity to Plaintiff, violated each of the above provisions.

104. Defendants violated the FSBOA by doing the following actions, including, but not limited to, making the false representations and material omission in the FDD provided to Plaintiffs and in the sales process, as outlined in detail above.

105. Accordingly, Plaintiffs are entitled to rescission of the Franchise agreement and recovery of damages in an amount which will be proven at trial and not less than $925,000.

COUNT IV – VIOLATION OF THE FLORIDA DECEPTIVE AND UNFAIR TRADE PRACTICES ACT (FDUTPA)

106. Plaintiffs reallege and incorporate by reference the preceding paragraphs as if fully set forth herein.

107. Defendants' violations of the FTC regulations, the FSBOA, and the Florida Franchise Act, Fla. Stat. § 817.416, as detailed above, are unfair and deceptive trade practices in violation of FDUTPA, Florida Statute § 501.201, et seq.

108. Further, Defendants violated Fla. Admin. Code Rule 2-17.004, which is a violation of FDUTPA.

109. Plaintiffs have been damaged by Defendants' violations, as detailed above.

110. Accordingly, Plaintiffs are entitled to a declaratory judgment that Defendant's conduct violates the Florida Deceptive and Unfair Trade Practices Act and that the Franchise Agreement is unenforceable.

111. Plaintiffs is also entitled to rescind the franchise agreement and recover damages, attorneys' fees and court costs.

COUNT V – DECLARATORY RELIEF RE NON-COMPETITION RESTRICTIONS

112. Plaintiffs reallege and incorporate by reference paragraphs 1-77 as if fully set forth herein.

113. Section XVIII of the Franchise Agreement purports to obligate Plaintiffs, upon termination of the Franchise Agreement, to comply with certain post-termination obligations, include non-competition restrictions.

114. As set forth above, Plaintiffs, upon discovery that Defendants had made material misrepresentations to it, promptly demanded rescission of the Franchise Agreement.

115. Given the obligations which Defendants purports to impose on Plaintiffs via the Franchise Agreement, Plaintiffs are left uncertain of their rights and obligations.

116. The post-termination covenants are unenforceable because Plaintiffs are entitled to rescission.

117. The post-termination covenants are unenforceable because they are overly broad and impose unreasonable and unconscionable restrictions on Plaintiffs.

118. The post-termination covenants are unenforceable because Defendants do not have a legitimate business interest justifying the restrictive covenants.

119. The post-termination covenants are unenforceable because Defendants are not franchising in the Plaintiff's area.

120. Defendants do not have any brand recognition in Sarasota county area or in Florida.

121. Defendants have not done any brand marketing in Sarasota county area or in Florida.

122. Defendants do not have any existing franchise units within 1,000 miles of Plaintiffs.

123. Defendants did not sell a single franchise unit anywhere in the United States in 2014 or 2015.

124. Accordingly, Plaintiffs are entitled to an Order from this Court declaring that the post-termination restrictive covenants, including the non-competition restrictions, are unenforceable.

COUNT VI – BREACH OF CONTRACT AND THE IMPLIED COVENANT OF GOOD FAITH AND FAIR DEALING

125. Plaintiffs reallege and incorporate by reference paragraphs 1-77 as if fully set forth herein.

126. Every contract, by operation of law, including the Franchise Agreement, contains an implied covenant of good faith and fair dealing, which requires the parties to the agreement to act in good faith and in accordance with reasonable standards of fair dealing in the trade.

127. The implied covenant also prohibits either party from engaging in any conduct or in doing anything that deprives the other party of the fruits of the agreement or the benefit of the bargain.

128. The implied covenant requires Defendants to act reasonably under the terms of the Franchise Agreement and, among other things, to refrain from conduct that would cause Plaintiffs substantial damage.

129. Pursuant to the Franchise Agreement, Defendants had certain contractual obligations, as detailed above.

130. As described above, Defendants did not fulfill their obligations under the Franchise Agreement.

131. Further, Defendants did not provide the guidance and assistance that they promised in the Franchise Agreement.

132. Pursuant to the implied covenant of good faith and fair dealing, in every contract, it is not enough that Defendants may have provided some of the promised guidance and support; rather, when it has the contractual obligation to provide guidance and support, it must do so adequately.

133. Defendants breached their contractual obligations and the duty of good faith and fair dealing.

134. As a direct and proximate result of Defendants' material breaches of their contractual duties and the implied duty of good faith and fair dealing, Plaintiffs have suffered damages and are entitled to recover their damages from Defendants in an amount to be proven at trial and not less than $925,000.

COUNT VII – NEGLIGENT MISREPRESENTATION

135. Plaintiffs reallege and incorporate by reference paragraphs 1-77 as if fully set forth herein.

136. Defendants owed Plaintiffs a duty to use reasonable care in making representations upon which they knew Plaintiffs would rely.

137. Defendants owed Plaintiffs a duty of care because they were supplying information for the guidance of Plaintiffs in a transaction in which Defendants had a pecuniary interest and in the course of their business.

138. Defendants breached their duty to exercise reasonable care by negligently making false and misleading representations of material fact (and/or omitting material facts), as described above and incorporated herein, upon which Plaintiffs reasonably relied.

139. As a direct and proximate result of Defendants' conduct, Plaintiffs have suffered and are entitled to recover damages in an amount which will be proven at trial.

140. Further, as a direct and proximate result of Defendants' conduct, Plaintiffs are entitled to rescind the Franchise Agreement.

COUNT VIII – SHERMAN ACT – TYING VIOLATION – 15 U.S.C. § 1

141. Plaintiffs reallege and incorporate by reference paragraphs 1-77 as if fully set forth herein.

142. A "tying arrangement" is "an agreement by a party to sell one product on the condition that the buyer also purchases a different (or tied) product, or at least agrees that he will not purchase that product from any other supplier." *Eastman Kodak Company v. Image Technical Services, Inc*., 504 U.S. 451, 451, 112 S. Ct. 2072, 119 L. Ed. 2d 265 (1992).

143. Defendants violated § 1 of the Sherman Act by conditioning the sale of the franchise and license of the Cluck-U marks on the agreement to purchase non-proprietary products such as chicken only from a designated supplier.

144. The non-proprietary products such as chicken are not manufactured by Defendants and are not any special design.

145. The tying product is the franchise system and marks, and the tied products are the non-proprietary food and supplies such as chicken.

146. The franchise brand and marks are distinct from the non-proprietary products such as chicken.

147. Plaintiffs must purchase the non-proprietary products such as chicken on a regular, ongoing basis.

148. The franchised business cannot be operated without the non-proprietary products such as chicken.

149. The prices charged for the products are significantly higher than prices for identical products available from alternate suppliers.

150. In many cases, the prices charged for the products to Cluck-U franchisees are significantly higher than the prices that same supplier offers to others.

151. The prices for the products are set by Defendants to ensure that Defendants will receive kick-backs from the suppliers.

152. The prices are not in the best interests of the franchise system.

153. The relevant market for the illegal tying action is the market of Cluck-U franchisees.

154. Defendants exclusively control the franchise system and dictate the purchases of franchisees.

155. Plaintiffs are locked-in to the market due to the post-termination restrictions and their substantial investment in the Cluck-U facility.

156. Defendants have appreciable economic power in the market of Cluck-U franchisees.

157. Defendants have taken aggressive positions regarding the purchase of the tied products, including threatening to terminate franchisees and prohibit them from operating a business from the facilities in which they have invested hundreds of thousands of dollars.

158. The conduct of Defendants with respect to the illegally tied purchase requirements was not discoverable by Plaintiffs prior to entering into the Franchise Agreement.

159. Indeed, the language in the FDD suggested that supplier competition was welcome so long as prospective suppliers met Defendants' standards and specifications, and possessed adequate quality controls and capacity to supply Franchisee's needs.

160. Due to Defendants' failure and refusal to provide accurate, updated disclosures, Plaintiffs were not provided with any information regarding the amount and nature of the kick-backs Defendants' received.

161. But for Defendants' coercion, Plaintiffs would not purchase the non-proprietary products at the prices charged.

162. But for Defendants' coercion, franchisees including Plaintiffs would be able to purchase the non-proprietary products from both the designated supplier and alternative suppliers at market rates.

163. Plaintiffs have been damaged as a direct and proximate result of Defendants' illegal tying arrangements.

164. Defendants' unlawful tying arrangements have substantially affected interstate commerce.

JURY DEMAND

165. Plaintiffs hereby demand a jury trial on all issues so triable.

166. Defendants' tying threatens to substantially foreclose competition in the tied products at issue and to significantly harm competition on the merits and interfere with customer choice.

PRAYER FOR RELIEF

WHEREFORE, Plaintiffs respectfully requests the following relief:

a. An award in favor of Plaintiffs for the full amount of its damages;

b. An award granting Plaintiffs rescission of the Franchise Agreement;

c. An award granting Plaintiffs its costs, disbursements and reasonable attorneys' fees;

d. A declaration that Defendants have violated the FSBOA;

e. A declaration that the Franchise Agreement is unenforceable;

f. A declaration that the Restrictive Covenants are unenforceable;

g. That Defendants be enjoined from further anti-competitive conduct;

h. An award granting Plaintiffs such other and further relief as the Court may deem just and appropriate.

Respectfully submitted this 29th day of September, 2015.

CLAPP BUSINESS LAW, LLC

By: Mary M. Clapp

Mary M. Clapp
FBN #0962341
mary@clappbusinesslaw.com
2518 S. Campbell Ave.
Springfield, MO 65807
(417) 894-2920
(417) 890-1635 (facsimile)
Attorney for Plaintiffs

EXHIBIT A

Exhibit A
Cluck-U, Corp.
Franchise Agreement

This franchise Agreement made and entered into on this 21st day of May, 2013 by and between **Cluck-U, Corp.**, a corporation incorporated and existing under the laws of the State of Maryland, with its principal place of business at 14504 Greenview Drive, Suite 200, Laurel, Maryland 20708 and Anthony Tartaglia III, (Personally) _____ (Personally) and Cluck-U, Chicken, Inc. a Florida Corporation (collectively hereinafter referred to as "Franchisee" or "You").

Recitals

1. Franchisor is a corporation formed in February 2000. In May 2000, Franchisor acquired from Cluck-U Chicken Inc., a New Jersey corporation, the rights to a distinctive fast food dine-in, delivery and carry-out restaurant system featuring chicken, barbecued ribs, salads, sandwiches, and related food items (the "System"). Cluck-U Chicken, Inc. was the originator of the System.

2. Franchisor has developed and licenses a program of restaurant operations which includes building design, interior decoration, food preparation and serving, food specifications, recipes, signs, food accessories, merchandise, layout and business techniques included in Franchisor's Confidential Operating Manual ("Operating Manual"). As used herein, Cluck-U Chicken restaurants may be referred to as "Restaurants" or "Units".

3. Franchisor has the perpetual right to all trademarks, service marks and trade names, including logos, slogans and trade dress, used in connection with **Cluck-U Chicken** operations (collectively, "Marks" or "Property Marks") which are included in the System for restaurant operation and which are licensed to Franchisee for the term of this Agreement.

4. Franchisor requires that **Cluck-U Chicken** restaurants under agreement with Franchisor maintain uniform products, operation and design, and maintain a high standard of quality for food preparation and service to develop and maintain the goodwill of Franchisor and all its Franchisees.

5. The Franchisor's grant of a franchise for the System and Marks is made in consideration of the initial franchise fees, monthly royalty payments, promotion of the Franchisor's name and marks and the ensuing goodwill that is generated for the benefit of Franchisor and its System, and other periodic or ongoing fees, rebates, discounts and incentives as stated herein.

6. Restrictions provided herein upon Franchisee's operations and acquisition of supplies are intended to protect the Franchisor's goodwill and its Marks, to maintain a high level of quality in food preparation and serving, to maximize purchasing power among multiple units to obtain better pricing on some goods and services, and to financially benefit franchisor and its affiliates.

7. Franchisee wishes to obtain a license to operate one (1) **Cluck-U Chicken** franchise.

8. Franchisor is willing to grant a license to Franchisee upon the terms and conditions set forth in this Agreement.

9. Franchisee acknowledges that there exist a number of Cluck-U Chicken restaurants that are or were under separate licensing and/or franchise agreements with Cluck-U-Chicken, Inc., the originator of the System (herein referred to as "Pre-2000 Units"). Franchisee further acknowledges that some of these Pre-2000 Units are not under the control of Franchisor, and that the obligations and rights as contemplated by this Agreement do not apply to these Pre-2000 Units. Franchisee is entering into this franchise agreement with Cluck-U, Corp. without regard to these Pre-2000 Units.

10. Franchisee further acknowledges that there are other franchised restaurants that have joined or may join the Cluck-U, Corp. System under the same, similar or different terms as contained in this Agreement, including "Pre-2000 Units" as described in the previous numbered paragraph. Any Pre-2000 Unit that has or may join the Cluck-U, Corp. System (hereinafter "conversion unit") may not have the same obligations as apply to new units, including financial obligations such as royalty fees and advertising contributions.

11. Franchisor has registered certain names and marks as currently used by Cluck U Chicken franchisees; Franchisor has also registered or may later register or identify other names, marks or other distinctive trade dress, including, but not limited to, the trade names "Cluckster's", "Cluck U", "Cluck University Chicken" and "University Chicken". Franchisor may require You to use these or other names, marks and trade dress for food and non-food products, packaging, advertising, and décor. Franchisor may later offer to some or all franchisees the opportunity to adopt one of these or another new trade name as the name of the Franchised Restaurant, but You will not be required to change the name of the Franchised Restaurant to this new trade name.

12. Franchisor and/or its affiliates will receive rebates, discounts and incentive payments from manufacturers, distributors, service providers and other vendors for purchases made by You during the operation of the business.

Witnesseth:

Now, in consideration of the mutual promises and covenants herein contained, and other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the parties, intending to be bound hereby, agree as follows:

Section I – Grant of License and Marks; Conditions and Responsibilities:

A. ***License***

1. Subject to the conditions of this Agreement and the continuing faithful performance hereunder, Franchisor licenses and grants to Franchisee, for and during the term of this Agreement and at the location described herein ("Location"), the right to sell and prepare food products bearing Franchisor's trade name and service mark **Cluck-U Chicken** and other associated trade names, trademarks and service marks of Franchisor, including, without limitation, logos, slogans and trade dress (collectively hereinafter "Marks"), and to use the related System of preparation and sale of food, recipes and concepts (collectively hereinafter "System") which Franchisor has developed, as this System presently exists or as it may hereafter be modified, including the right to use the Marks associated with Franchisor's name and System of operation in accordance with the provisions of this Agreement. The Location, Marks and business operation are collectively referred to as the "Franchise Restaurant".

2. Franchisee shall serve, sell or offer for sale all food and beverage products and merchandise and only such products and merchandise: (i) as are listed as standard menu items (including local, regional or

national specials identified in the Operating Manual) and/or merchandise designated from time to time in the Operating Manual; and (ii) as have met Franchisor's uniform standards of quality and portions and appear on Franchisor's approved food and beverage Brands list designated from time to time in the Operating Manual; and (iii) as have been prepared in accordance with recipes and food handling and preparation methods and procedures designated from time to time in the "Operating Manual".

3. Franchisee agrees to use only goods, services and supplies which have the distinctive packaging bearing the Marks of Franchisor when available. Franchisee shall purchase from or through Franchisor (if available), any and all goods, services and supplies, including all foodstuffs, paper goods, merchandise and other supplies and equipment, whether or not bearing Franchisor's name, from or through Franchisor or Franchisor's approved sources. Franchisee agrees to purchase all goods, services and supplies only from Franchisor's approved distributors and service providers, which may be changed, from time to time, at Franchisor's sole discretion. Franchisor may add, remove or change approved distributors and service providers, at its sole and absolute discretion, with two weeks advanced notice to Franchisee, and Franchisee agrees to purchase all goods, services and supplies only from Franchisor approved sources, as may be modified from time to time. Franchisor does not warrant or guarantee the price, quality, or availability of any goods, services, or supplies from any distributor or service supplier. Franchisee may not obtain the same pricing as other buyers from the same distributor due to geographic differences or other variables. Franchisee will look only to its distributor for adjustments for spoiled, damaged or overcharged items and Franchisor will not be responsible to compensate Franchisee for any losses due to it purchases from vendors. If repeated problems exist, Franchisee should bring the matter to the attention of Franchisor for assistance in resolution of ongoing or persistent problems. Franchisor agrees to assist Franchisee in resolving such problems.

4. Franchisee agrees at all times to maintain at the Franchise Restaurant sufficient inventories of all products having adequate shelf life to meet demand for a minimum of one week.

5. Franchisee agrees not to deviate in any respect from Franchisor's written standards and specifications for serving or selling such products without Franchisor's prior written consent.

6. Franchisee agrees to immediately discontinue, upon notice from Franchisor, serving, selling or offering for sale any of such products as Franchisor may, in its discretion, disapprove in writing at any time. If previously approved items are discontinued by Franchisor, Franchisor will designate a target removal date after which the product shall no longer be offered for sale. The target date shall be designed to provide Franchisee with a reasonable opportunity to draw down stocks, provided that the product is not overstocked. Franchisee agrees to withdraw such products by the target date. Franchisee may never offer unapproved products. Unapproved products shall be immediately discontinued upon oral or written notice during inspection or at any time.

7. Franchisee may prepare food on the premises of the Franchise Restaurant only.

8. Franchisee may only offer food, beverages or other goods for sale off-premises with Franchisor's advance written permission. The menu offerings, handling, cooking and service procedures must conform to Cluck U System standards at all times, whether on or off premises. Delivery is discouraged, but advance written permission may be obtained from Franchisor under limited circumstances. Franchisee may only cook, prepare, assemble, sell or distribute food or beverages off the Premises with advance written permission from Franchisor. All sales of any kind that are made in, derived from or related to the operation of the franchised restaurant constitute sales that must be reported to Franchisor. Franchisee agrees to report all sales, including: all sales on the restaurant premises; sales of food or merchandise off-premises; delivery and catering sales; sale of chicken and other food and non-food items at kiosks or counters at sports or other venues; sales through vending or other automated machines at the premises; music downloads, juke boxes, electronic media charges

or similar sales; sales of merchandise such as hats and T-shirts; and any other revenue whether obtained at or for the franchised restaurant, whether of a temporary or permanent nature, fixed or mobile, whether or not sales of Cluck U branded products or other food products or other services. All sales by Franchisee must be reported to Franchisor and the royalty is calculated based on total sales, not including sales tax.

9. Vending or other automated machine sales ("vending sales") require advance written approval from Franchisor; if approval is granted, a flat fee royalty payment may be determined based on the expected revenues from the vending sales. Royalty shall be paid on all vending sales at the usual royalty rate of five percent (5%) of total sales, either by estimate as a flat monthly fee or calculated based upon proof of actual sales. Any flat fee royalty payment may be reasonably adjusted every three months; if Franchisee believes the adjusted amount exceeds the average royalty amount, Franchisee will either prove actual sales and revenues from the preceding quarter or agree to remove the vending machine.

10. Franchisee further acknowledges and agrees that this Agreement entitles Franchisee to construct and operate one (1) Franchise Restaurant at the Location and affords Franchisee no right, title or interest in any additional franchise to be operated at any other Location. Neither this Agreement nor the Franchise issued hereunder (i) permits Franchisee to construct or operate another Restaurant within the Territory, or (ii) obligates Franchisor in any way to sell or issue, nor entitles Franchisee to purchase, any other franchise within or outside the Territory.

11. Franchisee agrees to purchase all packaging supplies, including, but not limited to, paper bags, food cartons, beverage containers and other miscellaneous packaging supplies imprinted with the **Cluck-U Chicken** logo or similar name containing the word or phrase "Cluck-U", "Cluckster's", Cluck University" or other trade name or mark that may be developed by Cluck U Corp. for use in restaurants. Franchisee may only purchase such supplies from Franchisor (if available) or Franchisor-approved suppliers. Purchases made by You will cause periodic rebates, discounts and incentives from suppliers, service providers, manufacturers and/or distributors which are solely for the benefit of Franchisor and its affiliates.

12. Franchisee accepts said grant and franchise and agrees to construct, maintain and operate the Franchise Restaurant only at the Location, and in accordance with (i) Franchisor's plans and specifications, (ii) the System, (iii) the Operating Manual, (iv) other manuals and procedures as may be included in the System and revised from time to time by Franchisor and which are made available to Franchisee (in print or electronic media form or available at Cluck U, Corp.'s website), and (v) the terms of this Agreement. Franchisee agrees to use the Franchise restaurant and the premises upon which it is located only for the purpose designated in this Agreement.

13. Franchisee must purchase only food and beverage brands which are approved by Franchisor.

14. Franchisee agrees to purchase all goods and services only from approved distributors, suppliers and service providers. Franchisor and its affiliates work with manufacturers and distributors of food and non-food products to develop, produce and distribute sufficient quantities of our branded and other products for use in franchised restaurants. Delivery and pricing requirements of our agreements mandate minimum usage levels. The failure of any franchisee to meet all its purchasing needs of available products and services from approved distributors, suppliers and service providers is a violation of this agreement, our agreements with vendors and other third parties, and jeopardizes the pricing and delivery structure in place with our suppliers and other units. If Franchisee repeatedly fails to purchase all its requirements of available goods and services from approved distributors and suppliers, the Franchise may be terminated as identified in Section XVI, in addition to any other remedies available under this Agreement. Although Franchisor attempts to secure uniform pricing and delivery plans from vendors, pricing and delivery options may vary due to usage levels, availability, delivery constraints, fuel prices, distance from sources of supply and other factors. Franchisor does not

guaranty the pricing or availability of any products or services. If pricing or availability concerns are not sufficiently addressed by your vendors, Franchisee is asked to contact Franchisor for assistance in resolving the issue. Franchisor agrees to use its best efforts to assist Franchisee in resolving such issues, but cannot guaranty results. Failure to purchase all food and non-food products from approved distributors and suppliers is a material violation of this Agreement and may result in revocation of the license, as stated in Section XVI.

15. Franchisee is required to purchase and maintain at its own expense a computerized point of sale system approved by Franchisor and enter all sales and purchases of any kind, all kitchen orders, maintain inventory levels and perform such other required tasks in the computerized point of sale system or similar system as yet to be adopted. Franchisee shall be required to purchase approved hardware and software from approved suppliers, and to maintain the system and obtain periodic updates as may be required by Franchisee, Franchisor or the system requirements, with monthly, quarterly, annual updates, or more often if needed. Every five (5) years Franchisee shall he required to purchase new approved hardware and software from approved suppliers, unless, in the opinion of Franchisor, the existing system is sufficiently modernized and can perform all needed functions. Franchisor estimates the cost of a computer system to be over $19,000. Franchisee must maintain a service contract with the computer provider and grant Cluck U Corp. independent access to Franchisee's computer system at all times via the internet.

16. Franchisee is required to purchase and maintain at its own expense a computer monitored surveillance system approved hy Franchisor that can be viewed over the internet and is accessible to Franchisor at all times. Franchisee is encouraged to monitor the surveillance system periodically when Franchisee is home or away from the restaurant. Franchisee shall be required to purchase approved hardware and software from approved suppliers for the surveillance system, and to maintain the system and obtain periodic updates as may be required by Franchisee, Franchisor or the system requirements, with monthly, quarterly, annual updates, or more often if needed. Every five (5) years Franchisee shall be required to purchase new approved hardware and software from approved suppliers, unless, in the opinion of Franchisor, the existing system is sufficiently modemized and can perform all needed functions. A computer monitored surveillance system approved by Franchisor is estimated to cost at least $5,000.

17. Franchisee acknowledges that due to the rapid pace of the development of technology, some new functions may he developed and adopted into the Cluck U System. Because it may be difficult or impossible to predict the needs of the entire system during the term of this Agreement, Franchisee agrees that it will comply with periodic requests to update or modernize various aspects of the restaurant, including the computerized sale and ordering system and the surveillance system. Franchisor agrees to be reasonable in making such requests. Not including the 5 year updates identified above, You will not be asked to make these updates or modernizations more often that every three years or spend more than $2,500 per event (adjusted for inflation).

B. ***Marks***

1. Franchisee acknowledges that the use of the Proprietary Marks or other components of the System outside the scope of this Agreement without the Franchisor's prior written consent is an infringement of Cluck-U, Corp.'s exclusive right, title and interest in the System and the Proprietary Marks and would constitute a violation of the Franchisee's non-exclusive license to use the Proprietary Marks as granted by Cluck-U, Corp.

2. Franchisee shall not incorporate any of the Proprietary Marks, including, but not limited to "Cluck-U Chicken", "Cluckster's", "Cluck University" or "Cluck-U", or such similar name thereto, in any trade, corporate entity or firm name of Franchisee or any affiliate.

3. Franchisee shall not display or use any of the Proprietary Marks or other components of the System except as specifically authorized hereunder, nor do or omit to do anything to endanger the Franchisor's proprietary rights to use the forgoing.

4. Franchisee shall promptly notify Franchisor of any claim, demand, or cause of action based upon or arising from any attempt by any other person, firm or corporation to use the Proprietary Marks or any colorable imitation thereof. Franchisee also agrees to notify Franchisor promptly of any litigation instituted by any person, firm, corporation or governmental agency against Franchisor or Franchisee, including any claims relating to the Proprietary Marks, and Franchisor shall have the right but not the obligation to defend any such action. Franchisor shall defend its rightful ownership of the Proprietary Marks and its right to license such marks to Franchisee. Franchisor shall not be obligated to defend Franchisee from any claims, suits or demands that allege damages arising from any act other than Franchisee's rightful use of its license to the Proprietary Marks nor shall Franchisor defend against allegations of indirect, special, incidental or consequential damages or any injuries unrelated, additional, secondary or ancillary to Franchisee's use of the Marks.

5. Franchisee acknowledges that its use of the Proprietary Marks and any goodwill established therein inure to Franchisor's exclusive benefit. Franchisee shall retain no right, title or interest in the Proprietary Marks upon the termination or expiration of this Agreement. Franchisee agrees that any goodwill generated at the premises shall inure to the benefit of Franchisor alone upon termination of this Agreement.

6. "Cluckster's" is a trademark of Cluck U, Corp. or its affiliates. Franchisor intends to develop the Cluckster's brand for use in its franchised restaurants. Under certain circumstances, Franchisor may authorize Cluck U, Corp. franchised or owned restaurant(s) serving the same or similar products as offered in the Cluck U System to use the name Cluckster's, Cluck University Chicken, University Chicken, or other name, These names may be referred to as "Alternate Names." If Franchisee seeks to use an Alternate name other than Cluck U Chicken, Franchisee shall first obtain Franchisor's written permission.

Section II – Term:

Unless previously terminated pursuant to the terms of this Agreement, the term of the franchise granted herein shall be for a period of twenty (20) years commencing on the date Franchisee executes this Agreement, or such lesser term equal to and coterminous with the term of Franchisee's lease and any extensions or renewals thereof exercised by Franchisee. Extensions or renewals of the lease term must be signed at least six months before expiration of the lease term, and Franchisee must promptly provide to Franchisor copies of: (1) Franchisee's lease(s); (2) any lease extensions and renewals; (3) notice(s) of default by Landlord; and (4) notice by Franchisee of its intention to terminate its lease or not seek to renew its lease.

Section III – Franchise Territory:

Franchisor grants to Franchisee the exclusive right and limited revocable license to use Franchisor's Marks and System in connection with the retail sale of food items and beverages in the following specified Territory.

1- Territory Defined:

The territory is limited by:

a) a map radius of two (2) miles of coverage, (unless modified below by hand) having the nearest street address to the following address as the center of this radius (which may or may not be the location of the restaurant); or
b) limited by the following boundary streets or landmarks as the extent of the coverage.

(cross out whichever section does not apply)

if (a) Location address: Miles of coverage

_____ Two (2) (mile(s) radius)
_____ address of the center of the coverage:
_____ _____
_____ _____

if (b) Bounded by the Following streets: and/or landmarks:

_____
_____ _____
_____ _____
_____ _____

(a map delineating the Territory may be attached and incorporated herein by reference.)

Delivery:

If Franchisee desires to operate a delivery service, it must obtain Franchisor's written permission in advance. Provided that Franchisee has met all criteria for delivery, including that Franchisee maintains at least one million dollars ($1,000,000) per occurrence of liability insurance covering all deliveries, (including at least $1 million coverage for un-owned delivery vehicles, if any,) naming Franchisor, its employees, etc. as additional insured, (with proof of insurance delivered annually to Franchisor and requiring that Franchisor be notified in writing by Franchisee's insurance carrier of notice of termination or modification of any policies), and including, in Franchisor's sole opinion, Franchisee's demonstrated successful operation of the unit without delivery, Franchisor shall not unreasonably withhold delivery approval. If obtained, the delivery territory may be smaller or larger than your "Defined Territory". Your delivery territory may not be exclusive (that is, other units may be permitted to deliver in your delivery territory). If the written permission from Franchisor does not otherwise state, your delivery territory, if any, will be one half the radius of your Defined Territory (e.g., a 4 mile radius defined territory would have a 2 mile radius delivery territory).

Franchisee may not operate a food delivery service from the restaurant without franchisor's written permission. If permission is granted, Franchisee agrees that the franchisee is solely responsible for its drivers and the operation of their vehicles during delivery, and Franchisee will defend and hold Franchisor harmless for any damages alleged against Franchisor and/or its affiliates resulting from Franchisee's hiring or use of a delivery vehicle of any kind. The Franchisee must satisfy itself that the drivers are adequately insured to meet any contingent liability. Franchisor strongly recommends that Franchisee refrain from delivering, but if it does do so, Franchisee is strongly cautioned to ensure that all drivers, vehicles and delivery personnel are insured adequately. Franchisee is advised to make its own determination of the adequacy of any insurance, given its particular circumstances, but a minimum of $500,000 liability coverage is recommended.

Franchisee is solely responsible for the conduct of its managers, employees, independent contractors, drivers, and delivery personnel, if any. If Franchisee engages in local delivery of food, Franchisee will regularly inspect all delivery personnel (hereinafter "Drivers"), and ensure that (1) the driver and vehicle are

adequately insured, over and above any mandatory state auto insurance requirements; (2) the driver is licensed and the driver's record does not reveal problematic moving citations or convictions that might cause Franchisee undue concern; (3) the operating manual is followed in all respects, including proper food handling; (4) the driver follows prudent and cautious behavior while on Franchisee's business; (5) the driver is clean, courteous, and wearing an approved uniform; (6) a sign identifying the vehicle as being on Cluck U Chicken Franchisee's business must be conspicuously displayed on the roof of the vehicle in a form and manner acceptable to Franchisor; (7) the delivery vehicle is registered, insured and clean; and (8) any other requirements imposed by Franchisor on franchisees in the operating manual or otherwise related to the operation of a delivery service are followed. Franchisee is solely responsible for the cost of the preceding and for ensuring that all delivery requirements or recommendations are followed, including the costs of required signage. Franchisee will indemnify and hold Franchisor harmless for Franchisee's failure to perform the preceding or for any claims or damages against Cluck U, Corp., its affiliates, employees, officers, attorneys and agents, resulting from Franchisee's operation of a delivery service. Franchisee hereby agrees to execute and deliver to Franchisor an indemnity agreement prior to obtaining approval for delivery or upon Franchisor's demand if Franchisee engages in delivery, whether or not approval is granted.

Delivery is strongly discouraged. Delivery will not be permitted during the first months of operation unless and until the Franchisee has demonstrated complete mastery of all functions of the operation. If Franchisee is granted permission to deliver, You will be assigned a specific Delivery Territory, which may be smaller than Your Territory. In the absence of another competing unit near Your Territory, You may be permitted to deliver beyond Your Delivery Territory, as long as it does not encroach upon an adjacent unit's Delivery Territory. If, however, another unit is opened adjacent to Your Territory, it will be granted a delivery area that does not conflict with Your Delivery Territory. You will then be required to limit Your deliveries to Your Delivery Territory as set forth in the Delivery Authorization, if any. If delivery is authorized, any documents required by Franchisor prior to Delivery Authorization shall be executed by Franchisee and shall be incorporated into this Franchise Agreement by reference.

Indemnification Waiver and Limitation of Liability:

You will be required to indemnify and hold Us harmless for damages resulting from You delivering outside Your Delivery Territory. For example, if You deliver in another Cluck U, Corp. unit's Territory and cause them harm, You, and not We, will be solely responsible for any harm caused. If You discover that another unit is delivering in Your Territory, You must notify Us, in writing, immediately upon discovery. We will investigate and respond in a reasonable amount of time, and, if Your allegations are correct, ask the other unit to refrain from delivering in Your Territory. If they fail to take appropriate action, We will pursue reasonable measures to penalize the other unit, as identified in the Franchise Agreement. You will agree that Our liability will be limited to damages resulting from Our gross negligence in failing to ask the offending unit to refrain from delivering in Your Territory, and then only after You have advised Us, in writing, of the infringement upon Your Territory and We have had a reasonable amount of time to investigate and respond. Any claim for damages resulting from another unit's delivery in Your Territory must be made, in writing, within thirty days of discovery of the alleged harm, or will be waived by You with respect to Us. You will agree that We will not be liable for Your damages unless they result from Our gross negligence or intentional acts or bad faith, and You have notified Us, in writing, within thirty (30) days of discovery of the damages. To the extent that the damages are more than thirty (30) days prior to your written notification to Us, You agree to waive them and Our liability will be so limited.

The Territory granted to the Franchisee is exclusive in that another Cluck-U Chicken restaurant will not be established within that territory (except as noted below).

2- Signing of Lease, Relocation:

Franchisee agrees to sign no lease for a specific site in this Territory until Franchisee has completed all demographic and market criteria sheets supplied by Franchisor, submitted them to Franchisor, and has received Franchisor's approval of such location site in writing. If Franchisee fails to complete these requirements, Franchisee shall indemnify and hold harmless Franchisor for any and all claims and liabilities arising from that deficiency. See Exhibit "E": Market and Site Criteria/Indemnification.

Franchisee shall execute a lease or purchase the property where the franchise is to be located within one year of the date of signing this Agreement. Franchisee will cause the lease for the premises to contain the following paragraph or words of similar effect granting the Franchisor the right to assume the lease:

> "RIGHTS OF FRANCHISOR. Cluck-U, Corp. ("Franchisor") reserves the right to receive an assignment of this Lease upon termination or expiration of Tenant's franchise relationship with Franchisor or if this Lease is terminated by Landlord or if tenant refuses to extend the Lease for any optional extension period(s), and in such event, Franchisor shall abide by the obligations reflected in this Lease. Further, during the term of this Lease, Landlord shall provide Franchisor with a copy of any written notice of default sent to Tenant. Such notice shall be mailed to Franchisor at the address provided for in this Agreement. Franchisor shall have the right (but no obligation) to cure any default under this Lease and assume the Lease within ten (10) days after the expiration of the period provided to Tenant under this Lease to cure the default, if Tenant fails to do so."

Franchisee shall complete construction of the franchise location within nine (9) months of the date that the lease is executed or the property is purchased. If Franchisee shall fail to complete construction within nine (9) months, despite diligently pursuing construction and for reasons beyond the control of Franchisee, Franchisor may extend the deadline for completion by a reasonable amount of time, at Franchisor's discretion. If Franchisee shall fail to execute a lease or purchase the property where the franchise is to be located and this Agreement is terminated, Franchisee shall comply with any post-termination obligations, including, but not limited to, Section XVI(3). If Franchisee shall fail to complete construction within nine (9) months, plus any reasonable extensions granted by Franchisor, then Franchisee shall forfeit its initial franchise fee and this Agreement shall be terminated and Franchisee shall comply with any post-termination obligations, including, but not limited to, Section XVI(3). Following the opening of the franchised Location, the franchised restaurant shall be open for business every day except Easter Sunday, Thanksgiving and Christmas.

If you do not enter a commercial lease or purchase contract for an approved site within six (6) months of signing the Franchise Agreement, Franchisor will terminate Your Franchise Agreement and refund Your initial franchise fee. You must proceed with construction promptly after signing the lease. If We and You cannot agree on an approved site within the territory within six (6) months of the execution of the Franchise Agreement, the Franchise Agreement will terminate and We will refund Your initial franchise fee. Franchisor may also terminate the Franchise Agreement with thirty (30) days written notice if (1) Franchisee has not paid a non-refundable initial franchise fee *and* (2) Franchisee has not signed a commercial lease or purchase contract with a third party for the location to be used for the franchised restaurant. If the Franchise Agreement is terminated and Your initial fee is refunded, Your rights to use our System and marks, including any rights to the territory, will terminate. Post termination obligations contained in the Franchise Agreement, including confidentiality provisions, will still apply.

Once you have signed a lease or purchase contract for the site and have signed the Franchise Agreement and paid the initial franchise fee, Your initial franchise fee is non-refundable, except at the direction of the state administrator. You may lose Your initial franchise fee if you do not follow the development schedule. You are advised not to enter into a Franchise Agreement or pay the initial franchise fee until you have located an approved site and are prepared to negotiate and enter into a commercial lease or purchase contract. You must

negotiate and sign a lease within six months. Until You have paid a non-refundable initial franchise fee You may not open the restaurant or use our marks.

Franchisee must obtain Franchisor's written approval before relocating. Relocating will not normally be approved, and Franchisor's approval may be withheld for any reason or for no reason. If approval is granted it will be contingent on Franchisees agreement to follow the new prototypes as may be in existence at the time, including new architectural and interior designs and decorations, to build out the proposed location and purchase new equipment as appropriate at Franchisee's sole expense. Other factors that will be considered in Franchisor's decision on whether to approve relocation are the new proposed location and its proximity to the existing unit, and any other units. Any relocation must also meet the conditions set forth in this Section III of the Franchise Agreement.

3- Exclusivity and Exceptions:

With respect to Franchisee's Territory:

Franchisor will not grant another franchise for the same business within Franchisee's Territory.

A. Continuation of Franchisee's territorial exclusivity is not dependent upon achievement of a certain sales volume or market penetration, but it is contingent upon Franchisee opening in a timely fashion and honoring all its obligations under this Agreement, including remaining open for business every day except Easter Sunday, Thanksgiving and Christmas. Franchisee's Territory will not be altered without Franchisee's prior written consent, which consent may be withheld in Franchisee's sole and absolute discretion.

B. The Franchisee expressly acknowledges that the Franchise granted hereunder is non-exclusive and that the Franchisor retains the rights, among others: (a) to use, and to license others to use, the Trademarks and Licensed Methods for the operation of Cluck-U-Chicken Franchise Restaurant at any location, excluding Your Territory, as defined above; (b) to use the Marks and System in connection with pre-packaged food products, other services and products, promotional and marketing efforts or related items, materials or services; and (c) to sell products or license to sell products, in alternative channels, methods, or systems of distribution, with no remuneration to Franchisee, and to use and license the use of other proprietary Marks or methods in connection with the sale of products and services similar to those which You sell, whether in alternative channels, methods or systems of distribution or in the operation of restaurants, which are the same or similar to, or different from Cluck-U Chicken, on any items and conditions as the Franchisor deems advisable, in its sole discretion, without granting the Franchisee any right or compensation therefrom.

C. Franchisor retains the right to license, directly or through third parties, within or outside of Your Territory, units serving an abbreviated menu, located within a larger food or non-food facility, such as, by example only, bowling alleys, taverns, arenas, pool halls, gas stations, cafeterias, pizzerias, delis, truck stops, convenience stores, department stores, stadiums, parks, amusement parks, malls, train stations and airports (hereinafter "Express Unit"), and selling food products under the name "Cluck-U", "Cluck-U Express" or "Cluck-U Chicken" or other similar name. Express Unit shall sufficiently distinguish

itself from Your Franchise Restaurant. Express Units shall not occupy separate storefronts as do Franchise Restaurants.

D. Franchisor retains and reserves the right to sell or license others to sell, directly or through third parties, within or outside Your Territory, prepared or pre-packaged dry and/or refrigerated and/or frozen food products bearing Franchisor's trade name or logo (hereinafter "Food Products"). These Food Products will be distributed to food stores, convenience stores, major food cbains, clubs, grocery stores, supermarkets and/or food warehouses for sale by wholesalers and/or retailers, for the purpose of resale to end-user consumers.

E. Franchisor retains and reserves the right to sell or authorize the sale of Cluck-U branded food and non-food products within or outside Your Territory directly, or through distributors, to non-Cluck-U buyers ("Open Coded sales").

F. Franchisor retains and reserves the right to sell, or to license others to sell, Cluck-U branded food and non-food products in Your Territory via the Internet to individual End-Users. Internet sales shall be any sale of Cluck-U products solicited through advertising on the Internet, either through the Internet or from telephone, mail, or other orders arising from or related to Internet advertising.

G. Franchisee understands, acknowledges and agrees that Franchisor, and its divisions, agents and affiliates may operate, license or franchise restaurants and food establishments, and Franchisee agrees that Franchisor and its affiliates may do so, at any location, including within Your Territory, provided that such restaurants and food establishments are not (i) operated under the names "Cluck-U Cbicken", "Cluckster's" or similar trade names, and (ii) are not Chicken Restaurants (Chicken Restaurant is defined as a restaurant where the majority of sales revenue is derived from the sale of grilled or fried chicken).

H. Except as otherwise provided in this Agreement, neither the Franchisor nor its Affiliate(s) (as defined below) shall own or operate a Restaurant or any other "Chicken Restaurant" (as defined above) or franchise others to do so, at any location within the territory described herein (the "Territory"); however, (i) the Franchisor or its affiliates, divisions and agents may own or operate, or franchise others to own or operate, Restaurants or other Chicken Restaurants within the Territory at locations which are, or may hereafter be, on present or future rights-of-way, easements, or service roads of any present or future limited access freeways, highways or toll roads, or at university or college campuses or food service institutions or military installations, or at expositions, conventions, fairs or similar events, provided that Franchisee shall have declined, or be unable to do so (such limitation to include that multiple locations are required by a third party to be developed as a group including locations outside of Franchisor's Territory); and (ii) nothing contained herein shall limit the right of Franchisor or its Affiliates and licensees to sell directly, or through third parties, products which are the same as, or similar to, those sold in Restaurants, using brand names the same as, or similar to, the Proprietary Marks designated for use with the System, provided that the items sold are either packaged or bottled and are sold for preparation and/or consumption off the selling premises.

I. Franchisor may own, directly or through an affiliate, subsidiary, division, or agent, Cluck-U Chicken restaurants, and may license or grant additional franchises for Cluck-U Chicken restaurants, in Your general area, but will not do so in Your Territory.

J. For the purposes of this Agreement, an "Affiliate" shall mean any person or entity: (1) which owns a majority of the equity interests of Franchisor, (2) a majority of the equity interests of which is owned by the Franchisor, or (3) a majority of the equity interests of which is owned by a person or entity which owns a majority of the equity interests of the Franchisor.

K. All rights and privileges with respect to the System and the Franchise that are not herein expressly granted to Franchisee are reserved for the sole benefit of Franchisor.

L. Former officers, employees and affiliates of Cluck U, Corp. may own or operate competing restaurants within or outside of your territory, but are not authorized to do so within your territory under the Cluck U name.

M. Franchisor reserves the right to establish restaurants or license other to do so under Our brand name and within Your territory during the final year or your franchise agreement or lease, whichever comes first, provided that Franchisor will not cause a restaurant to be opened to the public, or license others to do so, in your Territory under Franchisor's name while your restaurant is open for business under a valid lease and Franchise Agreement. If Franchisee is unwilling or unable to continue operations of the Franchise restaurant and/or allows its lease to expire or be terminated, and/or loses its right to operate under license from Franchisor, Franchisor may seek other operators to operate within your territory following Franchisee's closure. Franchisor may rely on Franchisee's failure to renew its lease more than six months before expiration as Franchisee's intention not to renew its lease and continue operations. Franchisee agrees to provide one year's notice or the most possible if Franchisee does not intend to continue the business for any reason, including loss of lease.

Section IV – System and Operations:

1- Franchisor will use its best efforts to assist Franchisee in the following areas:

A. Location and/or review of proposed sites;

B. Advise Franchisee during Franchisee's lease negotiations with landlord;

C. Review of premises layout and design;

D. Coordination of construction and/or renovation of premises;

E. Training, as hereafter provided in Section V;

F. Identification of sources of supply and equipment;

G. Operation of the Franchise, to the extent Franchisor deems necessary and appropriate;

H. Providing an Operating Manual, periodically updated on our website during your term;

I. Providing an advertising program for ongoing promotions;

J. Providing inspections and evaluations, at least once every six (6) months, on the average.

2- Personal Management by Franchisee:

Franchisee shall devote full time, energies and best efforts to the operation of the franchise and maintenance of Franchisor's high standards of quality. Full time, energies and best efforts shall include, but not be limited to, constant inspection to insure the highest standards of food reparation, cleanliness, general pleasant appearance, and other elements necessary for successful operations. Franchisee may not have a travel time of over thirty (30) minutes to Franchisee's unit from Franchisee's dwelling. As used in this Agreement, Franchisee shall include the Franchisee, (if an individual), a shareholder (if the Franchisee is a corporation), a general partner (if the Franchisee is a partnership), a member having general authority (if the Franchisee is a limited liability company).

The beneficial owner(s) of whatever legal entity operates the franchised restaurant agree(s) to execute a limited personal guaranty in the amount of One Hundred Fifty Thousand Dollars ($150,000) guaranteeing the Franchisee's faithful performance of all obligations under this Agreement.

Upon execution of this Agreement the Franchisee shall disclose the beneficial owners of the legal form or entity (e.g., partnership, corporation, LLC) that owns and operates the restaurant, and their respective beneficial ownership interest. Franchisee shall submit to Franchisor annually copies of Franchisee's Schedule K1 or similar document showing the ownership interest of each owner. If any change in the beneficial ownership is made at any time, Franchisee shall promptly so advise Franchisor and will promptly submit to Franchisor a revised Schedule K1 or similar document. Any change in the beneficial ownership interest, including among existing owners, shall be considered as a transfer for the purposes of this Agreement and is prohibited without written approval by Franchisor. Changes in the beneficial ownership interest (1) among existing owners or (2) changes solely for estate planning purposes where the beneficial ownership does not change, shall not be subject to the Transfer Fee contained in section XV, paragraph 1.C; however, any changes in the beneficial ownership of any kind will result in the immediate resumption of full royalty percentages and/or termination of other reduced fee arrangements, including reduced fees for ownership of multiple units. Provided that the beneficial ownership percentage remains unchanged, any change in the corporate or other entity name shall be considered a transfer requiring Franchisor's approval but no transfer fee. Any change in the corporate or other entity name where the beneficial owners change shall be considered a sale and require Franchisor's approval and transfer fee.

Franchisee shall personally manage the unit on site for at least eight (8) hours per day, for the first twelve (12) months after opening and shall continue to personally manage the unit thereafter, unless an employee of Franchisee acts as Manager, and such Manager has satisfactorily completed Franchisor's training program and received certification of training; however, Franchisor is not responsible for the performance of such Manager and his certification by Franchisor is not an indication that he/she is or will be ready to act as responsibly as a Franchise owner would. It is in the Franchisee's discretion to make such decisions. The certification is an indication that the manager has attended the training program only. Certification from Franchisor requires passing the Franchisor's certification training program, or certification by Franchisor on site at the unit. See Exhibit "F" Training Certification Acknowledgment/Indemnification. Franchisee acknowledges that the first eighteen (18) to twenty-four (24) months of operation is a critical foundation-building period for the operation and success of the franchise. If Franchisee does not comply with Franchisor's training requirements prior to opening, Franchisee must indemnify and hold harmless Franchisor against claims

arising from any deficiency arising therefrom. Franchisee understands and agrees that the requirement of personal management established herein requires Franchisee's best efforts and dedication to the success of the unit, consistent with the spirit of this Agreement. Personal management by Franchisee, or by a trained Manager who has received Franchisor's certification of completion of Franchisor's training program, shall include, but not be limited to, presence at the unit during all operating hours. See Exhibit "G" Management Responsibility Acknowledgment.

3- Franchisee agrees to adhere to the following additional requirements:

A. Open the unit for business seven (7) days a week for Lunch, Dinner and late night hours, every day of the year except during Easter Sunday, Thanksgiving and Christmas.

B. Operate and maintain the unit in a clean and sanitary condition.

C. Comply with all Federal, State and local laws, rules and regulations and timely obtain and maintain all permits, certificates and licenses necessary for the full and the proper conduct of the Franchise Restaurant, including, without limitation, building and other construction and occupancy permits, health department required certification, licenses to do business and fictitious name registration, sales tax permits, health and sanitation permits and ratings and fire code clearances.

Copies of all inspection reports, warnings, certificates and ratings issued by any governmental entity or any other agency, organization or other entity during the term of this Agreement in connection with the conduct of the Franchise Restaurant which cite or indicate Franchisee's failure to meet or maintain the highest governmental standards or less than full compliance by Franchisee with any applicable law, rule, regulation, or any other obligation of Franchisee to any entity, shall be forwarded to Franchisor with five (5) days of Franchisee's receipt thereof, and Franchisee shall remedy same within the time period specified in the respective citation, report or other notice, or within ten (10) days if no period is so specified.

Franchisee shall forward to Franchisor by fax or mail copies of all health inspections within five (5) days of receipt, regardless of whether violations are identified.

D. Promote the business of the franchise and use Franchisee's best efforts to increase its popularity and goodwill. In adherence to this requirement, Franchisee acknowledges and agrees that marketing and advertising are <u>daily</u> functions of the business.

E. Act in all respects so as not to bring disrepute or opprobrium upon Franchisee, Franchisor, and other **Cluck-U Chicken** Franchisees.

F. Submit advertising programs from all currently available programs to Franchisor for approval and follow minimum marketing schedules recommended by **Cluck-U, Corp.**

G. Remedy all deficiencies noted in Franchisor's field evaluations of the unit within two (2) weeks of the notice thereof, unless required sooner by this Agreement.

H. Follow **Cluck-U, Corp.'s** minimum market recommendations and periodic changes if and when available to fit the then current market.

I. Franchisee shall not permit the Franchise Restaurant Premises to be used for any purpose other than operation of a Restaurant.

J. Franchisee shall not offer or sell alcoholic beverages at or from Franchise Restaurant without the prior written consent of Franchisor. If consent is granted, Franchisee must comply with all applicable laws.

K. Upon inspection by Franchisor of the Franchisee's Franchise Restaurant, Franchisee must immediately remove from public view and/or immediately cease serving all non-approved products. Promptly thereafter, all non-approved products shall be removed from the Location.

L. Franchisee, its officer, directors, agents, contractors, and its employees must conform to the approved dress code as provided in the Operating Manual.

M. Franchisee agrees to conduct the business with due regard to public conventions and morals, and agrees not to do or commit any act or thing that will tend to degrade the business, Franchise, Franchisor or Franchisee, in society or bring them into public hatred, contempt, scorn or ridicule or that will tend to shock, insult or offend the community or ridicule public morals or decency or prejudice Franchisor in general.

N. Franchisor shall have the right to terminate this agreement immediately if Franchisee commits an offense involving moral turpitude under federal, state, or local laws or ordinances or conducts itself in any manner which offends against decency or morality or causes a public scandal.

O. Franchisee shall at all times have on premises a manager who is authorized by your local or state authorities to supervise and manage your restaurant, including "safe serve" certification from your local health authority or similar body.

4- Among other things, Franchisee must submit to Franchisor each month:

A. Completed customer surveys performed each month must be delivered to the Franchisor by the fifteenth (15th) day of the following month, if and when requested by Franchisor;

B. Monthly profit and loss statement, by the fifth (5^{th}) day of the following month by email or fax.

C. Deliver by hand or mail all customers' comment cards and report any complaints filed with Franchisee by customers, by the tenth (10^{th}) day of the following month.

D. Franchisee must collect "VIC" or similar valued customer cards and input the data into the company's website at Franchisee's expense on a weekly or more frequent basis.

E. Records of all sales of food and non- food items, on or off premises, must be immediately inputted into Franchisee's computer POS system and available for review and audit by Franchisor on a daily, weekly, or monthly basis.

F. Records of all purchases of food and non- food goods and services from any manufacturer, distributor or vendor, must be promptly inputted into Franchisee's computer POS system and available for review and audit by Franchisor on a daily, weekly, or monthly basis.

G. Records of all expenditures, including advertising expenses, utilities, payroll, tax insurance, royalties, must be promptly inputted into Franchisee's computer POS system and available for review and audit by Franchisor on a daily, weekly, or monthly basis.

H. Franchisor agrees to regularly monitor the Cluck U, Corp. website and Franchisee's internet mailbox for updates and information, including changes to the operating manual. Any changes or updates to the operating manual sent to Franchisee's web address or secured login site at cluckuchicken.com will be considered notice of such change to Franchisee and Franchisee will promptly print and replace the changes in its copy of the Operating Manual and implement any changes as needed. Old, replaced pages in the Operating Manual will be promptly destroyed. Memos to units may also be sent via internet and/or posted on the website and Franchisee will monitor and respond to the same, if needed.

I. Franchisee will operate, maintain and periodically upgrade its point of sale system and use all functions to the greatest degree possible, including placing all orders to Franchisee's vendors whenever possible.

J. Franchisor will send to Franchisee along with the monthly invoice a form for Franchisee to use to identify any complaints, problems, questions or concerns of Franchisee and Franchisee will identify any such issues and submit the form by fax or e-mail for Franchisor. These issues may relate to Franchisee's vendors, service providers, customers, the premises, the Franchisor or other subject. Franchisor will respond in thirty (30) days or less. If Franchisee submits the form used to identify any complaints, problems, questions or concerns, and the form relates to any documents such as invoices, Franchisee shall submit to Franchisor copies of such documents or invoices.

K. Franchisee shall retain copies of invoices for a minimum of two years or longer if required by law, and provide copies to Franchisor upon demand.

L. Franchisee agrees to install at Franchisee's own expense a display box of approved dimensions in a prominent area of the customer section or otherwise within the conspicuous view of customers. The display shall offer Cluck U, Corp. branded merchandise, products and promotional materials that Franchisee shall offer for sale to the public. Franchisee shall offer only approved items and shall purchase all such materials only from approved sources. Franchisee shall add or remove items on display periodically as directed by Franchisor. Franchisee will set its own price for these offerings, but they may come with a suggested retail price and may be advertised at that price. Franchisor will obtain financial benefits, rebates and incentives from manufacturers and/or distributors from the sale of these products. All sales shall be included for the purpose of determining the franchise royalty. Franchisor may market and sell those materials displayed at your location in different markets and through different channels of supply such as supermarkets and Franchisor's own website. Your selling price for the displayed items may be higher or lower than that charged elsewhere.

5- Franchisee agrees to follow the mandatory guidelines set forth in the Operating Manual supplied by Franchisor and as it may be modified from time to time. Franchisee acknowledges that the procedures contained in the Operating Manual are necessary and integral elements of the System developed by Franchisor and that the Franchisee must adhere to the procedures outlined therein with no deviation from specified routines for all facets of operations.

6- Franchisee acknowledges and agrees that conformance with the standards, specifications, System, requirements and Operating Manual is necessary to the success of Franchisor, Franchisee, and other Franchisees who derive business and goodwill from regional or national identification of the Marks, System, operations, and quality of **Cluck-U Chicken.** Failure to adhere to or comply with the standards, specifications, System, requirements or instructions contained herein and in the Operating Manual shall constitute a material breach of this Agreement. The Operating Manual is confidential, remains Our property, and must be returned to Us, along with all copies, revisions and modifications, upon expiration of this Agreement or termination of Your right to operate the franchise. We reserve the right to modify this Operating Manual, in Our sole discretion. Modifications to the Operating Manual will be provided to Franchisee in print or electronic media form (including being made available to Franchisee at the corporate website) before the changes are to be implemented.

7- Franchisee agrees to purchase all food and non-food products, including beverages and packaging, from Franchisor or Franchisor's selected vendor(s) or distributors ("approved suppliers"), if available. Franchisee agrees to purchase all goods, services and supplies only from Franchisor's approved distributors and service providers, which may, upon notice to Franchisee, be changed, from time to time, at Franchisor's sole discretion.

8- Franchisee shall carry and offer for sale a full line of Franchisor's products and such other products as Franchisor may require from time to time. Only with Franchisor's advance written approval may Franchisee sell additional or different products, and Franchisor's approval may be withheld for any reason or for no reason. Franchisee may request Franchisor's prior written consent to sell additional products for a limited period set by Franchisor at the time a request is made. Such period may be extended, or it may become ongoing, at Franchisor's sole discretion, subject to lease restrictions or restrictions of law, and then only so long as Franchisee maintains the highest standard of quality in preparation and serving of these additional products and all products identified with the **Cluck-U Chicken** Marks. Franchisor reserves the right to limit or prohibit the use of credit or coin-operated music devices or other electronic media devices, lottery machines, vending machines (including, but not limited to, cigarette, soda or candy vending machines), and pinball or video game machines. If approval is granted, all sales by vending or other machines identified above, whether coin operated or paid by credit/debit card or similar, will be subject to royalty payments on the same basis (5% of total sales). If Franchisee is given a commission based on sales, then the correct royalty can be extrapolated and paid to Franchisor; if Franchisee is given a fixed rent for housing such machines, then Franchisor shall be paid an amount equivalent to the monthly royalty fee of 5%, based on average use of such machines.

9- Franchisee acknowledges that Franchisor's Operating Manual and other such materials are confidential and shall remain the property of Franchisor and Franchisee hereby agrees to return them and any additional copies, revisions and modifications, to Franchisor upon termination of this Agreement or termination of Your right to operate the Franchise. Franchisee agrees to make no copies of the Operating Manual without written consent from Franchisor.

Franchisee shall safeguard the Operating Manual and such other materials and shall not permit others to copy them. Such materials are subject to the provisions of the Maryland Uniform Trade Secrets Act and are protected thereunder.

10- Franchisee acknowledges that Franchisor's Operating Manual, or other manuals, System, procedures or information provided to Franchisee constitute the trade secrets of Franchisor and that Franchisor entrust them to Franchisee in confidence. Franchisee agrees to keep these materials confidential, except to the extent necessary for the successful operation of Franchisee's **Cluck-U Chicken** business. Franchisee shall be responsible for maintaining the confidentiality of these manuals, System, procedures, and for ensuring that the information therein under Franchisee's dominion and control shall not be copied or duplicated in any way, shape, or form by any means or through any medium. The parties have therefore entered into a Confidentiality Agreement, attached as Exhibit "M" hereto. Such materials are subject to the provisions of the Maryland Uniform Trade Secrets Act and are protected thereunder.

11- Franchisee shall not, either directly or indirectly, during the term of this Agreement acquire any interest in or derive financial benefit from any business substantially similar in any manner to that of **Cluck-U Chicken**. This restriction shall not apply to ownership of publicly traded stock in a company which engages in a business similar to **Cluck-U Chicken.** Partial invalidity of this restriction by decision or order of any court of competent jurisdiction shall not invalidate the whole hereof and this restriction shall be enforced to the fullest extent if found valid.

12- Franchisee must purchase a custom computer system used by **Cluck-U Chicken** Franchisees and approved by Cluck-U, Corp. at a cost in addition to all of the fees herewith. Computer training must start within a reasonable period of time after the Franchise Agreement is executed and sufficiently in advance of other training and opening. (See Exhibit I - Computer Software Agreement.) Franchisee must be fully trained on computer functions before the unit becomes operational and must pass the computer certification program. If Franchisee opens its restaurant without finishing and obtaining computer certification, then Franchisor will not be responsible for, and Franchisee waives and releases Franchisor from, any and all claims and for any situations that arise from inadequate computer training. This disclaimer includes, but is not limited to, financial reports, inventory, labor, and cost of goods information.

13- Franchisee shall purchase from a Franchisor approved service provider software maintenance, upgrades and/or updates at a minimum cost of One hundred seventy five dollars ($175) per month to be paid on a quarterly basis to the computer's maintenance provider.

14- Franchisee will arrange for a separate dedicated high speed cable modem, DSL or other high speed internet connection to be installed and maintained for computer modem information transfers and software maintenance; it must be accessible for electronic communication between Franchisee and Franchisor at all times. Franchisor will exercise polling from Franchisee's unit on a daily, weekly or monthly basis. Franchisee shall provide continuous access to Franchisor for all data in Franchisee's computer system, including all sales and purchases, 24 hours per day, except for periodic down time for servicing, and will never disconnect the franchisor's access or permit another to do so. Franchisee will also make its POS computer system accessible to Franchisee's computer service provider and/or the software provider and allow periodic updates, maintenance and monitoring. Franchisee grants permission to its computer service provider and to Franchisor to consult and exchange information as

needed. You are required to provide at all time Franchisor with an independent access remotely to all information generated and store in your systems.

15- Upon the expiration, termination, assignment, subletting, transfer or non-transfer of the Franchise Agreement for any reason, Franchisor shall have complete and sole rights to use and ownership of all telephone number(s) of the Franchise Restaurant.

16- Every five (5) years from the first initial business day, or prior thereto, in the sole discretion of Franchisor following an onsite inspection by Franchisor or its agent, You may be required to:

Paint where needed, upgrade or replace Your signs, menu boards, menus and Your furniture, replace or add kitchen equipment, upgrade or renew computer software or hardware and upgrade or replace any decorative materials or complete other repairs as directed by Franchisor in its discretion. All upgrades or changes will be Your responsibility and at Your own expense and You shall obtain Cluck-U, Corp.'s advance approval in writing for sucb work.

The cost of all upgrades, renovations, or changes should not normally exceed thirty thousand dollars ($30,000), (adjusted for inflation from Jan. 1, 2012), provided that Your restaurant is in good repair otherwise. All changes, renovations, repairs or upgrades must be completed within forty-five (45) days of Franchisor's written notice to You.

Franchisor may, on one or more occasions, waive or defer for such period of time as Franchisor may deem appropriate, in its sole discretion, Franchisee's obligation to repair, remodel and improve Your Franchise Restaurant, but such waiver or deferment shall not operate as a restriction or waiver in any way upon Franchisee's obligations under this section, nor shall it bar Franchisor from requiring future upgrades and changes, as if no waiver or deferment had ever been permitted. Franchisee may incur higher renovation costs if renovations are delayed.

17- Franchisor welcomes any recommendations or suggestions from Franchisee for changes to the System, (including, but not limited to, food products, recipes, menu items, preparation procedure or changes to the Operating Manual). Any suggestions for changes to the System provided by Franchisee, its employee or any other person, whether adopted by Franchisor or not, shall immediately become the sole and absolute property of Franchisor. Any logos, symbols, artwork or other graphic depictions relating to or containing the Cluck-U marks, name, logos, symbols, or artwork created or developed by Francbisee, its employee, contractor, or any other person whether or not adopted by Franchisor, shall immediately become the sole and absolute property of Franchisor. Franchisor shall have no obligation whatsoever to compensate Franchisee, its employee or any other person for any such suggestions. Franchisee shall have no right, title, or interest in any suggestion or idea that may be incorporated in the System as a result of such suggestions or comments.

18- Franchisee shall pay for the cost of a toll free (800) complaint line and shall pay a pro rata share of the cost of operating an internet complaint site to receive complaints regarding the Franchisee's products or service. The toll free number service and internet complaint site will be used to document and respond to complaints by customers about the Franchise. Franchisor and Franchisee will each be given a report of any complaints about Franchisee. If, after reviewing the complaint, Franchisor believes that an apology is warranted, Franchisor may, in its sole and absolute discretion, offer to give the complaining customer a gift certificate to be used at any Cluck-U Chicken restaurant within the System, up to a value of Twenty Five Dollars ($25.00)

per complaint or the entire value of the food and beverage purchase about which the customer complained, whichever is greater. If such a gift certificate is issued by Franchisor, then Franchisee shall reimburse Franchisor for the value of the gift certificate. If Franchisor believes that the situation warrants it, Franchisee will contact the complaining customer personally to address his or her concerns, and take whatever actions are appropriate, including having an additional gift certificate issued, if warranted under the circumstances, at Franchisee's expense. Franchisee will always use its best efforts to see that all customers are always satisfied with the services and products offered by Franchisee. Franchisee acknowledges that failure to do so impairs the name and goodwill of Franchisor, and may result in a notice of violation and default of this Agreement under Section XVI resulting in termination of franchise rights.

19- Franchisor may issue gift certificates valid for use at any Cluck-U, Corp.'s franchise, for promotional or other purposes. If a customer seeks to redeem a gift certificate at Franchisee's location, Franchisee shall redeem the gift certificate at face value for food and beverages (no cash refunds), and Franchisee shall then submit the gift certificate to Franchisor for cash payment of the amount actually redeemed. Franchisee shall take reasonable precautions to ensure that the gift certificate is valid and genuine, but may reasonably expect that it will be reimbursed if it follows the guidelines established by Franchisor, as modified from time to time, for testing the genuineness and validity of the certificates. Franchisee shall provide the receipt showing the amount redeemed, along with the cancelled certificate to Franchisor for payment.

20- Franchisee will at all times provide comment cards and a drop box for customers' use and deliver by hand or mail all customers' comment cards to Franchisor. Franchisor will provide the comment cards to Franchisee at cost, including the cost for design, printing, materials, shipping, tax, and other charges, if applicable.

21- Franchisee will use its best efforts to assist other Franchisees in the System, if and when they may request Franchisee's assistance, but only if providing assistance will not harm or damage Franchisee or cause it undue hardship or expense. For example, if, due to unusually heavy volume, another franchisee runs out of a particular food item, and inquires if Franchisee has any to spare, and Franchisee does, then Franchisee should make a reasonable quantity of that item available to the other franchisee at his cost. Likewise, any products borrowed by Franchisee from another franchisee in the System should be replenished or paid for promptly, without demand, and no later than the end of the month. Franchisee understands that such assistance will benefit the entire System, and thereby benefit Franchisee in the long run. Franchisee is under no contractual obligation to assist another Franchisee, however, if Franchisee deems such assistance ill-advised.

22- Franchisee will conspicuously display in its restaurant its own legal name and address, the name, address, internet address and phone number of Franchisor, and the location of other nearby units, as well as other advertising materials provided by Franchisor.

23- All advertising or promotional materials, including, but not limited to, menus, flyers, banners, billboards, and newspaper or other ads, promoting Your restaurant shall prominently display certain Franchisor designated promotional material, including but not limited to, the Cluck-U Chicken logo, the internet address of Franchisor, www.cluckuchicken.com, and such toll free or other phone number, that may be identified to You sufficiently in advance of publication of Your advertising material. The promotional material, including internet address and/or phone number, may be changed from time to time, but You will be given reasonable advance notice.

24- Franchisee shall submit to Franchisor, for its review and approval, all materials and information, including, but not limited to, a business plan, that Franchisee has submitted or will submit to a bank or other financial institution, landlord, lessor or other potential or actual creditor, for the purpose of obtaining a small business or other loan, lease, or credit, including, but not limited to, business loans and leases on real property and equipment, or to any governmental regulatory agency, and arising from or related to the Franchise Restaurant, whether submitted prior to or after the signing of this Agreement. If Franchisee submits any such material to an actual or potential creditor or government agency before executing this Agreement, Franchisee shall have submitted a copy to Franchisor prior to signing this Agreement. Franchisee shall submit to Franchisor copies of any material to be submitted to an actual or potential creditor or government agency after execution of this Agreement at least ten (10) days prior to submission to such actual or potential creditor or government agency. If Franchisor objects to any matter or statement contained within such material as being inaccurate or misleading, You will correct the misstatement prior to submission to any creditor or government agency; however, Franchisor shall not be liable for any mistake or inaccuracy contained in Your materials, whether or not submitted in advance to Franchisor, or for any failure to act upon such materials or information, including the failure to correct any misstatements contained therein. You are solely responsible for ensuring the accuracy of any materials You have prepared. Franchisor does not warrant the accuracy of any materials or information that You may submit in this regard. If, after ten calendar days have elapsed following Your written submission to Franchisor, no objection has been made to the materials or information, You are free to submit said materials or information to Your potential creditor or government agency, provided that You are solely responsible for the contents.

25- Franchisee agrees to maintain regular contact with Franchisor. Franchisee agrees to respond promptly, in writing, to Franchisor's written inquiries, but in any event within ten (10) days, unless another time period is provided for in this Agreement.

26- Any materials or information submitted by Franchisee to Franchisor for review or otherwise shall immediately become the property of Franchisor, and Franchisor may reproduce or otherwise use said materials as its own. Franchisor shall have the unqualified right to use, modify and distribute any business plan, blueprint, template, or other item or material, submitted to Franchisor, without compensation to You, whether or not said material was developed by or for You at cost. Franchisee hereby expressly grants to Franchisor the right to divulge information contained in such materials, including Your name, address and phone number, to government agencies, other actual or potential Franchisees, or others, for the purpose of promoting Franchisor's business, to comply with any reporting requirements, as may be required by law or pursuant to court process, to collect a debt, or for other reasonable purpose. If You contend that information contained in such materials is personal or private information or is otherwise protected by the Privacy Act, You may identify such specific information as You believe should be held in confidence (marked "confidential", in red ink), and Franchisor will use its best efforts to keep that specific information from being identified with Your name. Franchisor shall be under no obligation to treat material as confidential unless it has been specifically identified as "confidential" on the document and plainly marked in red ink. Regardless of whether part of Your submission is identified as "confidential", Franchisor may divulge such information to comply with any reporting requirements, as may be required by law or pursuant to court process, to collect a debt, or for other lawful purpose. Franchisor may disclose any information that is public information for any purpose. For the purpose of promoting Franchisor's business, Franchisor shall be permitted to use such "confidential"

information to show gross revenues, expenses, start-up costs, fixed costs, labor and other variable costs, profitability, or other information that might be relevant to potential Franchisees, provided that Your specific information is not directly identified with Your Franchise Restaurant. All materials and information submitted by You, whether marked "confidential" or otherwise, may be shared with Franchisor and its officers, directors, employees, agents, attorneys, accountants, affiliates, divisions, successors and assigns, without regard to any of the above restrictions. Franchisor may disclose any information requested or required by federal, state or local laws, rules and regulations, including Franchisor's Uniform Disclosure Document and related stated disclosures. Your personal information including your home address, business address and phone numbers may be disclosed to potential franchisees and state regulators and in public documents.

27- You are required to reimburse us for the reasonable costs of audits or inspections, including, but not limited to, reasonable accounting and legal fees and the travel expenses, room and board and compensation of Our accountants, attorneys and employees if (1) We conduct an inspection or audit of Your business as a result of Your repeated failure to furnish reports, other information required by the franchise agreement, or to furnish such reports, records or information on a timely basis, or (2) an understatement of gross receipts for any period of not less than four (4) weeks is determined by an audit or inspection to be greater than three percent (3%). This remedy is in addition to and not in lieu of any other remedies and rights that We may have. All audit fees are paid directly to Us, but We may forward a portion of them to accounting and law firms that We retain to perform or review the audit.

Franchisor shall have independent access to all computer data and may review all sales reports and purchases of goods and compare the usage to other units or previous sales. If an operator's reported sales and purchases appear to conflict, either due to unusually high or low food costs, or for another reason, then Franchisor may assume that the sales and purchase reports are erroneous, and may audit the Franchisee's accounts. Franchisor may audit Franchisee's accounts for this or any other reason (including random screening), or for no reason. If the review of Franchisee's accounts reveals underreported sales of more than three percent (3%), then Franchisee shall pay for all costs associated with the audit including legal fees, in addition to any other fees or penalties provided for in this Agreement.

If the Franchisee's computer system is down, or otherwise the information is unreported, then Franchisee agrees to pay to Franchisor a royalty based on Franchisor's reasonable estimate of sales and purchases based on previous usage and sales or other reasonable factors. Franchisee may refute this assumption with proof of sales and purchases, and if franchisor's estimate is proved to be wrong, the difference will be refunded or charged, as the case may be.

28- Franchisee shall purchase only products for use in the restaurant, and shall not purchase products from vendors for personal use or for resale. Such purchases reflect poorly on food cost percentages and are not allowed. All items purchased by Franchisee for the account of the restaurant shall be intended for sale in the restaurant.

29- Franchisee shall install at Franchisee's sole expense one or more television monitors viewable to the public in the dining area, and an amplifier and speaker system audible to customers in the dining area. Franchisee shall install and maintain at Franchisee's sole expense cable TV and/or satellite TV and/or XM/Sirius radio service or similar non-commercial radio or music, for viewing and listening by Franchisee's customers while in your restaurant. Television

shall include local and national sports, news and other appropriate programming packages such as ESPN, CNN designed for customers' enjoyment.

30- Franchisee shall install at Franchisee's sole expense a telephone system that provides music and/or information about Cluck U Chicken and/or the Franchisee's restaurant while callers are on hold. Callers placing orders should hear either music or an appropriate promotional message promoting the Franchise. Franchisor may, but is not obligated to, provide to Franchisee at no charge a promotional recording for use in Franchisee's phone system. If provided by Franchisor, Franchisee agrees to play such promotional recordings. Otherwise, Franchisee may select, create or develop at its own expense appropriate programming for its phone system.

31- At least annually and upon demand, Franchisee will file with Franchisor proof of insurance, as required by this Agreement, as amended, and the Operating Manual, (including liability insurance coverage) and proof of any other insurance policies held by Franchisee. At least annually and upon demand, Franchisee will file with Franchisor Use and Occupancy permits and any other permits required by federal, state, or local governments and annual renewals of the same.

32- Upon signing this Agreement or immediately thereafter, Franchisee will execute a written statement attested to by its owners verifying the names and percentage ownership of each owner. Franchisee will also then submit proof of incorporation or creation of the businesses entity, if any, with a certificate of good standing. Franchisee will produce to Franchisor for its review any proposed lease agreement into which Franchisee proposes to enter. Franchisor may advise Franchisee on general terms of what should be included in the lease, and may review it for franchisor's sole benefit; however, Franchisor will not advise Franchisee on specific terms of the lease nor will Franchisor advise Franchisee that it should enter into the lease. Franchisee must obtain its own qualified legal advice for any leases or other agreements into which it desires to enter, including this Agreement, and Franchisee is solely responsible for its decision to enter into the leasehold or any agreement. Upon execution of the Lease, including any amendments and renewals, Franchisee will produce to Franchisor a copy of the executed lease, amendment or renewal.

33- Franchisee will submit to Franchisor any reasonably requested information, including federal tax ID number, sales tax ID number, business, home, mobile or other phone numbers and addresses.

Section V – Training and Operating Manual:

Training

Prior to opening of the unit, Franchisor shall provide a minimum of eighty (80) hours of training for each of four persons designated by Franchisee (including Franchisee). Franchisor will conduct this training without additional charge to Franchisee, but Franchisee shall pay all associated expenses, such as travel, lodging, food, and salaries, if any.

Training will consist of "off-site training," including practical training and classroom training, and "on-site training". Off-site practical training will be at an existing Cluck-U restaurant of Our choosing, not Your unit. Classroom training will be at Our corporate office or other location as We may designate. On-site training will be at Your unit.

A. Off-site training:

Upon Your signing of the Franchise Agreement and its acceptance by Franchisor, We will furnish the training program to You. Off-site training for a minimum of four (4) employees (including Franchisee) for a minimum period of four (4) weeks, twenty (20) hours per week, per employee is mandatory. This training will be at a training site designated by Us for a minimum period of eighty (80) hours, per employee, at no additional expense to You, except for travel, food and lodging expenses during the attendance of Your employees at pre-opening training. You are responsible for paying the trainees wages and expenses, if required. It is a mandatory program for all Franchisees. Four (4) people must be certified before the opening of any unit. This program includes computer training diplomas. The completion of these requirements is Your responsibility. If You do not complete the training requirements, You agree to indemnify and hold Us safe and harmless against all claims arising out of that deficiency.

The training program consists of complete model and procedures relative to prices, service, products, employees, merchandising, purchase of supplies, pricing of products, bookkeeping, sanitation, compliance with permits, advertising, and trade secrets relating to products and their preparation. The off-site training program starts at least four (4) weeks prior to the scheduled opening of the restaurant. This training will include classroom instruction and on-the-job experience in all aspects of the franchising program, including cooking, supply ordering, personnel training, delivery of products to the customer, accounting and maintenance. You are responsible for paying the trainees wages and expenses, if required.

B. On site training:

Once Franchisor's final inspection of Your premises is passed, on-site training may begin. Franchisee must staff and operate the restaurant for at least three to five days to conduct on the job training until all functions are performed correctly by Franchisee's staff. During pre-opening training no sales will be made, but food will be cooked for training and for promotional giveaways. Once You complete pre-opening training and obtain Our certification, You may open to the public for business. Beginning with pre-opening training for a period of two weeks a Cluck-U Corp. representative will conduct on-site training at Your unit. Training will continue after You pass all inspections and open Your restaurant to the public. Assuming your employees complete all pre-opening training in 3 to 5 days, training should continue for 9 to 11 days after you begin sales to the public. We will provide onsite training at Your restaurant location for a total of two (2) weeks, for a minimum of thirty (30) hours per week, at no additional cost to You.

During the training period one training supervisor will be on site to supervise and train Your Managers, who in turn are responsible for training your employees. Your managers should already have completed the off-site training program identified above in part A. Off-site Training. You must provide sufficient numbers of employees to staff the restaurant at all times as well as your own managers to train and supervise your employees. Our training supervisor will show your Managers how to train your employees, and supervise your managers and employees in their performance of all normal aspects of restaurant operations. Our training supervisor will demonstrate correct techniques, and correct apparent errors; however, Our training supervisor is not expected to work full time performing all job functions. Once the job has been explained

sufficiently, Our training supervisor will watch your managers and employees as they work and correct apparent errors.

C. Additional training:

You may request additional training during the term of this agreement, for which You will pay Us our daily rate, plus travel expenses, food and lodging. After the initial training period is concluded (following two (2) weeks after first opening Your unit), You will be responsible for training all Your employees. Should You request Our assistance in training new or existing employees, You will be charged Our daily rate not to exceed Five Hundred Dollars ($500) per day, adjusted for inflation, plus travel expenses, food and lodging, for such additional training as You may request. These rates may change without further notice, but You will be advised of the new rates prior to engaging Our services for such additional training. If inspection reveals significant problems or if numerous complaints are received against Franchisee that lead Franchisor to believe that Franchisee's manager(s) are inadequately trained, Franchisor may require that such managers be trained or retrained by Franchisor or its contractors at Franchisee's expense until the manager(s) have received certification from Franchisor.

D. Franchisee Remains Responsible for Employees' Training:

Although We will train four (4) employees, including You, as stated above, the ultimate responsibility for ensuring that all of Your employees are properly trained and comply with Our operating manual rests with You. You or Your employees that We train must train any additional employees or new employees to ensure proper compliance with Our operating procedures. We will, however, train Your employees during the first two (2) weeks of onsite operations at your restaurant both before and after You open to the public as part of Our on-site training program. Cluck U, Corp. franchised and licensed restaurants are required to follow all applicable laws, including OSHA, wage and hour laws, practice non-discrimination in the workplace, and other federal, state and local common law, statutes, rules and regulations. Franchisee is solely responsible for training its employees about relevant laws and their application. Franchisor will train the franchisee and its managers in the food preparation and operation of the franchised restaurant. The Franchisee and its managers will in turn train the other employees. Franchisee is assumed to know generally the legal requirements of a small business operation, and is encouraged to obtain its own legal counsel to advise it. Franchisee is encouraged to have its employees undergo other appropriate training in addition to food preparation training, such as employee non-discrimination in the workplace training, but Franchisor has no specific requirements for employee training other than as stated herein and in the Operating Manual. Franchisee is ultimately liable for its failure or that if its employees to follow all legal requirements as may be in effect in its jurisdiction and Franchisor shall be held harmless by Franchisee for Franchisee's failure to follow all legal requirements, rules and regulations.

E. Franchisor may develop material for Franchisee's use for which Franchisor will pass on the development costs to Franchisee. For example, Franchisor may develop in-store audiovisual training materials, which Franchisee will be able to purchase at Franchisor's cost. If We incur costs for the creation of such materials, We will charge You a reasonable amount, but which will be the cost to create the materials (including salaries, fees and expenses) divided pro-rata among existing Franchisees who receive the

materials during the first 30 days. Materials developed for advertising and marketing purposes will be charged toward the Franchisees' National/Regional Marketing Fund, provided the funds are available, and will not exceed Your National/Regional advertising contributions (not to exceed 2% of sales), unless you agree. The cost for materials developed for other purposes such as training videos will not exceed $1,500 per year without Your agreement.

F. Franchisor may require Franchisee to undergo refresher training when deemed necessary in Franchisor's sole discretion, for which Franchisee will pay reasonable fees. If Franchisor's inspection reveals that employees and/or managers are not fully trained or certified, or, though trained and/or certified, are not working at the standard expected, then Franchisor may require further training of any managers and/or employees who fail to exhibit sufficient knowledge of the System and, in such event, Franchisee shall pay for all costs associated with such training, including salary, room, board and tuition. Tuition will not normally exceed $500 per day, plus expenses, for one instructor, but may increase from the date of signing of the agreement by the consumer price index.

G. Franchisee or at least one (1) of its management team members must attend Franchisor's monthly franchise meeting when needed or required by Franchisor; if personal attendance is not possible, attendance by teleconference may be arranged. Participants at all meetings, including the monthly meeting, agree to abide by rules of procedure as established by Franchisor. The Monthly Franchise Meeting may not occur every month, and will be scheduled at Franchisor's sole discretion. The Monthly Meeting place, date and time of which will be announced by Franchisor at least two (2) weeks in advance.

H. Franchisee or at least one (1) of its managers must attend the Franchisor's Annual National Conference Meeting, the meeting place, date and time of which will be announced by Franchisor at least two (2) months in advance. Franchisee will be responsible for all charges and expenses (including but not limited to travel expense, lodging and meals), which are incurred in attending the Annual National Conference Meeting. The Annual National Conference Meeting may not occur every year, and will be scheduled at Franchisor's sole discretion.

I. Franchisee shall instruct at least one, but preferably all, of its managers to attend a quarterly managers meeting to review and refresh various management issues, including operations, training, personnel, policy or other matters. Owner/operators need not attend these meetings. Franchisee shall ensure that the manager(s) attending these meetings are compensated appropriately. Franchisor will advise Franchisee of the location, time and date, in advance. These managers meetings may be held in Franchisor's office or in any of the Franchise units and Franchisee will permit its unit to be used periodically for that purpose, provided that the meeting is scheduled at a reasonable time designed to have minimal impact on the unit's operations.

The Quarterly Manager Meeting may not occur every quarter, and will be scheduled at Franchisor's sole discretion.

J. Upon reasonable written notice, Franchisee agrees to permit Franchisor to show all aspects of Franchisee's unit to new and potential franchisees and/or their managers to promote the sale of franchises without compensation to Franchisee.

K. As part of the initial training or ongoing training program for new and existing franchisees, owners and managers participate in on-the-job training at existing franchises. Franchisee agrees to permit Franchisor to train new and potential franchisees at the Franchised Restaurant premises without compensation to Franchisee. Franchisee agrees to show franchisees and/or their managers and employees ("third party trainees") all facets of Franchisee's operation at Franchisee's premises, not to exceed two (2) trainees for two (2) days each, ten (10) hours per day, twice per year, without any compensation due to Franchisee. Franchisee may agree to more trainees but is not required to accept more. Franchisee will not pay Franchisor or the third party trainees for any training of third parties that occurs at Franchisee's restaurant. Franchisee will not be paid for any training of third party trainees. Franchisee or its managers will supervise the trainees' as Franchisee would its own employees, without monetary compensation to Franchisee, but will obtain any benefit of the trainees' labor without cost to Franchisee. Franchisee will be given two weeks' notice to allow scheduling at a mutually agreeable time.

Operating Manual

1. Franchisee acknowledges that the Operating Manual is designed to assure the quality of the products and services of the System and strict adherence to the Operating Manual is vitally important to successful operation of the Franchise Restaurant. Franchisee shall (i) operate the Franchise Restaurant in strict accordance with the Operating Manual which, among other things, sets forth the standard method of operation for a restaurant, the business format, recipes, menus and instruction for food preparation and the control of quality and portions, and (ii) conduct all training of employees of the Franchise Restaurant in strict accordance with the Operating Manual. Failure to comply with the standards set forth in the Operating Manual shall constitute a material breach of this Agreement.

2. Franchisee hereby acknowledges receipt and loan of one (1) copy of the Operating Manual. The Operating Manual shall at all times remain the sole property of Franchisor and Franchisee agrees to return the Operating Manual and any copies to Franchisor at the expiration or termination of this Agreement.

3. The Operating Manual and all its contents are to be maintained in strict Confidence and are deemed to be Confidential Information. Franchisee shall not at any time allow the Operating Manual to be copied, duplicated or otherwise reproduced without the express written permission of Franchisor. If and when any copies of the manual are made, Franchisee agrees to return all copies, and any modifications or amendments, to Franchisor immediately upon expiration or termination of Franchisee's rights under this Agreement. The Operating Manual is, and shall constitute a "Trade Secret" under the provisions of the Maryland Uniform Trade Secret Act.

4. Franchisee shall at all times keep current its copy of the Operating Manual and other Manuals issued to it by Franchisor. In the event of any dispute or disagreement as to the contents, current status and completeness of any such manuals, the master copy of the respective manual maintained at the Franchisor's principal place of business shall control. We may, at Our discretion, elect to provide future revisions of the Operating Manual to You in electronic media form via Our internet website. In that event, We will notify You of the existence of the revised Operating Manual. You are responsible for complying with all procedures contained in the latest version of the Operating Manual. Changes in operating procedures will be published seven calendar days in advance of their effective date to allow for implementation. Franchisor shall not be liable for typographical errors contained in any version of the Operating Manual, whether printed or in electronic media form. In the event that the terms in the printed or electronic media versions do not agree, the terms of the current printed "master copy" kept at Our office shall prevail. All information contained in the operating manual is subject to modification by state or local laws, and You are responsible for consulting local

and state health departments or other governmental authorities and complying with all applicable state and local laws.

5. Franchisee understands and agrees that Franchisor may, from time to time in its sole discretion and without prior notice to Franchisee, revise the contents of the Operating Manual and such other Manuals, standards, instructions, formulas, recipes and specifications, if any, as it may develop for use with the System. Such revisions may include, without limitation, changes in the image decor, design, format, appearance, methods, standards and specifications, operating procedures, menus, recipes, food products and beverages approved for restaurant. Franchisee shall comply with each changed requirement within such reasonable time as Franchisor may require.

6. Franchisee will ensure that each manager, employee, agent or other person to be granted access to the Operating Manual will execute a confidentiality agreement, in an acceptable form to Franchisor, and Franchisee will deliver said executed confidentiality agreement to Franchisor prior to granting access to the Operating Manual to said person.

Other requested services

On reasonable written request by Franchisee, as determined by Franchisor, We may furnish services regarding specific problems other than "Training" as contemplated within this Section, including, but not limited to, testimony in court or pursuant to court proceedings, conferences with attorneys, accountants, insurance adjusters, or conversations with You relating to legal, financial, accounting, insurance or other matters. If You so request, We may charge You for Our expenses incurred, including salaries of Our employees, travel expenses, room and board, attorneys' fees, accountants' fees, and other related expenses. We will advise You of Our rates in advance of agreeing to assist You, but the salaries for employees will be at least Five Hundred Dollars ($500) per day or fraction thereof. Fees charged by Our attorneys, accountants or other professionals will be their usual hourly rate.

We are not obligated to resolve any disputes between You and approved distributors of goods and service providers and Franchisor shall not be liable with respect thereto. Should Franchisor use its good offices to assist in the resolution of such disputes, it is merely an accommodation, and any failure to do so shall not be construed as a failure on the part of Franchisor to honor its obligations to Franchisee. Franchisor may assist Franchisee in obtaining goods and/or services used in connection with starting up the Franchised Restaurant, but shall not be responsible for any actions or failure to act beyond Franchisor's immediate control. Should Franchisor offer or provide any additional assistance beyond that required by Section 11, to You or any other Franchised Restaurant, it is merely an accommodation and Franchisor shall not be obligated to do so.

Section VI - Guidelines for Outside Designer and/or Architect and/or Construction and/or purchase and installation of Equipment and Furnishings:

1. ***Building and construction***

In order to ensure uniformity of appearances of Restaurants, Franchisee shall design, construct, or renovate the Franchise Restaurant Premises in accordance with such building plans, specifications, and layouts as may be approved by the Franchisor in writing in its sole discretion.

Layout, design, and plans specifications approved by the Franchisor shall not thereafter be changed or modified without Franchisor's prior written consent. Franchisee shall promptly notify Franchisor in writing of the date construction or conversions commence and the anticipated date of completion.

We are responsible for determining, issuing and modifying the approved specifications for supplies, fixtures and equipment used in Cluck-U, Corp. restaurants, but do not assume, and shall not be liable for, any liability or damages (including delays) resulting therefrom.

Franchisee acknowledges and agrees that:

A. The Franchisor's review and approval of plans is for the limited purpose of establishing a basis for compliance with Franchisor standards of image and operations and does not constitute a warranty, express or implied, of the technical adequacy of the plans by Franchisor.

B. Obtaining construction estimates and costs of related activities prior to receiving approval of final specific site and building plans from the Franchisor shall not prevent or relieve Franchisee from completing the project in accordance with such plans should the approved final specific site and building plans involve higher costs.

C. Construction or conversion of the building and improvements shall begin as soon as possible after the execution date of this Agreement. The building or conversion and improvements shall be constructed in strict compliance with the plans and specifications approved by the Franchisor and shall be completed within six (6) months following the date of this approval of the site, unless extended by Franchisor in writing. Franchisor, in its discretion, may inspect the construction at all reasonable times. Promptly after issuance of a Certificate of Occupancy, Franchisee shall, by written notice delivered one (1) week in advance, request Franchisor to perform its final inspection. Franchisee will be permitted to open the Franchise Restaurant for business only after the final inspection is performed by Franchisor, pre-opening training is completed and written approval by Franchisor is given. If the inspection reveals deficiencies that cannot be overcome by the scheduled opening date, then the Franchised unit may not be permitted to open on time, and Franchisee will hold Franchisor harmless for any delays caused by franchisee's failure to open on time due to failed inspection.

D. If the Franchise Restaurant is damaged or rendered totally or partially unusable by fire or other casualty, Franchisee shall repair or restore the Franchise Restaurant to its former condition within a reasonable time, not to exceed six (6) months after the date of the fire or casualty to the extent reasonably practicable. The proceeds of all insurance carried by Franchisee covering the Franchise Restaurant Premises shall be applied to the cost of repairing or restoring the Franchise Restaurant, and Franchisee shall pay the balance, if any, of such costs. Franchisor shall be named as an additional insured party under any insurance policy maintained by Franchisee.

E. Franchisee agrees that it will require that any outside designer and/or architect Franchisee hires for services related to the franchised unit follow Franchisor's Guidelines for Outside Designer and/or Architect, attached to this Agreement as Exhibit "L" hereto. Franchisee agrees to pay Franchisor a design review and processing fee of one thousand dollars ($1,000) for Franchisor's required review of plans made by an outside designer/architect.

F. You remain responsible for ensuring that Your architectural designs meet all applicable building code, health department, safety, and other regulations, and You must obtain all necessary inspections and certificates of occupancy from any governmental regulatory agencies. Franchisor's review of Your architectural plans will not relieve You from Your

liability nor will Franchisor be subject to any additional liability on account of its review of Your design or architectural plans. Franchisee agrees to indemnify and hold Franchisor safe and harmless from any and all liability from claims and liability arising out of or in connection with such arcbitectural designs or plans.

G. In addition to monthly reports submitted by Franchisee, at least annually and upon demand Francbisee will file with Franchisor its year end corporate tax report, proof of payment of sales tax, proof of payment of withbolding taxes and other corporate tax filings, including schedule K1 showing the ownership interest of each of the beneficial owners, and other similar or equivalent state, local and federal filings. Franchisee will permit at all times review of its computer system showing all sales, expenses, profit and loss. Franchisee will submit to Franchisor annually and upon demand a profit and loss statement prepared by a qualified tax preparer. Franchisee will provide proof of sales, withholding and other tax payments on a monthly or quarterly basis if requested.

2. ***Equipment and Furnishings***

A. Franchisee shall purchase, install, and use in and about the Franchise Restaurant Premises such items, and only such items, of equipment (including, but not limited to, food and beverage preparation equipment, fixtures, furnishings, interior and exterior signs, air and exhaust handling equipment) and other personal property (herein collectively referred to as "Equipment") as are designated by Franchisor from time to time as approved Brands and Manufacturers on the Franchisor's required Equipment and Furnishings List in the Operating Manual, or whicb otherwise have been approved by Franchisor in writing and which strictly conform to the appearance, uniform standards and specifications of Franchisor and the System as established from time to time. The standards for such Equipment shall be provided to Franchisee upon written request.

B. If Franchisee desires to purchase or install any item not so listed or approved, Franchisee or the supplier of such item shall submit to Franchisor a written request for approval of the item. Franchisor shall have the right to require, among other things, that a sample of the item be delivered (or otherwise be made available for inspection in a manner acceptable to Franchisor), at the Franchisor's option, either to Franchisor, its agent, or to an independent certified laboratory designated by Franchisor for testing prior to acting on the request for approval. Such samples must demonstrate to Franchisor's satisfaction the supplier's ability to consistently meet Franchisor's standards and specifications. Franchisor reserves the right to retest any item approved by it, and to revoke its approval if the item fails to continue to meet Franchisor's standards and specifications.

C. Upon notification by Franchisor, through revision of the Operating Manual or otherwise, that approval of any item has been revoked, Franchisee shall not thereafter purchase or, if Franchisor so directs, use such item. Franchisor may at any and all times inspect all Equipment and its installation to insure Franchisee's compliance with Franchisor's standards and specifications.

D. Francbisor reserves the right, in its sole and absolute discretion, to provide décor or other materials to Franchisee free of charge, in which event Franchisee will immediately install the supplied materials at Franchisee's expense. If Francbisor should so supply materials

to one or more Franchisees, Franchisor will be under no obligation to supply to You or any other Franchisee the same or similar items in type, quantity, value or amount.

Section VII – Maintenance, Inspection and Renovation:

1. Franchisee shall, at Franchisee's expense, maintain the store in conformity with the standards and specifications of Franchisor. Except as authorized in writing by Franchisor, Franchisee shall not make any material alterations in the Equipment, decor, or layout of the store. Franchisee shall maintain and repair all of the Equipment, fixtures and building at Franchisee's expense.

2. Franchisee agrees to keep the Franchise Restaurant in the highest degree of sanitation, cleanliness, repair and appearance, including, without limitation, such periodic repairs to Equipment and replacement of obsolete signs and Equipment, as Franchisor may reasonably direct in accordance with its then current standards set out in the Operating Manual or otherwise.

3. On each fifth anniversary of the first initial business day, following an on-site inspection by Franchisor, Franchisee may be required to undertake renovations, including but not limited to: Paint, upgrade or replace signs, menu boards, menus, fixtures and furniture, replace or add kitchen equipment, upgrade or renew computer software or hardware, upgrade or replace any decorative materials. All upgrades or changes will be the Franchisee's responsibility and at Franchisee's sole expense and shall meet Franchisor's approval in writing. Franchisee shall complete any such repair, remodeling and upgrade as expeditiously as possible, but in any event within thirty (30) days after commencing same.

Franchisor may, on one or more occasions waive or defer for such period of time as Franchisor may deem appropriate, Franchisee's obligation to repair, remodel and improve Franchisee's Franchise Restaurant.

4. Franchisee agrees not to attach or exhibit any signs, displays or posters on or in the exterior or interior of the Franchise Restaurant or on the Franchise Restaurant Premises, other than signs, posters or displays then currently supplied, required or authorized in writing by Franchisor, nor permit or suffer others to do so. Franchisor will provide Franchisee a Merchandise Catalog from which Franchisee may select approved posters, signs, uniforms and other promotional and decorative materials.

5. The Franchisee shall allow Franchisor or its agent to access the Franchise Restaurant at any time during normal operating hours with or without prior notice, for the purpose of conducting food quality inspection and/or other matters related to the franchise System, and to insure compliance with Franchisor guidelines as defined in the Operating Manual.

6. All employees must wear approved uniforms at all times. If Franchisor or its agent is inspecting Your restaurant and discovers your employees are not wearing approved uniforms, Franchisor may provide uniforms at Franchisee's expense, You must pay for any uniform to be given by Franchisor or its agent to Your employees who are not wearing the Cluck-U approved uniform.

7. In the event of fire or other casualty rendering the Location wholly or partially unusable, Franchisee will promptly repair the Location, bringing it into conformity with the standards and specifications of Franchisor.

8. If inspection reveals unapproved items in stock or in use at Franchisee's premises, Franchisee will immediately cease offering such unapproved products and Franchisee will call for the unapproved products to be removed at Franchisee's expense and replaced with approved products from approved distributors at the earliest possible delivery date. If Franchisee fails or refuses to do so, Franchisee authorizes Franchisor to

remove from the menu those product offerings that use unapproved items, and to call for removal and replacement of the unapproved items at Franchisee's expense. If Franchisor advises Franchisee that an inspection has revealed unapproved items, and franchisee either refuses to allow removal of the items or purchases the same items again, knowing that they are unapproved, then, in addition to being in default, Franchisee will pay a penalty to Franchisor in an amount of five percent (5%) of the value of the unapproved products or $100, whichever is greater.

9. Franchisee agrees that it will promptly clean, repair, replace or maintain any part of the premises, fixtures or equipment that is damaged, does not operate correctly, is unsightly, unsanitary, or otherwise is in need of repair or maintenance. Franchisee will at all times keep the premises in optimal repair and cleanliness. If an inspection by Franchisor reveals any deficiency, Franchisee will immediately correct the same. Franchisee's failure to promptly complete all repairs identified in an inspection shall be a default of the Agreement. If all repairs to any part of the premises, fixtures or equipment is not completed within twenty-one (21) days of notice from Franchisor or its agent, then Franchisor may, but is not required to, hire appropriate personnel to clean, repair, replace or maintain the premises, fixtures or equipment on behalf of Franchisee and Franchisee agrees to pay all charges related thereto. Charges shall be paid by Franchisee within two weeks following submission of an invoice to Franchisee. Franchisor is authorized to make deduction from Franchisee's account via ACH.

Section VIII – Retail Prices:

As a service to Franchisee, Franchisor utilizes its experience and market data to establish and suggest a schedule of retail prices. Notwithstanding that Franchisor may refer to such suggested prices in national and regional advertising, and notwithstanding any other provision of this Agreement, Franchisor shall not attempt to establish or enforce any schedule of required retail prices. Franchisee shall have the right to fix the prices of products for sale to the public.

Section IX – Franchise and Royalty Fees:

In consideration of Franchisor's obligations and duties hereunder, including use of its Marks and System by Franchisee, Franchisee shall pay to the Franchisor the following fees:

1. Upon execution of this Agreement, Fifteen Thousand Dollars ($15,000) as an initial franchise fee. This initial Franchise fee is non-refundable for any reason, except at the direction of the state administrator. If You are a Maryland resident or are opening a franchise to be located in Maryland, Cluck-U, Corp. will defer all initial fees and payments until Cluck-U, Corp. has completed its initial obligations. Franchisee shall not open for business or use Franchisor's marks until all fees are paid. If fees are deferred Franchisee agrees to pay all initial fees once Cluck-U, Corp.'s initial obligations are fulfilled.

2. By wire transfer or electronic transfer ("ACH"), on a monthly basis, a monthly royalty fee equal to five percent (5%) of each calendar month's gross sales as payment for the Franchisee's continued right to use the **Cluck-U Chicken** System. "Gross Sales" means and includes the total of all cash or other payments for the sale of food, beverage, including alcoholic beverages and beer, merchandise, or other service or goods at the franchise premises, or any revenues derived from off-premises sales, such as catering, private parties, on-line internet orders, fax orders, business functions or the like. "Gross Sales" does not include applicable sales or use taxes. Franchisee will submit to Franchisor an executed form authorizing ACH withdrawals from Franchisee's account(s) by Franchisor as stated in this Agreement. If Franchisee opens new or different accounts Franchisee will promptly deliver new executed ACH authorization from(s) to Franchisor.

3. Monthly royalty is payable on the first business day of the month following sales, but a grace period is granted until the tenth (10th) calendar day of the month. Franchisee shall ensure adequate funds are available in its bank account to pay the monthly royalty fees to Franchisor via ACH by the tenth (10th) following the calendar month in which sales are made. Franchisor will debit Franchisee's bank account by ACH. Franchisor may withdraw funds by ACH on the tenth or any time thereafter. Monthly royalty fees which are not paid when due shall bear interest from and after their due dates at the rate of eighteen percent (18%) per annum or at the highest rate permitted by Maryland law, whichever is less. In addition to interest, Franchisee must pay an administrative late charge of Two Hundred dollars ($200) if the payment is not received by Franchisor by the 10th day of the month, either because ACH funds are not available or otherwise. Franchisor requires all royalty payments to be sent electronically to help reduce costs and promote efficiency. If payments are not received via ACH but are sent by cash, check, or other paper instrument, then Franchisee will be charged a twenty-five dollar ($25) handling fee, in addition to any other late charges or interest, if any. If Franchisee advises Franchisor that ACH funds are available but the withdrawal is refused by the Franchisee's bank for any reason, including insufficient funds, then Franchisee will pay an administrative charge of $50. In the event Franchisee shall fail to provide Franchisor with the monthly profit and loss statement by the fifth (5th) day of the following month in accordance with Section XI(1) hereof, the monthly royalty fee shall be estimated using previous monthly sales and projected sales. Should an audit later show the monthly royalty fee to have been a different amount, the royalty fee shall be adjusted in the next month following the audit.

Cluck-U, Corp. reserves the right, at its sole and absolute discretion, to reduce or partially refund royalty fees, temporarily but for any length of time, merely as an accommodation, if, in Our sole opinion, circumstances warrant a reduction or partial refund, including, but not limited to, the opening of additional units by the same Franchisee, unusually low revenues, or other hardship, provided that any reduction or refund may be terminated at any time and at Our sole discretion, and such royalty reduction or refund shall not create any expectation by Franchisee that it is an entitlement, regardless of the amount or duration of the reduction or refund, nor shall it operate as a waiver by Us of Our right to reinstate the full royalty fee at any time and without notice.

Part of the consideration for the ongoing service provided to Franchisee by Franchisor and its affiliates, including assistance in the development, production and distribution of food and non-food products by approved suppliers, is the receipt of periodic rebates, discounts and incentives from suppliers. While some savings are negotiated for the units' benefit and are reflected in purchasers' price lists, any periodic rebates, discounts and incentives paid by suppliers to Franchisor and its affiliates are the sole property of Franchisor or its affiliates. The amounts of these rebates may vary. Franchisee has had an opportunity to review examples of recent price lists and compare them to prices offered to non-members of the System. These prices may not be representative of future prices. The price paid by Franchisees for goods from vendors may be higher, lower or the same as those paid to approved suppliers by non-members of the System. Franchisee agrees that the benefits of becoming a member of the system outweigh any costs associated with membership, including restrictions on Franchisee's sources of supply.

Cluck U, Corp. offers to its franchisees an incentive plan for opening additional units. All other requirements of this or any future franchise agreement must be followed, including site selection and Franchisor's approval of the prospective franchisee. Provided that Franchisee remains in good standing and is not in default of any aspects of this Agreement, Franchisee may apply for an additional franchise. Franchisor may decline for any reason or for no reason. If Franchisee and Franchisor agree, then Franchisee may be permitted to operate an additional unit at a reduced monthly royalty rate. Provided that the prospective second franchise is to be owned and operated by the same beneficial owners of the first unit, and in the same percentages, Franchisor will agree to accept a reduced royalty that is one percentage point below the usual royalty fee, based on sales. In other words, if the usual royalty fee is 5% of sales, the second, third, fourth, etc., units will have their royalty reduced by one percentage point (currently, each would pay 4% of sales as royalty).

The first unit will pay the original royalty fee at all times (currently 5% of sales). If the first unit's agreement is terminated, transferred or assigned or if the first unit closes for any reason, then the second unit's royalty will immediately revert to the full royalty (currently 5%). If either of the units is relocated with franchisor's approval, the royalty will revert to the full royalty. If any of the units' beneficial owners change, including transfers among existing members or owners of Franchisee and changes in beneficial ownership percentage, as reflected in tax filings, the royalty of the second unit will revert to the full royalty. If either unit is reinstated following closure or termination by Franchisor, then the royalty will revert to the full royalty amount. The first unit's Agreement will not be altered in any way, and the second unit's agreement will be the then current franchise agreement with only the royalty payments reduced as stated. No other consideration, reduction, discount or offset will be offered to or expected by Franchisee. If offered to this Franchisee, additional units will be offered at reduced royalty payments only as stated, but the oldest operational unit owned and operated by this franchisee will always pay the full royalty (currently 5%) and only the second, third, fourth, etc., units will have their royalty reduced by one percentage point (currently, each would pay 4% of sales as royalty) and nothing else. Under this Franchise Agreement for the Franchised Restaurant at this location, the monthly royalty percentage is 5% of total sales.

If either the Franchisee's first unit or any subsequent unit is in default of its Franchise Agreement and fails to promptly cure the default in no more than ten (10) calendar days following notice, then the reduced royalty payment on any and all units owned and/or operated by this Franchisee will be temporarily rescinded and the full royalty (5%) will be due until the default is cured. By way of example only, if the first unit obtains unapproved goods and fails to replace them within ten (10) days following inspection and notice, then the second and third units, if any, will pay the full 5% royalty until the default is remedied. If any unit owned and/or operated by Franchisee is in default of this Agreement, and such default is not cured within thirty (30) calendar days of notice of default, then any and all agreement(s) between Franchisee and Franchisor to reduce the royalty structure as stated herein will immediately and permanently be rescinded and the royalty amount for all units owned by Franchisee will revert to the full franchise fee (currently five percent (5%)), in addition to any other remedies provided herein.

Section X – Advertising:

Franchisee shall be obligated to pay a total of four percent (4%) of each month's gross receipts for advertising as follows:

1. ***The National/Regional Fund***

Franchisee shall pay two percent (2%) of monthly gross sales for the establishment of a general advertising fund (the National/Regional Fund). All new **Cluck-U Chicken** franchise restaurants within the Cluck-U, Corp. System other than conversion units previously under agreement with Cluck U Chicken, Inc. (pre-2000 units) will contribute to the National/Regional Advertising Fund if and when implemented (see below). These fees are non-refundable. Franchisee shall authorize Franchisor to withdraw payments to the advertising fund from Franchisee's account via ACH on or after the 5th calendar day following sales. Franchisor shall hold the advertising fund in trust and shall use the fund for national, regional and local advertising at Franchisor's discretion. Franchisor shall use no portion of the advertising fund for advertising that benefits only individual Franchisees. Franchisor shall not use the advertising fund to promote the sale of new franchises.

Franchisee's contributions to the National/Regional advertising fund are payable on the first day of the month following sales. A grace period is granted until the 5th day of the month. Franchisee's contributions shall be made by wire transfer or electronic transfer (ACH), on a monthly basis, on the 5th day of the month following sales. The monthly advertising contribution shall be equal to two percent (2%) of each calendar

month's gross sales. Franchisee will submit to Franchisor an executed form authorizing ACH withdrawals from Franchisee's account(s) by Franchisor as stated in this Agreement. If Franchisee opens new or different accounts Franchisee will promptly deliver new executed ACH authorization from(s) to Franchisor.

Franchisee shall ensure adequate funds are available in its bank account to pay the monthly National/Regional advertising fund contributions via ACH by the fifth (5th) day following the calendar month in which sales are made. Franchisor will debit Franchisee's bank account by ACH. National/Regional Advertising Fund contributions which are not paid when due shall bear interest from their due dates at the rate of eighteen percent (18%) per annum or at the highest rate permitted by Maryland law, whichever is less. In addition to interest, Franchisee must pay an administrative late charge of Two Hundred dollars ($200) if the payment is not received by Franchisor by the 10th day of the month, either because ACH funds are not available or otherwise. Franchisor requires all royalty and advertising payments to be sent electronically to help reduce costs and promote efficiency. If payments are not received via ACH but are sent by cash, check, or other paper instrument, then Franchisee will be charged a fifty dollar ($50) handling fee, in addition to any other late charges or interest, if any. If Franchisee advises Franchisor that ACH funds are available but the withdrawal is refused by the Franchisee's bank for any reason, including insufficient funds, then Franchisee will pay an administrative charge of $50. In the event Franchisee shall fail to provide Franchisor with the monthly profit and loss statement by the fifth (5th) day of the following month in accordance with Section XI(1) hereof, the monthly advertising payment shall be estimated using previous monthly sales and projected sales. Should an audit later show that the monthly advertising payment should have been a different amount, the National/Regional advertising fund contributions shall be adjusted in the next month following the audit. Franchisee authorizes Franchisor to withdraw advertising funds on or after the 5th day of the month based on Franchisor's estimate of sales from the previous month. If Franchisee's verified Profit and Loss statement shows a different amount was due, Franchisor shall credit or debit the difference, as the case may be.

We reserve the right to temporarily but for any length of time waive or reduce the obligation of Franchisee to pay two percent (2%) of its monthly gross sales to the National/Regional advertising fund until or unless, in Our sole opinion, there are sufficient Franchisees in the System to warrant the operation of the National/Regional advertising fund. In that event, We may either decline to collect the National/Regional advertising fund fees, or collect the fees and return all or a portion of them to Franchisee at the end of the fiscal year or at any other time. Should We elect to temporarily waive or reduce the National/Regional advertising fund, You will still be obligated to spend 2% of your monthly gross sales on Your local advertising. Should We temporarily waive Your obligation to pay into the National/Regional advertising fund, We may at any time require that You begin paying into the National/Regional advertising fund, in Our sole and absolute discretion. We will provide You with one month advance notice.

Until such time as the System engages in national or regional advertising campaigns, part of the national/regional advertising fund may be used for advertising and marketing programs directed to the area of the Franchised Restaurant, provided, however, that if there are multiple restaurants located within the same media market, then there is no guaranty that advertising expenditures will be spent in direct proportion to the advertising fees generated by each restaurant (including the Franchise restaurant) in that market. We have the right, in Our discretion, to designate any geographical area in which national or regional advertising and marketing is undertaken, or to designate the geographical area for the establishment of an advertising cooperative.

Franchisor reserves the right to reduce the Franchisee's mandatory contribution to the National/Regional advertising fund to a lower percentage or a fixed fee, provided such fixed fee does not exceed two percent (2%) of sales, as stated above. Such reduced contribution may be adjusted, downward or upward, in Franchisor's sole discretion, provided that Franchisee shall be given fifteen (15) days notice of upward adjustments. Franchisor may raise the regional advertising contribution up to the full 2% at any time, with 15 days notice to

Franchisee. If the contribution level is below 2%, either as a fixed fee or a lower percentage, Franchisee agrees that Franchisee shall pay a full 2% of sales into the fund (or such lower amount as agreed by Franchisor) until such time as the Franchisee has paid into the National/Regional Fund an amount sufficient to bring Franchisee's contributions into parity with other units' contributions towards advertising and promotional campaign expenditures not spent prior to 30 days before Franchisee opens for business. By way of example only, if at the time Franchisee begins operations there is a balance in the advertising fund paid into by other franchisees but not yet expended, Franchisee will contribute a full 2% of sales to the Regional Fund until Franchisee's contributions equal those contributions made, but not spent, by the other units. Thus, if the Fund for a region with 10 units had $20,000 in it within 30 days before Franchisee's unit opened, even if those units were contributing only $500 per month to the Fund, Franchisee would contribute $2,000 for the first month (assuming that did not exceed the 2% maximum), so each unit had contributed $2,000 (for a total of $22,000 for 11 units). Provided that the advertising is directed in part to Franchisee's market or area, National/Regional Fund advertising within 30 days prior to Franchisee's opening shall be considered directly benefiting Franchisee. By agreement, Franchisee may pay more than 2% to bring its contributions to the National/Regional Fund equivalent to that of other units at the time of opening, but Franchisee is not required to do so. It may take Franchisee more than one month to contribute sufficiently to the Fund at the 2% rate until Franchisee's Fund contributions are in parity with other units in the region.

National/Regional advertising fund contributions are not required from units outside the United States, but they may benefit, directly or indirectly, from advertising, including internet promotions.

Any National/Regional advertising fund contributions will be retained by the Advertising Fund until spent and Franchisee shall not be entitled to any refund for any reason, including sale or transfer of the business. Franchisor reserves the right to refund any portion of advertising fund contributions to all franchisees who have contributed equally in proportion to their contributions. By way of example only, if one franchisee leaves the System its unspent advertising contributions will not be refunded, but if $100,000 remains unspent, is unlikely to be spent soon and Franchisor agrees to refund $40,000 to 20 units or whatever is the number of units participating at the time, each of the units will receive equally amount that is $2,000 over the $40,000 refund per unit in the case of 20 units participating at the time. This assumes each has contributed a flat fee previously. It is anticipated that the Advertising Fund will accumulate funds until sufficient amounts exist to pay for national and regional advertising campaigns. Accumulated contributions are intended to benefit the System as a whole and franchisees in Your and other regions over the longer term.

2. ***Local Advertising***

Advertising is an essential function of the business operation. A material part of the consideration for this Agreement is the expectation that Franchisee's business will promote the Cluck U, Corp. owned brand names and symbols and their association among the public as a source of quality food. Franchisor and other units benefit from such recognition. Failure to adequately advertise impairs the expected value of Cluck U, Corp. owned brand names, and harms the Franchisor and other units. Franchisee's failure to meet or exceed advertising expectations as agreed will impair Franchisees' sales.

Franchisee must spend an additional two percent (2%) of its monthly gross sales on local advertising to be allocated as the Franchisee sees fit. Franchisee shall conform to Franchisor's standards and shall submit proposed advertising to Franchisor for approval. Franchisee must follow **Cluck-U, Corp.**'s minimum marketing recommendations, but may exceed them. Franchisee must keep a record of such expenditures for review by Franchisor if and when requested. At least quarterly and on demand, Franchisee will submit records and receipts of all advertising expenditures to Franchisor. If Franchisee fails to supply proof of advertising expenses equal to 2% of sales, then Franchisee will be subject to a penalty for this failure in the amount of the

difference between 2% of sales and what is actually paid and documented ("2% differential"). Franchisor, in its absolute discretion, may temporarily waive such penalty for good cause. If Franchisor imposes a penalty for insufficient advertising, then the penalty amount will be deposited into the advertising fund, if any, and is to be spent on advertising at the regional or national level. No refunds of such fees will be made, and Franchisor may decide when or how to spend these moneys, which may or may not be done in concert with an advertising cooperative. If the 2% differential penalty is imposed, it will not count towards Franchisee's National Regional Advertising Fund contributions. Advertising is a daily, weekly and monthly obligation of Franchisee and such promotional expenses are normally expected to be paid monthly or more frequently; however, seasonal or other variations may occur or large marketing initiatives may result in heavy expenses one month and fewer another. These variations, if reasonable, are permitted; however, by the end of the Franchisee's fiscal year advertising expenses must meet Franchisee's annual minimum or the penalty (2% differential) will be imposed. Advertising that is not previously approved by Franchisor, whether withdrawn from circulation or not, may not count toward Franchisee's advertising requirement (2% of sales), in Franchisor's sole discretion.
Franchisee's advertising expenditure expectations must be met on at least a quarterly basis, unless otherwise agreed by Franchisor in writing.

If Franchisee distributes unapproved advertising and promotions, including coupons and gift certificates, that causes damages to other units, Franchisee will defend and hold Franchisor harmless for any damages. If Franchisee issues coupons or gift certificates redeemable at other locations, Franchisee will redeem the coupons plus a reasonable handling charge.

3. ***Advertising Cooperative and Advertising Council***

A. We may organize an advertising cooperative. We will only establish an advertising cooperative in Your state if a majority of the independent franchisees in Your state vote to establish an advertising cooperative. The vote will take place at a meeting of franchisees in Your state held with at least one month's notice. If created, the cooperative will be tasked with developing advertising campaigns for local or regional use and advising Cluck-U, Corp. and member franchisees within the state or region about advertising opportunities. Cooperatives may administer part or all of Your local advertising expenditures. The cooperative will not administer or control the National/Regional Advertising Fund. The cooperative may create its own fund for local or regional advertising, or it may remain advisory only. If a majority of the members of the cooperative agree to establish mandatory contributions, You must contribute to the cooperative's local advertising fund on the same terms as all other members of the cooperative, either a fixed fee, percentage of sales, or other agreed terms. If the advertising cooperative establishes a local advertising fund it must prepare annual or periodic financial statements for review by franchisees at its own expense. If the cooperative creates a local advertising fund, any contributions you make to the local advertising fund will be credited toward only your local advertising requirement and will never, without your consent, exceed two percent of your average monthly sales. You are encouraged, but not required, to spend more than 2% of sales on local advertising. .

If an advertising cooperative is created, all franchisees and all Cluck U, Corp. owned restaurants in the state must join the cooperative on the same terms. The cooperative may make assessments on its members of a uniform fixed fee or percentage of gross sales, but never to exceed two percent of Your sales (Your local advertising requirement) without your consent. You must promptly notify Cluck-U, Corp. and the cooperative if Your contributions to the cooperative's fund ever exceeds 2 % of your sales without Your consent. The cooperative will consist of all units within the state and may elect members to an executive board consisting of three (3) or more Franchisees or Cluck-U, Corp.'s representatives selected by a majority of units in the state or region. Each unit, whether a franchisee or a company owned unit, will have one vote in selecting members to an executive board. Executive board members will not be compensated for their time unless approved by a majority of the independent franchisees in the cooperative. If compensated, board members will receive equal treatment. The cooperative may hire advertising agencies or other

personnel to administer the cooperative; otherwise, franchisees will administer the cooperative. Each franchised unit and each Cluck U, Corp. owned unit within the cooperative will have one vote on all spending proposals put before the cooperative's members as a whole. The cooperative may develop plans for local and/or regional advertising.

The cooperative may develop its own rules and procedures for administering the cooperative, assessing fees on members and spending its funds on advertising and administration, provided that (1) decisions are made by a majority of members, with each franchise and company owned unit in the cooperative having one vote; (2) any advertising must be approved in advance by Cluck-U, Corp. (3) assessments by the cooperative on members may never exceed 2% of each unit's sales (their mandatory minimum for local advertising) without that unit's consent; (4) all expenses, costs and outside fees, including expenses of administering and operating the cooperative, shall be paid by the cooperative and its members; and (5) all franchisees and Cluck-U, Corp. owned units in Your state must contribute on the same terms, either as a uniform fixed fee, as an equal percentage of sales, per quantity of promotional items obtained, or some other agreed method (the cooperative may decide which).

If created, the advertising cooperative is designed to maximize the combined purchasing power of multiple franchisees and use broader media markets and resources than would otherwise be available to individual franchisees. If You contribute part of Your local advertising expenditures to programs developed by the cooperative, You are still responsible for spending the remainder of Your local advertising requirement (totaling 2% of gross sales). All franchisees and Cluck-U, Corp. owned units in Your state must contribute on the same terms to the cooperative, if established.

The advertising cooperative may advise Us and franchisees in the state or region and may also develop local and regional advertising campaigns. The cooperative's executive board serves in an advisory capacity only and has no operational or decision making power unless given it by a majority of the membership of the cooperative. We have the power to require the advertising cooperative's executive board or the cooperative itself to form, change, merge or dissolve, subject to the restrictions in this section. If the advertising cooperative is dissolved, any unspent contributions will be refunded. The cooperative need not operate from written governing documents. As of September 30, 2012, there was no advertising cooperative.

B. Whether or not there is an advertising cooperative:

(i) All Cluck-U, Corp. Franchisees agree to contribute two percent (2%) of annual gross sales to the national/regional advertising fund.

(ii) We administer the fund and have the discretion to negotiate with advertising agencies. The fund is audited annually and accounting statements of the fund will be available for review by You at Our Corporate Office. Please allow for two (2) weeks appointment notice.

(iii) We do not receive payment for providing goods or services to the advertising fund.

(iv) You will be responsible for spending at least two percent (2%) of Your gross sales for Your local advertising. Your 2% local advertising requirement is in addition to the two percent (2%) of gross sales (maximum) You must contribute to the national/regional advertising fund.

(v) Part of the national/regional advertising fund may be spent on auditing and record keeping by independent auditors and/or record keepers. The national/regional advertising fund will also pay for the cost of developing television or radio commercials, print or other advertising copy. Part of the national/regional advertising fund may also be used for giveaways, gift certificates, raffles, or other promotional expenses.

(vi) Any funds for the National/Regional advertising fund remaining in the account at year's end may, at Franchisor's discretion, be refunded, escrowed or retained in the fund's account or otherwise handled as required by law. If there is any tax liability for the fund for any reason, including that funds are retained in the account at year-end, the taxes will be paid from the fund.

C. Any advertising fund monies accrued and not spent during the fiscal year are to be applied to the following year's advertising fund. Franchisee is not entitled to any refund of any advertising fees contributed to the national/regional advertising fund for any reason, including upon sale or termination of the Franchise Agreement. As stated above, in Our sole and absolute discretion, We may also refund to You the advertising fund monies that You contributed.

D. We do not use any advertising funds from You to advertise the sales of franchises, although identifying information may be contained in advertising materials. We reserve the right to enter into voluntary mutual cost sharing agreements with any franchisees to combine our advertising resources for any purpose, including sales of franchises.

E. We may organize an advertising council composed of franchisees who may advise Us on advertising policies, consisting of five (5) or more franchisees ("members") selected by Us. We select members who express an interest in investing time into advertising and who have demonstrated a history of successful operations and purposeful advertising. You may request in writing to be appointed to the advertising council. If space allows, You may attend meetings with advance notice even if you are not selected as a member. The advertising council serves in an advisory capacity only and has no operational or decision making power. We have the power to require the advertising council to form, change, merge or dissolve. The advertising council need not operate from written governing documents. As of December 31, 2010, there was no advertising council.

4. As of September 30, 2012, there were twenty-one (21) franchised units within the Cluck-U, Corp. System, in the US and overseas, including some that were previously under franchise, licensing or other agreement with Cluck-U-Chicken, Inc. As of September 30, 2012, there were an additional two (2) Cluck-U-Chicken restaurants claiming to operate under franchise, licensing or other agreement directly with Cluck-U-Chicken, Inc., and not in the Cluck-U System. (two units in New Jersey are in Bricktown, and New Brunswick) None of these units that existed prior to June 8, 2000, ("Pre-2000 Units ") are required to partake in or contribute to the National/Regional Advertising Fund or the Advertising Cooperative, if any, nor are there specific local advertising requirements for those units existing prior to June 8, 2000. Pre-2000 units may be invited to join the National/Regional Advertising Fund or the Advertising Cooperative, but are not required to do so. If they do join the National/Regional Advertising Fund or the Advertising Cooperative, they may do so on the same or different terms as You, that is, two percent (2%) maximum of monthly gross sales to be spent on National/Regional Advertising. Pre-2000 Units may still not have to spend any specific amount on local advertising as You are obligated to do under this Agreement. If Pre-2000 Units join in the National/Regional Advertising Fund, there may be savings to You, to the extent that advertising costs will be shared among a larger number of units in Your vicinity. Express units as defined in Section III, 4, D, will not be required to contribute funds for advertising. The overseas unit(s) is not required to partake in or contribute to the National/Regional Advertising Fund or the Advertising Cooperative nor will the overseas unit(s) get any benefits of the National/Regional Advertising Fund. The overseas unit(s) will create their own Advertising program.

Any new units under franchise agreement with Cluck-U, Corp. in your general area will be required to join the National/Regional Advertising Fund and the Advertising Cooperative (if any) under the same terms as Your unit (except for Express Units as stated above), but their contributions may be waived due to geographic considerations, as stated herein. Any new Cluck-U Chicken Restaurant units directly owned by Cluck-U, Corp.

and opened after June 8, 2000, in your general area will be required to join the National/Regional Advertising Fund and the Advertising Cooperative (if any) under the same terms as Your unit, but their contributions may be waived due to geographic considerations, as stated herein.

As stated above, We may either decline to collect National/Regional Advertising fees, or refund them to You (and other units in Your geographic area), if, in Our opinion, there are not enough units in Your area or nationally to warrant the expenditure on advertising.

Although Pre-2000 Units may benefit, directly or indirectly, from national or regional advertising paid for by You or other Franchisees, You agree that Your obligations with respect to advertising is fair and reasonable under the circumstances.

5. In addition to any other advertising obligations under this Agreement, including the national/regional advertising, local advertising and the advertising cooperative, if the Franchisee agrees to participate in any promotion or advertising project, then Franchisee will pay for its proportional share of the costs incurred, either directly to the advertising service provider or through Franchisor. If Franchisee makes its intentions known at the time that the decision is made to undertake the advertising project Franchisee may opt to not participate in such promotions but run other advertising.

6. All advertising and menus must be approved in advance by Franchisor, in writing. If Franchisee fails to obtain Franchisor's written approval of menus, menu boards, advertising or other materials, and Franchisor disapproves of any items, Franchisee agrees to immediately discontinue use or publication of such materials and destroy all disapproved materials at Franchisee's own expense within a reasonable period of time.

7. Franchisor, its employees, officers and independent contractors may make decisions and enter into contracts for advertising campaigns and promotional materials for the benefit of the advertising cooperative, the National/Regional Advertising Fund, individual franchisees, and groups of franchisees who desire to pool resources. Franchisor, its employees, officers and independent contractors will use their best business judgment in making such decisions. Provided that they are not grossly negligent, Franchisee will hold Franchisor its employees, officers and independent contractors harmless from any costs or damages that result from such business decisions. If an advertising campaign, idea, product or contract is not as successful as might be hoped or if Franchisee does not approve of the advertising campaign, idea, product or contract, Franchisee will work to improve future efforts but will not hold Franchisor, its employees, officers and independent contractors liable. The parties agree that such efforts are business decisions.

8. Franchisee understands and agrees that advertising and promotional programs may not benefit all units within the System equally; Regional Marketing funds are contributed based on gross sales while advertising and promotional programs may be directed disproportionately to different markets. Franchisee shall contribute Regional Marketing funds (not to exceed 2% of gross sales) based on sales, with no expectation of equal or proportional benefit, provided that advertising and promotions are directed in part to Franchisee's market area. Amount of promotional materials and level of support may or may not vary by location.

9. Franchisee agrees to conduct a "Grand Opening" celebration during the first two weeks of being open for business. Franchisor will determine the date and time in consultation with Franchisee to optimize exposure. The Grand Opening celebration will last at least two hours during peak time, during which Franchisee will offer all menu choices to the public for free as well as other promotions. Franchisee may include the actual cost Franchisee pays for food and other products given away during the Grand Opening in Franchisee's local (2%) advertising requirement.

Section XI – Accounting Procedures:

1. Franchisee shall utilize such accounting procedures as are furnished by or acceptable by Franchisor and shall provide Franchisor with monthly profit and loss statements on or before the fifth (5th) day of the following month and a monthly accounting of sales and royalties. Franchisee may derive monthly profit and loss statements from the computer system or from an accountant/bookkeeper. In the event Franchisee shall fail to submit the monthly profit and loss statement by the fifth (5th) day of the following month, Franchisee shall pay Franchisor the sum of Fifty Dollars ($50.00) per day for each day the statement is late.

2. Upon request of Franchisor, Franchisee will obtain a complete audit from a Certified Public Accountant no more than one time each year and shall provide Franchisor with a copy of the Auditor's statement, provided that if Franchisor presents evidence of underreported sales and the last audit is more than six months old, Franchisee will obtain a new audit.

3. At any time and without notice, Franchisor shall have the right to inspect, review, copy and audit Franchisee's books, records, computer system, and tax returns. Inspection on Franchisee's premises will be conducted during Franchisee's normal hours of operations. Franchisee shall permit Franchisor full access at all times to monitor and review Franchisee's Point of Sale computer system and monitor all Franchisee's sales, purchases, revenues, and expenditures, including labor, food and non-food usage and costs. Franchisee shall provide any required user accounts and access codes. If tax returns or other documents are not readily available, Franchisee shall make them available for review upon ten (10) days written notice during normal business hours. If Franchisor's inspection shows that the gross sales Franchisee reported to Franchisor are less than the actual gross sales, then Franchisee shall immediately pay Franchisor the additional amount of fees owing, together with interest from and after the due dates at a rate of eighteen percent (18%) per annum or the highest rate permitted by Maryland law, whichever is less. If the inspection reveals a variance of more than two percent (2%) from that reported to Franchisor, then in addition to making the payment provided for above, Franchisee shall also pay any and all expenses incurred in connection with Franchisor's inspection, including, but not limited to, reasonable accountants' and attorneys' fees, and other costs.

4. Franchisee shall open and maintain a bank account for deposit of daily sales collected.

Section XII – Relationship, Indemnification and Personal Guaranty:

1. Franchisee is not, and shall not represent or hold itself out as an agent, legal representative, joint venture, partner, employee or servant of the Franchisor for any purpose whatsoever. Franchisee, where permitted or required by law to do so, shall file a business certificate with the proper recording authorities. Franchisee is not authorized to make any contract, agreement, promise, warranty or representation on behalf of Franchisor, nor to create any obligation, expressed or implied, on behalf of Franchisor. Franchisee agrees that Franchisor is not, in any way, a "fiduciary" with regards to Franchisee. Franchisee shall not place orders with manufacturers claiming to be authorized by Franchisor to do so. Franchisee is not authorized to order any proprietary or private label items directly from any manufacturers. Franchisee may only order in its own name and for its own account from approved distributors.

2. Franchisee shall indemnify and hold Franchisor and its officers, directors, employees, agents, attorneys, accountants, affiliates, divisions, successors and assigns, safe and harmless from and against:

A. Any and all claims and liability based upon, arising out of, or in any way related to, the operation or condition of any part of Franchisee's premises; the conduct of business therein; the ownership or possession of real or personal property; any negligent act, misfeasance or nonfeasance by Franchisee or any of its agents, contractors, servants,

employees or licensees. Without limitation, Franchisee is solely liable for all obligations of Franchisee incurred pursuant to any provisions of this Agreement.

B. Any and all claims and liability based upon, arising out of, or in any way related to, the operation, condition or use of Delivery vehicles of any kind and any delivery personnel, including employees and independent contractors.

C. Any or all claims and liability for fees, including any reasonable attorney fees, expert witness fees, costs and other expenses incurred by or on behalf of Franchisor in the investigation of or in defense against the claims included in subsections A and/or B hereof.

3. **Personal Guaranty**. The beneficial owner(s) of the Franchised restaurant shall execute a personal guaranty in the amount of One Hundred Fifty Thousand Dollars ($150,000) to personally guaranty the faithful performance by Franchisee of all terms of this Agreement. The personal guaranty will be in a form acceptable to Franchisor.

4. Franchisor shall indemnify and hold Franchisee and its officers, directors, and attorneys safe and harmless from and against any and all claims that the Cluck U, Corp. Marks and/or System infringe upon a third party's rights. This indemnification shall survive the termination of this Agreement.

Section XIII – Insurance and Indemnity:

Franchisee shall further secure and maintain insurance policies acceptable to Franchisor, having a minimum coverage as follows:

Insurance Type	**Minimum Required Coverage**
Workman's compensation, unemployment insurance, social security, disability insurance	As required by law
Business Personal Property, Fire, Casualty	Actual Replacement
Outdoor Signs	$5,000
Employee Dishonesty / Robbery	$10,000
Business Income and Extra Expenses	Actual business loss sustained not exceeding twelve (12) consecutive months
Comprehensive General Liability	$1,000,000 / $2,000,000
Insurance for non-owned motor vehicles (if delivery permitted)	$1,000,000 / $1,000,000

Franchisee acknowledges that the minimum coverage and policy limits required by this section may be reasonably increased from time to time by Franchisor and Franchisee agrees to comply with such new requirement promptly upon receipt of written notice from Franchisor. Franchisor encourages higher policy limits and in no way warrants that these limits will provide adequate coverage for Franchisee's possible liabilities. Franchisee must determine adequate coverage limits at or above these minimums.

Franchisee shall cause Franchisor to be named as an additional insured on all such policies. If Franchisee does not procure and maintain the required insurance coverage, Franchisor may procure the required coverage and charge the cost thereof to Franchisee. Policies shall contain a clause that the insurer will not cancel or materially change the insurance without first giving Franchisor thirty (30) days written notice. A certificate of insurance shall be delivered to Franchisor within thirty (30) days of policy issuance and upon request by Franchisor. Without further demand, Franchisee shall deliver to Franchisor a certificate of insurance annually within thirty days of the policy renewal or extension.

Franchisee agrees to indemnify and hold safe and harmless the Franchisor, its officers, directors, shareholders, employees, agents, attorneys, accountants, successors and assigns from any and all claims and liability for any and all debts, obligations, damages, claims, demands, actions, suits, proceedings, judgments or costs, of any kind or nature including reasonable attorneys' fees, arising directly or indirectly from, as a result of, or otherwise in connection with, Franchisees operation of the Franchise Restaurant, except with respect to claims of trademark infringement, and to provide insurance coverage to support such indemnifications **naming Franchisor as an additional insured**.

Section XIV – Debts and Taxes:

Franchisee shall pay promptly when due all obligations incurred directly or indirectly in connection with the unit and its operation, including, without limitation, all sales, franchise, food or restaurant tax; all Federal, State, County, City, Town and local taxes and assessments against the unit, land, building and other improvements, equipment, fixtures, signs, furnishings and other property; all liens and encumbrances of every kind and character created or placed upon or against any of said property; subject, however, to any conflicting provisions of any arms length, bona fide lease or leases entered into by or on behalf of Franchisee in the conduct of the franchised business.

Section XV – Sale and Assignment:

1. Franchisee's rights and interests under this Agreement shall not be subject to sale, assignment, transfer, alienation, or encumbrance (collectively "transfer") in whole or in part, in any manner whatsoever, without the prior express written consent of the Franchisor. "Transfer" shall include entering into a management agreement whereby the manager retains any percentage of profits as a management fee. In considering a request for transfer, Franchisor will review, among other things, the qualifications, ability, credit standing, financial and other references of the proposed transferee, and an essay why the proposed transferee will be successful as a **Cluck-U Chicken** Franchisee, in all respects as if the candidate were a prospective direct franchisee of Franchisor. As a condition precedent to the granting of consent, Franchisor shall require that:

A. There shall be no existing, uncured default in the performance or observance of any of Franchisee's obligations under this Agreement or any other related agreement, and the unit shall be in condition and appearance satisfactory to the Franchisor and in accordance with its standards at the time of the proposed transfer.

B. Franchisee shall have discharged in full all outstanding accounts with Franchisor.

C. Franchisee shall have paid Franchisor's transfer or assignment fee of not less than ten thousand dollars ($10,000) or two third (2/3) of the initial Franchisee fee at the time of transfer, whichever is greater.

D. The proposed transferee shall have paid for, personally attended and satisfactorily completed Franchisor's training program. A minimum of four (4) persons must be "certified" for the unit's operation prior to transfer.

E. The proposed transferee shall have executed Franchisor's then current form of Franchise Agreement for a term equal to the remaining term of this Agreement. If by law this provision is unenforceable, or if otherwise agreed in writing by Franchisor, the proposed transferee shall agree to honor all terms and obligations contained in this Agreement and any attachments hereto, as would Franchisee, and the proposed transferee shall execute and deliver such assurances as may be satisfactory to Franchisor, including a personal guaranty. Franchisor reserves the right to hold Franchisee secondarily liable on Franchisee's personal guaranty in the event of a transfer, unless otherwise agreed prior to the transfer.

F. The proposed transferee is responsible for ensuring that the restaurant premises are in design and appearance current with the standards of the Cluck U System prior to the transfer. The proposed transferee shall ask Franchisor to inspect the premises and advise what changes will be required to bring the unit into conformity with current standards of equipment, design, décor and menu. All costs are the responsibility of the Franchisee and the proposed transferee and are to be determined to their mutual agreement prior to or at the closing.

G. After the expiration of the term of the Franchise Agreement, whether by its terms or due to default or other reason, Franchisee shall have no right to renew the Franchise Agreement. If Franchisee desires to enter into a new Franchise Agreement with Franchisor, Franchisor may, in its sole and absolute discretion, enter into such new agreement or decline to do so. If Franchisor elects to enter into such new agreement, it may do so under any terms mutually acceptable to both parties, without regard to the terms of this Agreement. If state law prohibits Franchisor from declining to renew this Franchise Agreement, and by law the preceding clause is unenforceable, then Franchisee agrees that if it desires to renew it shall: (1) execute a new franchise Agreement in effect at the time of the renewal, and (2) pay a new initial franchise fee in an amount then in effect. If state law prohibits requiring a new franchise agreement, the renewal fee is $200,000 for one additional 10 year term.

H. Upon any transfer of any kind, including transfers or partial transfers between or among existing owners of their respective beneficial ownership interests, all royalty payments will revert to the full royalty amount of 5% and any discounts or reductions of royalty payments will immediately cease, whether due to ownership of multiple units or for any other reason.

I. If the Franchisee desires to sell the restaurant to any person or entity, prior to offering the business to another person, Cluck U, Corp. shall be granted the first right of refusal to purchase the business under the same terms as offered to the other buyer. As a condition precedent to offering Franchisor the first right of refusal, Franchisee shall have discharged in full all outstanding past due accounts with Franchisor. Franchisee shall submit to Franchisor, in writing, by registered and certified mail or by courier such as Fed Ex with signature receipt, all material terms of a proposed contract, including the price and payment terms, the most recent three years' profit and loss statements, the existing lease, an inventory of equipment and fixtures, and other information that might

reasonably be requested by a prospective buyer of a prospective seller for evaluation of the business. Upon receipt of the required materials, Franchisor shall have forty-five (45) days to locate another buyer who desires to operate a Cluck U System franchise, or Cluck U, Corp. may offer to purchase the unit for its own account. If within forty-five (45) days Franchisor or a third party offers to purchase the business under the same or different terms, and Franchisee accepts the offer while valid and a contract is formed, then they will proceed to closing of the sale with an additional sixty (60) days for closing. If the sale is between Franchisee and a third party, then Franchisor shall have no liability for the failure of the sale to be completed for any reason. If Franchisor does not advise Franchisee, in writing, within forty-five (45) days of a third party or its own desire to purchase the business, or if Franchisor affirmatively, in writing, so advises Franchisee prior to the expiration of the forty-five (45) days, then Franchisee shall be permitted to sell the business upon the same terms as offered to Franchisor or its prospective buyer. Franchisee shall have sixty (60) days thereafter to enter into a contract for sale with another party and an additional sixty (60) days following ratification of the contract to close the sale upon terms and conditions no more favorable than those offered to Franchisor. If the Franchisee and the prospective buyer change any material terms, or if the sale is not completed within the preceding time frame, then the first right of refusal shall again be offered to Franchisor as provided herein with the new terms added as if newly proposed. If Franchisee for any reason has not paid all outstanding debts owed to Franchisor and to Franchisee's vendors, whether due or not yet due, prior to sale or transfer of the restaurant, Franchise Agreement or lease of the premises at the Location (including any sub-lease agreement), then Franchisee shall require that an amount equal to or greater than Franchisee's debt to Franchisor and Franchisee's vendors shall be placed in escrow to be held by the buyer's attorney or escrow agent pending payment to Franchisor and Franchisee's vendors. Franchisor shall have priority over Franchisee's vendors.

J. This Agreement is not transferable without the express written consent of Franchisor. Franchisor reserves the right to refuse any prospective franchisee for any reason not prohibited by law. If Franchisee wishes to sell to a third party who desires to continue operations as a franchisee, Franchisor will consider his or her qualifications and may grant or withhold approval. All transfer requirements must be met, including transfer fees.

K. The goodwill and ongoing fees generated by operation of the unit are a significant part of the consideration for this Agreement. The closing of a Cluck U, Corp.'s franchise also reflects poorly on the System. Franchisor will do its best to show Franchisee how to successfully operate the restaurant; but if the Franchisee is unable or unwilling to continue operations, Franchisor would prefer to obtain a new operator who would continue the franchise and presumably generate the best price for the seller. The preceding first right of refusal is designed to allow the unit to continue operating as a franchised restaurant. Because the revenues that might be collected by Franchisor if the unit were to continue operations as a Cluck U, Corp. franchise would be speculative, the parties agree that if Franchisee fails to offer Franchisor the first right of refusal as stated herein, with all required documents and forty-five (45) days to accept, then Franchisee will pay to Franchisor as liquidated damages an amount equivalent to ten percent (10%) of the previous year's total sales (minus sales tax) or Fifty Thousand Dollars ($50,000), whichever is greater.

2. Franchisee shall retain neither this Agreement nor any of the rights the Agreement confers on Franchisee hereunder, as security for the payment of any obligation that may arise by reason of any such transfer.

3. The parties acknowledge and agree that a material part of the consideration for Franchisor to enter into this Agreement is the personal confidence Franchisor reposes in Franchisee, and no person shall succeed to any of rights of Franchisee under this Agreement by virtue of any voluntary or involuntary proceeding in bankruptcy, receivership, attachment, execution or assignment for the benefit of creditors or other legal process.

4. Except as provided herein, any offer, effort, or attempt by Franchisee to transfer any rights or interest under this Agreement without the prior written approval of Franchisor shall constitute a material breach of this Agreement. Franchisor shall not be bound by any attempted sale, assignment, transfer, alienation, conveyance or encumbrance in any manner by law or otherwise, of any of Franchisee's rights or interests under this Agreement.

5. If Franchisee desires to conduct business in a corporate capacity, Franchisor will consent to the assignment of the Agreement to a corporation approved by Franchisor, provided that Franchisee complies with the provisions hereinafter specified, and any other condition which Franchisor may require, including a limitation on the number of shareholders of the assignee corporation. Such assignee corporation shall be closely held and shall not engage in any business activity other than that directly related to the operation of units franchised by Franchisor.

6. If Franchisee's rights are assigned to a corporation, the individual Franchisee named herein, or otherwise expressly designated in writing to Franchisor, shall at all times be the legal and beneficial owner of at least fifty-one (51%) percent of the common stock of assignee corporation, and shall act as that corporation's principal officer. Any issuance or transfer of stock in such corporation shall be treated for the purposes of this Agreement as a transfer of Franchisee's rights under the Agreement requiring Franchisor's consent as provided herein. Franchisee must, prior to any issuance or transfer of any common stock, furnish Franchisor with a written notice containing the details of such proposed issuance or transfer. The Articles of Incorporation and Bylaws of the assignee corporation shall state that the issuance and transfer of shares of stock are restricted, and all stock certificates shall bear the following legend, which shall be printed legibly and conspicuously on the face of each stock certificate:

> *The transfer of this stock is subject to the terms and conditions of a Franchise Agreement with* ***Cluck-U, Corp.****, dated* _____.
> *Reference is made to said Franchise Agreement and to restrictive provisions of the Charter and Bylaws of this corporation.*

7. Franchisee acknowledges and agrees that the purpose of the aforesaid restriction is to protect Franchisor's Marks, System, trade secrets and operating procedures, as well as Franchisor's general high reputation and image, and is for the mutual benefit of Franchisor, Franchisee and all other Franchisees of Franchisor.

8. Notwithstanding Franchisor's right of first refusal Franchisee understands and acknowledges the Franchisor is not responsible for finding a buyer nor can We guarantee any purchase price, terms or time frame within which the unit will sell.

9. Franchisee agrees that any sale or transfer of the premises, equipment or furnishings of the franchise restaurant shall be an arms length transaction, and shall not be for the purposes of evading any

responsibilities of this Agreement. Franchisee covenants and agrees that it will not sell or transfer the lease, premises, equipment or furnishings of the franchise restaurant to another person or entity without first (1) offering to Franchisor the first right of refusal, as stated herein, and (2) demonstrating to Franchisor's written satisfaction that it is an arms length transaction. There shall be a reputable presumption that sale or transfer to anyone who is related to Franchisee by blood or marriage, or to any entity owned in part by Franchisee, is not an arms length transaction. Franchisee is required to sign a general release as a condition to any renewal or transfer, the general release required as a condition of renewal, sale and/or assignment/transfer shall not apply to any liability under the Maryland Franchise Registration and Disclosure Law.

10. Franchisee covenants and agrees that it will execute a non-competition agreement in a form acceptable to Franchisor prohibiting Franchisee from being employed by or owning any interest in any restaurant or food service establishment following termination of the franchise agreement for a period of two (2) years following termination of the Franchise Agreement and within a five (5) mile radius of the leased premises. For the purpose of this paragraph, ownership of less than one percent (1%) of the shares of a publicly traded stock corporation shall not be considered a violation, provided that the Franchisee is not employed by the company and does not manage a restaurant. Franchisee agrees that this non-competition agreement is intended for the protection of the legitimate business interests of the company, including protection of its trade secrets, valuable confidential business information, customer goodwill associated with Franchisor's products, name, and marks, and customer goodwill associated with the location of the leased premises as a Cluck U, Corp franchised restaurant.

11. Franchisor is assisting Franchisee to locate and develop a suitable site for the franchised restaurant. Franchisor's approval of the site is part of Franchisor's confidential master development plan to establish Cluck U, Corp. franchised or owned restaurants throughout the area in a measured and deliberate fashion. Franchisor will offer other opportunities to potential franchisees only after considering the location of Your franchised restaurant and the potential of the vicinity for further development. Franchisor may therefore give up valuable opportunities in consideration of the location of Your unit. Once developed and promoted as a Cluck U, Corp. franchised restaurant, the premises will generate customer traffic and goodwill as a restaurant generally and as a restaurant offering fried and grilled chicken specifically. Sale or transfer of the Franchised restaurant premises, lease or assets to another party that intends to operate or own on the premises a restaurant of any kind, especially a chicken restaurant, would harm Franchisor and the System because it would create a competing restaurant on a site for which the Franchisor and System has developed goodwill. The Franchisor has also made development plans and may have rejected potential development sites so that Franchisor's expansion plans do not infringe in the exclusive territory of Franchisee. Therefore, Franchisee agrees that it will not sell or transfer the leased or owned premised to a third party that intends to own or operate a restaurant, especially one serving fried or grilled chicken or chicken products similar to Franchisor's products. If Franchisee does sell to another party, Franchisee agrees to obtain from the third party such assurances as may be suitable to Franchisee to ensure that the premises will not be used as a competing restaurant. If the Franchisee's Agreement is terminated due to default or if Franchisee chooses to terminate the Agreement, then Franchisee covenants and warrants that Franchisee will not sell or transfer the premises or lease to a third party without obtaining adequate assurances that the premises will not be used as a competing restaurant, especially a restaurant offering chicken or chicken products similar to Franchisor's menu offerings. If the premises do become used as a restaurant owned or operated by the Franchisee or a person or entity affiliated with or related to (by blood or marriage) Franchisee, then Franchisee will pay to Franchisor as liquidated damages an amount equivalent to ten percent (10%) of the previous year's total sales (minus sales tax) or Fifty Thousand Dollars ($50,000), whichever is greater. This restriction shall not apply if the Franchise Agreement expires of its own terms at the conclusion of the term stated in Section II, normally 20 years.

12. Prior to transfer to an assignee, assignee will execute an Assignment and Consent to Assignment of Franchise to an Individual Purchaser and attachments thereto, attached as Exhibit P1 through P5, which are

incorporated herein by reference. Prior to reopening under new ownership and management, the Assignee agrees to close the premises and effect all repairs and alterations. Assignee agrees to remain closed for a period of time to help publicize the fact of new ownership, such period to be between one and three weeks as determined by Franchisor based on previous sales levels, market presence and reputation. The duration of such closure will be reasonably determined by Franchisor and advised to Franchisee or assignee upon request. Upon reopening, the new owner will hold a well publicized "Grand Opening" to advertise the new ownership and continued operation of the franchised restaurant.

Section XVI – Expiration and Termination:

1. Franchisor shall have the right to terminate this Agreement upon written notice to Franchisee upon any of the following occurrences:

A. Any non-compliance by Franchisee with Sections I, IV, VII, IX, X or XI of this Agreement.

B. Filing of a petition in bankruptcy, voluntary or involuntary, or an arrangement to benefit creditors, or petition for reorganization is filed by or against Franchisee.

C. Assignment for the benefit of creditors, if a receiver or trustee is appointed for the unit, unless Franchisee remedies these conditions to the satisfaction of Franchisor within thirty (30) days.

D. If Franchisee, for any reasons, loses the right to possession of the unit premises or a judgment is entered against Franchisee awarding possession of the premises to others.

E. If Franchisor discovers that Franchisee has made any material misrepresentation or omitted material fact in the information furnished by Franchisee in connection with the grant of this Franchise.

F. If Franchisee, (or any shareholder, if Franchisee is a corporation), is convicted of any felony or any crime involving moral turpitude.

G. If Franchisee fails to submit monthly profit and loss statements to Franchisor by the fifth (5^{th}) day of the following month and the failure remains uncured for 15 days.

H. If Franchisee is over forty-five (45) days past due in its account with an approved supplier and such arrearage remains uncured for thirty (30) days.

I. If Franchisee fails, refuses or neglects to adhere to standards and specifications of the System as set forth in the Operating Manual or otherwise adopted by Franchisor from time to time.

J. If Franchisee fails, refuses or neglects to pay promptly when due any amounts owed to Franchisor within the applicable cure or grace period.

K. If three (3) or more Notices of Default of *any* provision(s) of this Agreement have been sent to Franchisee for the <u>same</u> defaults within a twelve-month period, in which event this Agreement may be terminated in lieu of Franchisor's sending the fourth or any subsequent Notice of Default.

L. If five (5) or more Notices of Default of *any* provision(s) of this Agreement have been sent to Franchisee for the same or different defaults within a twelve-month period, in which event this Agreement may be terminated in lieu of Franchisor's sending the sixth or any subsequent Notice of Default.

M. If Franchisee fails, refuses or neglects, every five (5) years from the first initial business day, following an on-site inspection by Franchisor, to: Paint, upgrade or replace its signs, menu boards, menus, fixtures and its furniture, replace or add kitchen equipment, upgrade or renew computer software or hardware, upgrade or replace any decorative materials, to conform with the then current Franchisor's standards and System.

N. If Franchisee's corporate charter is revoked and not reinstated within a reasonable period of time

O. If the Franchise Location does not remain open for business seven days a week for lunch, dinner and late night, except for Easter Sunday, Thanksgiving and Christmas.

P. If the Franchise Location is not repaired promptly and opened for business within a reasonable period of time following damage due to fire or other casualty.

2. If Franchisee defaults in the performance or observance of any of its obligations hereunder, or under any other agreement with Franchisor, and that default continues for a period of thirty (30) days after Franchisor's written notice to Franchisee, Franchisor may, at any time thereafter, terminate this Agreement, as well as any other agreement between Franchisee and Franchisor, upon written notice to Franchisee.

The foregoing provisions of this section are subject to any local statues or regulations which may prohibit Franchisor from terminating this Agreement without good cause or without giving Franchisee additional prior written notice of termination and opportunity to cure any default.

3. Upon expiration or earlier termination by Franchisor or Franchisee of this Agreement, for any reason:

A. Franchisee shall immediately discontinue use of the System and Marks of **Cluck-U, Corp.** and return all copies of the Operating Manual to Franchisor.

B. Franchisee shall, whether the premises are owned by Franchisee or leased from a third party, upon demand by Franchisor, remove the Marks from all buildings, signs, fixtures and furnishings, and alter and paint all buildings and other improvements maintained pursuant to this Agreement. The design and color must be made different from Franchisor's authorized building design and painting schedule. If Franchisee fails to comply with this requirement, Franchisor shall have the right to make such alteration and repainting at the expense of Franchisee, and Franchisee shall pay the cost thereof to Franchisor upon demand.

C. Franchisee shall refrain thereafter from use of any recipes, trade name or Mark or other identifying characteristic that is in any way associated with Franchisor and from operating or doing business under any name or in any manner that might tend to give the public the impression that Franchisee is or was a licensee or Franchisee or otherwise associated with Franchisor.

D. Franchisee shall convey to Franchisor the sole right to and ownership of the unit's telephone number(s).

4. In the event that the premises at which Franchisee operates the unit are the property of Franchisee, then, upon termination of this Agreement, whether it is terminated by Franchisee or by Franchisor, Franchisee grants Franchisor the option to purchase these premises from Franchisee. If Franchisor elects to exercise that option, the purchase price to be paid to Franchisee shall be the fair market value of the land, buildings, furnishings and equipment owned by Franchisee, not to include any goodwill. In the event that the parties are unable to agree as to fair market value or any other terms of purchase within thirty (30) days following cessation of Franchisee's operation of the licensed unit related to this option addressed to either party at the premises, the parties agree to submit the fair market value or other terms of purchase as to which the parties are unable to agree to three appraisers for determination, with each party selecting one appraiser and the two appraisers so chosen selecting the third appraiser. If appraisal occurs pursuant to this provision, following the announcement of the appraisers' decision, Franchisor shall have thirty (30) days within which to elect whether to purchase the premises. All notifications to be made via Certified Mail or other courier with signature receipt.

5. In the event that the premises at which Franchisee operates the unit are leased by Franchisee from a third party, Franchisee shall include as a term of that lease and any subsequent lease of those premises the right of Franchisee to assign that lease to Franchisor. Upon termination of this Agreement, whether it is terminated by Franchisor or by Franchisee, Franchisee shall assign all its rights and obligations under that lease to Franchisor, if Franchisor so elects. If the Franchisor exercises this option, Franchisee shall vacate the premises within thirty (30) days and Franchisor shall be entitled to take possession thereof, including all fixtures and leasehold improvements. Franchisor shall thereupon pay to Franchisee the fair market value of the interest owned by Franchisee in the unit's furnishings and equipment, not to include any goodwill. Fair market value shall be determined in the same manner as set forth in the immediately preceding paragraph.

6. If, in the event Franchisee's agreement is terminated by either party and Franchisor elects not to buy the unit at the price set by appraisers, Franchisor shall still have, at its option, the right to purchase the premises, furnishings and equipment at a price and upon the same or equivalent terms agreed to by Franchisee and a new third party, using the procedure established under the first right of refusal, above.

7. If, in the event Franchisee's agreement is terminated by either party, Franchisee shall not sell, lease or otherwise convey the premises to, or open, acquire, or become affiliated with, a competing business within a twenty-five (25) mile radius of the Location, which sells fried or baked chicken, chicken products or chicken wings (e.g., Wings-To-Go, KFC, Popeye's, or any other chicken restaurant), for a period of two (2) years. If by law this clause is unenforceable, Then Franchisee agrees to pay Cluck U, Corp., as liquidated damages, an amount equivalent to ten percent (10%) of the previous year's total sales net sales tax or Fifty Thousand Dollars ($50,000), whichever is greater, for the goodwill generated by the Cluck U Chicken concept at that location.

8. Upon termination, Franchisee's Computer system's software will become the property of Cluck-U, Corp. Franchisee agrees to discontinue use of the software system upon termination of this Franchise Agreement.

9. Franchisor reserves the right to reinstate units that have been terminated at Franchisor's sole discretion.

10. Franchisee agrees to provide Franchisor no less than one year's notice if Franchisee intends to cease operations as a Cluck U restaurant for any reason, including: Franchisee's intention to terminate its lease of the premises; Franchisee's intention to not renew its lease upon the next optional renewal period or expiration of the current term; Landlords refusal to renew the lease; Franchisee's intention to terminate this Franchise Agreement with Franchisor for any reason or no reason. If Franchisee cannot provide one year's notice, it will provide the maximum notice possible. If Franchisee desires to renew its lease, Franchisee shall begin earnest discussions with its landlord with sufficient time for Franchisee and its landlord to sign a renewal agreement no later than one year before the date of expiry of the current lease term (the "Lease Expiry Date"). As used in this Agreement, the Lease Expiry Date shall be either the date that Your lease expires of its own terms, or any earlier termination by You or Your landlord with or without cause. If Franchisee is unable to reach agreement with its landlord on lease terms, Franchisee will advise Franchisor with as much time possible to discuss continued operations within the territory if there would otherwise be any term remaining on this Franchise Agreement. Franchisee shall promptly notify Franchisor of any extensions or renewals of the lease, providing a copy of the same to Franchisor.

11. If at least one year before the Lease Expiry Date, Franchisee has not renewed its lease or advised Franchisor, in writing, that Franchisee is in earnest negotiations with its landlord to renew the lease, Franchisor may assume that Franchisee does not intend to renew its lease. Franchisee shall affirmatively advise Franchisor in writing one year before Franchisee's Lease Expiry Date if Franchisee intends to renew its current lease and continue to operate within the Territory, and keep Franchisor advised of developments. Franchisor desires to have a Cluck U Chicken restaurant operating within the Territory at all times following Franchisee's opening. Franchisor desires that Franchisee continue successful operations for the entire 20 year term of this Agreement. If Franchisee will not continue operating a Cluck U Chicken franchise restaurant and advise Franchisor if its intention to do so one year before Franchisee's Lease Expiry Date, then Franchisor may seek other operators to open franchises at locations within your territory including at your current location, provided that another Cluck U Chicken restaurant will not be opened within the Territory defined in Section III of this Agreement during the term of Your lease of Your premises plus any extension in existence six months before your Lease Expiry Date, unless your Franchise Agreement is terminated sooner. If Franchisee does not reach written agreement with its landlord to extend the lease at least six months before the Lease Expiry Date, then Franchisee is declining to continue operation of the franchised restaurant beyond the Lease Expiry Date. Franchisor may thereafter enter into agreements to (1) sell to any third party a franchise within Your defined Territory, provided operations do not begin before your Lease Expiry Date; and/or (2) construct or assist others to construct a franchised or Franchisor owned Cluck U Chicken restaurant within your territory provided that the restaurant does not open for business to the public before Your Lease Expiry Date; and/or (3) advertise the opening of the new unit, including at your premises, no more than three months before your Lease Expiry Date; and/or (4) open or cause to open to the public a Cluck U Chicken Franchised or owned restaurant after your Lease Expiry Date, including any extensions in existence six months before the Lease Expiry Date. If a new location, you agree to permit advertising in your unit to announce the new opening at least three months before opening. Franchisor or a third party may negotiate with your landlord to lease Your premises following your lease term if you (1) do not intend to renew the lease or (2) cannot reach agreement with your landlord on lease terms at least six months before the Lease Expiry Date; Franchisee waives any claims of interference with contract if Franchisor or a third party negotiates with the Franchisee's landlord less than six months from the Lease Expiry Date or if Franchisee does not intend to renew the lease.

Section XVII - Dispute Resolution:

Should any dispute arise between the parties of this Agreement out of or in connection with fees charged under this Agreement, the parties agree to conduct mediation as a condition precedent to filing an action in civil court. The parties agree to meet with a disinterested mediator agreeable to both parties; each party will pay one-half the costs and expenses of mediation and each party will pay its own legal fees and costs. Mediation will

take place after written notice from one party to the other requesting mediation (the "1st Mediation Notice") sent via certified mail or private currier (e.g., FedEx) return receipt requested; mediation will be held in accordance with the rules of the American Arbitration Association; mediation will take place in the office of Cluck-U, Corp. in Laurel, Maryland or in the office of the mediator or court in Prince George's County, Maryland, or such other place in Prince George's County, Maryland agreeable to the parties. The Mediator's fee shall be agreed upon prior to mediation and paid according to the mediator's fee policy. The expenses of witnesses for either side shall be paid by the party producing such witnesses. All other expenses of the mediation, including fees and expenses of the Mediator, and the expenses of any witness and all the cost of any proofs or expert advice produced at the direct request of the Mediator, shall be borne equally by the parties unless they agree otherwise.

The parties each agree to select a mediator in good faith from a list of court approved mediators in Prince George's County, Maryland. The party initiating mediation shall propose three or more potential mediators and the responding party will accept one or propose three or more alternatives; the parties will continue to make proposals until a mediator is selected. If the parties fail to select a mediator within fifteen calendar days of service of the 1st written Mediation Notice, then either Party, provided it has agreed to participate in mediation in good faith, may advise the other, in writing, of its intention to seek redress in a Court of competent jurisdiction (the "2nd Mediation Notice"). After ten calendar days have elapsed following receipt of the 2nd Mediation Notice, if the parties have not (1) agreed on a mediator ***and*** (2) scheduled the mediation (including payment by each party as necessary), either Party may file suit. The parties hereby consent to jurisdiction and venue in the Circuit or District Court of Prince Georges' County, Maryland (depending on the amount in controversy) for any dispute relating to the fees charged under this Agreement. If by law the parties' choice of venue and jurisdiction is unenforceable or if full relief cannot be obtained except in another jurisdiction, either party, provided the party pursues all required mediation procedures, may file suit where jurisdiction may be found. If the Party to whom written notice is addressed evades service by mail or the notice is undeliverable although properly addressed to the Party's business address, then service shall be deemed complete upon return of the undelivered notice. If the party to whom the 1st Mediation Notice is directed has abandoned its place of business leaving no forwarding address and any notice is undeliverable at the party's place of business or last known address and futile, **or** if imminent and irreparable harm is threatened such that money damages may not suffice, (such as trademark infringement) and injunctive relief is or may be sought, then the 2nd Mediation Notice will be excused as unnecessary and suit may be filed without delay. Each of the parties agrees that it will follow the preceding procedure to send a written request to begin mediation proceedings before filing a suit at law arising from fees charged under this Agreement. The mediation process is a condition precedent to the filing of a lawsuit for money damages.

If either party seeks redress other than for fees charged under this Agreement, including injunctive relief with or without money damages, then the case and any ancillary issues shall be heard in a court of competent jurisdiction, both parties consenting to jurisdiction and venue in Prince George's County, Maryland.

Section XVIII – Covenant not to Compete:

Franchisee covenants and agrees that during the term of this Agreement and for a period of two (2) years thereafter , Franchisee will not, directly or indirectly, enter the employment of, or perform any advising or consulting services for, or make an investment in, or have an interest in, any company, partnership, organization, proprietorship, or other entity that engages in the retail restaurant business within a radius of five (5) miles from the Location in any direction.

Franchisee covenants and agrees that during the term of this Agreement and for a period of two (2) years thereafter , Franchisee will not, directly or indirectly, enter the employment of, or perform any advising or consulting services for, or make an investment in, or have an interest in, any company, partnership, organization, proprietorship, or other entity that engages in the fast food primarily chicken retail restaurant

business (where a majority of revenues is derived from the sale of chicken products and/or using the word "Chicken" in its trade name) within a radius of twenty-five (25) miles from the Location in any direction.

Section XIX – Notices:

Any notices to be given hereunder shall be given **both** by (1) email **and** by (2) hard copy delivered by certified mail or private courier such as FedEx, with signature receipt:

if notice to Franchisor, notice shall be sent by email to:

jp.haddad@cluckuchicken.com

and to:

Cluck-U, Corp., 14504 Greenview Drive, Suite 200, Laurel, Maryland 20708,

and

if notice to Franchisee at:

and to:

1173 Toledo Blade Blvd. North Port FL 34288

Notice sent by email may be sent as pdf attachments or as text, with the email text and subject clearly indicating that it is a notice delivered pursuant to this Agreement and identifying the party sending the notice.

Section XX – Effectiveness And Severability:

If any provision of this Agreement is later held to be illegal, invalid or unenforceable under present or future laws, such provision shall be fully severable and there shall be added in its place a provision as similar in terms to such illegal, invalid or unenforceable provision as may be possible that is legal, valid and enforceable, which comports with the intentions of the parties in reaching this agreement.

Section XXI – Governing Law:

This Franchise Agreement and the construction thereof shall be governed by the laws of the State of Maryland without regard to its conflict of laws provisions.

Section XXII – Compliance with Applicable Law:

The foregoing notwithstanding, to the extent that the provisions of this Franchise Agreement provide for periods of notice less than those required by applicable law or provide for termination, cancellation or non-renewal, other than in accordance with applicable law, Franchisor and Franchisee shall comply with the law applicable in these matters.

Section XXIII – Entire Agreement; Amendments:

This Agreement, including the Exhibits referred to herein which are made a part hereof, contain the entire agreements and understandings of the parties hereto with respect to the subject matter contained herein,

and all prior agreements or understandings of the parties hereto are hereby revoked. This Agreement may be amended only by a written instrument executed by Franchisor and Franchisee. There are no agreements, restrictions, promises, warranties, covenants or other undertakings other than those expressly set forth herein. Nothing in this Agreement or any related agreement is intended to disclaim the representations We made in the Franchise Disclosure Document dated [Insert Date].

Section XXIV – Liability:

Limitation of Liability. EXCEPT AS EXPRESSLY STATED IN THIS AGREEMENT, NEITHER PARTY SHALL BE LIABLE TO THE OTHER PARTY FOR ANY INDIRECT, SPECIAL, INCIDENTAL OR CONSEQUENTIAL DAMAGES. THIS LIMITATION OF LIABILITY SHALL NOT APPLY TO LIABILITY FOR DEATH OR PERSONAL INJURY TO THE EXTENT THAT APPLICABLE LAW PROHIBITS SUCH LIMITATION. FURTHERMORE, SOME STATES AND JURISDICTIONS DO NOT ALLOW THE EXCLUSION OR LIMITATION OF INCIDENTAL OR CONSEQUENTIAL DAMAGES, SO THIS LIMITATION AND EXCLUSION MAY NOT APPLY TO END USER.

Franchisor shall not be liable for any damages not directly caused by Franchisor, nor shall Franchisor be liable for any acts or failures to act not specifically provided for in this Agreement. Franchisor shall not be responsible for any acts or events not under its direct control, including, but not limited to, distributors', supplier's or manufacturers' inability to supply products, failure of service providers to provide You with such services as You may request or require, failure of the Franchise to succeed or turn a profit, failure of estimates in the Franchise Disclosure Document or any other document to remain in effect for any particular length of time, or for any other reason. Neither Party shall be liable for any consequential damages. Franchisor does not warrant or guaranty the price, quality, or availability of any goods, services, or supplies from any approved distributor or supplier.

The above Section XXIV shall survive termination of this Agreement.

Section XXV - Franchisee's Representations:

In connection with the grant of the franchise to Franchisee hereunder, Franchisee represents and warrants that:

1. Any applications, financial statements and other documents submitted by Franchisee to Franchisor prior to the execution of this Agreement are accurate and complete in all material respects as of the respective dates of such documents and the date hereof;

2. Such submissions do not omit the statement of any material fact necessary to make the statements therein not misleading;

3. Franchisee received Franchisor's Uniform Franchise Disclosure Document at least fourteen (14) calendar days prior to the earlier of the execution of this Agreement or the payment of any consideration to the Franchisor in connection with the sale of the franchise. Franchisee also acknowledges that it received, at the appropriate time, any disclosure document required under the laws of the state where Franchisee is domiciled or where the Restaurant is to be located. Franchisee further acknowledges that Franchisor gave completed copies of this Agreement and any related agreements to Franchisee at least fourteen (14) calendar days prior to Franchisee's execution of this Franchise Agreement or payment of any consideration to Franchisor.

4. Franchisee has read this Agreement and Franchisor's Franchise Disclosure Document and understands and accepts the terms, conditions and covenants contained in this Agreement as being reasonably necessary to maintain the Franchisor's standards of quality and the uniformity of those standards at all Cluck-U, Corp. franchised restaurants in order to protect and preserve the goodwill of the Proprietary Marks and the System;

5. Franchisee has conducted an independent investigation of the business contemplated by this Agreement and recognizes that: (i) the nature of the business conducted by the Restaurant may evolve and change over time; (ii) an investment in the franchise involves business risk; (iii) and the success of the venture is primarily dependent upon the business ability and efforts of Franchisee.

6. Franchisee has not received or relied upon any guarantee, express or implied, as to the revenues, profits, or success of the business venture contemplated by this Agreement;

7. No representations have been made by Franchisor, or by its officers, directors, shareholders, employees, or agents, that are contrary to the statements made in Franchisor's Franchise Disclosure Document already received by Franchisee or to the terms contained in this Agreement;

8. In all their dealings with Franchisee, the officers, directors, employees and agents of Franchisor act only in their representative capacity, not in an individual capacity, and that this Agreement, and all business dealings between Franchisee and such individuals as a result of this Agreement, are solely between Franchisor and Franchisee;

9. It is understood by the parties hereto that Franchisor has not agreed, and does not hereby agree to assume any liabilities or obligations of Franchisee whether with respect to the Franchise Restaurant or otherwise.

10. The signatory to this Agreement represents and warrants that (s)he is empowered to enter this Agreement on behalf of the Corporation or other legal entity on whose behalf (s)he is signing, and that this is a legal, valid and binding act upon the corporation, LLC or other entity.

Any representations are not intended to nor shall they act as a release, estoppel or waiver of any liability incurred under the Maryland Registration and Disclosure Law.

Section XXVI -Miscellaneous:

BREACH OF CONTRACT – INJUNCTIVE RELIEF and INDEMNIFICATION

A. In the event of a breach or a threatened breach of this Agreement by the Franchisee, the Franchisor shall be entitled to an injunction against such breach. Such remedy is without prejudice to any other remedies available to the Franchisor.

B. Franchisee agrees to indemnify the Franchisor against all losses, costs and expenses (including reasonable counsel fees) which Franchisor may incur by reason of the breach by the Franchisee of any term, provision, covenant, warranty, condition or representation contained herein or in connection with the enforcement of this Agreement or any provisions hereof.

COUNTERPARTS

This Agreement may be executed in one or more counterparts, each of which shall be an original.

PARTIES IN INTEREST

This Agreement shall inure to the benefit of, and be hinding upon Franchisor and Franchisee and their respective legatees, distributees, estates, executors, administrators, personal representatives, successors and assigns, and other legal representatives.

MODIFICATION AND AMENDMENT

The terms of this Agreement may not be modified or amended except in writing signed by all affected parties.

COSTS

In the event that any Party should bring any action, suit or other proceeding against any other Party, on any claim, demand, debt, liability, obligation, account or cause of action based on this Agreement, or attempting to enforce, remedy, prevent or obtain relief from any breach of this Agreement, or to rescind, negate, modify, interpret or reform this Agreement, any of the terms or provisions hereof, or any of the matters referred to herein, the prevailing party shall he awarded its reasonable attorneys fees, and costs and expenses including expert witness fees incurred in such action.

ADDITIONAL TERMS

A. If Franchisee is a natural person, the signatory to this Agreement represents and warrants that except as otherwise disclosed to and approved by Franchisor, (s)he is the sole and exclusive owner of the Franchise Restaurant (hereinafter "the Business") and no other person has any right, title or interest in or to the Business.

B. If Franchisee is a corporation, limited liability company, or partnership, the signatory to this Agreement personally warrants that: (s)he is the majority shareholder (if the Franchisee is a corporation), general partner (if the Franchisee is a partnership), a member having general authority (if the Franchisee is a limited liability company); (s)he is the beneficial owner and majority interest holder of the corporation, limited liability company or partnership; (s)he has full power and legal right to execute, deliver and perform this Agreement; and there are no other beneficial owners or minority interest holders of the corporation, limited liability company, or partnership that have not executed this Agreement.

C. The execution and delivery of this Agreement and the consummation of the transactions herein contemplated will not conflict with, violate or constitute a default under any contract or other instrument to which Franchisee is a party or by which Franchisee is bound.

D. No litigation, proceeding or governmental investigation is pending or, to the knowledge of Franchisee, threatened against Franchisee, the Business or the transactions contemplated by this Agreement, no basis exists for any such action and no labor dispute is pending or threatened with respect to the Business.

E. No consent of any federal, state, municipal or other governmental authority is required for the execution, delivery or performance of this Agreement by Franchisee.

F. No representation or warranty by Franchisee contained in this Agreement and no writing, certificate, list or other instrument furnished to or to be furnished to Franchisor pursuant hereto or in connection with the transactions contemplated hereby contains or will contain any untrue statement of a material fact, or omits or will omit to state a material fact necessary in order to make the statements and information contained therein not misleading or necessary in order to provide a prospective purchase of the Business with full and proper information as to the Business.

G. Each Party agrees to perform any further acts and to execute any further agreements or papers of any character that may be necessary fully and completely to carry out the terms of this Agreement.

H. The sections and headings used herein are for reference purposes only, and shall not in any way affect the meaning or interpretation of this Agreement. Masculine or feminine pronouns shall be substituted for the neuter forms, and feminine pronouns shall be substituted for the neuter forms, and feminine pronouns shall be substituted for the masculine, and vice versa, and the plural shall be substituted for the singular and vice versa, in any place or places herein in which the context requires such substitution.

I. This Agreement is a product of the efforts of all Parties, and the terms of this Agreement shall not be construed against a Party solely on the ground that the Party proposed or drafted a particular clause.

J. Except as otherwise provided herein, all fee and cost estimates (except for initial franchise fees and monthly royalties) as described herein shall be adjusted for inflation using the date of execution of this Agreement as the base date. Estimates of costs expended by Franchisee not paid directly to Franchisor are estimates only, and may change without notice.

WAIVER

Any failure by Franchisor to insist upon strict performance of or to enforce any of the term(s) of this Agreement shall not constitute waiver of such term or terms.

Any prior forbearance or failure of Franchisor to collect monthly royalty or advertising fees shall not constitute a waiver with respect to the collection of any fees or the enforcement of this Franchise Agreement.

In Witness whereof, the parties have executed this agreement on the day and year first above written.

FRANCHISOR:

Cluck-U, Corp.

By: _____ (SEAL)
JP Haddad
President, Cluck-U Corp.

7/1/2013
Date

FRANCHISEE:

Cluck-U Chicken Inc
Name of Entity

By: _____ (SEAL)

Anthony Tartaglia JR
Name

V.P.
Title, Franchisee

5/21/2013
Date

The undersigned individual personally guarantees the faithful performance of the terms of this Agreement.

Anthony Tartaglia JR
Name, Personally

_____
Signature

5/21/2013
Date

The undersigned individual personally guarantees the faithful performance of the terms of this Agreement.

_____
Name, Personally

_____
Signature

_____
Date

Amendment to Franchise Agreement

The Franchise Agreement made and entered into on this 21th day of May, 2013, by and among **Cluck-U, Corp.**, a Maryland corporation, with its principal place of business at 14504 Greenview Drive Suite 200, Laurel, MD 20708 (hereinafter referred to as "Franchisor"), and Cluck-U Chicken, Inc. a Florida corporation formed or to be formed doing business as Cluck-U Chicken franchise unit located at 1173 Toledo Blade Blvd North Port FL 34288 (hereinafter referred to as "Franchisee") and Anthony Tartaglia II, Personally (hereinafter referred as "OWNER"), is hereby amended as follows:

Franchisee shall pay into the National/Regional Marketing Fund. Payments are due in advance and will be withdrawn on the 5th day of the month due via ACH (e.g., September payment debited September 5). Monthly Marketing Fund payments may be changed at any time by Franchisor with notice. Current payments are Two Hundred Fifty Dollars ($250) per month, but may change at any time up to the maximum of 2% of Franchisee's gross sales. Additionally, Franchisee will pay a one-time fees toward the marketing funds in order to join the system, this one time fees will be calculated from the bank available balance of the funds from all the units divided by the number of the participating units.

For all required payment(s) by Franchisee to Franchisor with ACH payment type, there will be no late fees or interest assessed in the event payment is not received within the time provided by the agreement so long it is only due to problems directly related to banking and payment processing issues and not associated with the balance as a reason for non-payment.

For the purposes of this addendum, the "timely basis", occurred in the Franchise Agreement in section IV- System and Operations in sub-section 27 page 22, shall be substituted with "30 days".

If and when an audit to Franchisee's records, it is found any discrepancy or under payment to Franchisor for any amount otherwise would have been due for a prior period, Franchisee agrees to pay all those under payment fees computed without any late fees or interest. Late fees and interest as calculated by the Franchise Agreement will start an accumulate 10 days after the discovery date if it is not paid upon demand within 5 days.

For Franchisee's first unit, build out, design and materials including equipment other than the POS used in the store will be a collaborative effort between Franchisee and Franchisor and no reasonable suggestions that meet the design characteristics of the Franchisor, made by the Franchisee as an alternative, will be rejected, so long Franchisee will maintain conformity among its entire future unit(s) to be opened; Equipment should meet or exceed the standard specifications of equipment that conform to safety standards and operating requirements. Franchisee agrees to maintain the same scheme, look and equipment used in its future unit(s) to be opened. This will not apply to signage and items where the Cluck-U logo will appear.

5/21/13

Franchisee acknowledges that it may be difficult to obtain distributors and channels of supply of goods or services for Franchisee's purchase in its area. Some goods may need to be supplied FOB Maryland for transport to Franchisee's locations and at Franchisee's expense, which cost may be higher than customary in other regions. Franchisee may be required to store higher than usual levels of products and will ensure additional storage space is available. ~~Franchisor cannot guaranty supply at Franchisee's units. Franchisee will be required to pay approximately twenty thousand dollars ($20,000) for the first initial products and supplies to be sent to the either Franchisee's warehouse or local Distributor. (This cost will be for products such as Papers, Dry Foods and food/paper items plus shipping and processing fees).~~ This process with occur periodically as needed until there is enough units or the volume is high to be justifiable to a local Distributor to carry all the products and deliver to the unit as needed, but in any event the cost will be higher than unit(s) in the North-East due to freight.

Training classes will be conducted in Florida, all other costs and expense will remain in force.

Franchisor: Cluck-U, Corp.
By: _____ 6/17/2013
JP Haddad, Date
President

Franchisee: Cluck-U Chicken Inc (Corporation Name)
By:
X _____ 5/21/2013
Signature Date
X Anthony L. Tartaglia _____ V.P.
Name Title

Franchisee: Anthony Tartaglia II, Personally
By:
X _____ 5/21/2013
Signature Date
X _____
Name

Second Amendment to Franchise Agreement

The Franchise Agreement made and entered into on this 1st day of July, 2013, by and among **Cluck-U, Corp.**, a Maryland corporation, with its principal place of business at 14504 Greenview Drive Suite 200, Laurel, MD 20708 (hereinafter referred to as "Franchisor"), and Cluck-u Chicken, Inc a Florida corporation formed or to be formed doing business as Cluck-U Chicken franchise unit located at 1173 Toledo Blade Blvd. North Port FL 34288 (hereinafter referred to as "Franchisee") and _____, Personally (hereinafter referred as "OWNER"), is hereby amended as follows:

Section I., Snb-section B. "Marks", subparagraph 2 is deleted in its entirety, and a new **Section I., Snb-section B. "Marks", snbparagrapb 2** is substituted as follows:

Franchisee shall be allowed to incorporate any of the Marks (as defined), including but not limited to, "Cluck-U Chicken," or such similar or variations thereof, in any trade, corporate entity or firm name of Franchisee or any affiliate thereof.

Franchisor: Cluck-U, Corp.
By: _____
JP Haddad
President

July 1st 2013
Date

Franchisee: cluck-u chicken, Inc (Corporation Name)
By:

_____
Signature

__/__/__
Date

Anthony Tantaglia PGV
Name

V.P.
Title

Franchisee: Anthony Tantaglia PGV Personally
By:

_____
Signature

__/__/__
Date

_____
Name

EXHIBIT B

GUARANTY

For the purpose of inducing Cluck-U Corp., a Maryland corporation ("Franchisor"), to enter into that Franchise Agreement (the "Agreement") dated ~~June 5~~ May 21, 2013 among Franchisor and Anthony Tartaglia III ("Franchisee"), on the faith of receiving this Guaranty, the undersigned (hereinafter individually, jointly and severally referred to as the "Guarantors"), hereby covenant and agree with and to Franchisor as follows:

1. The Guarantors hereby unconditionally, irrevocably and directly guarantee to Franchisor the prompt, punctual and full: (a) payment when due (whether by acceleration, declaration, demand, extension or otherwise) of all principal and interest, interest or principal, royalties, franchise fees, and of all other monies payable under the Agreement; and (b) performance when due of all covenants, promises, agreements, and the accuracy and completeness of all representations and warranties, contained in the Agreement (collectively, the "Guaranteed Obligations"),

2. Should the Franchisee for any reason fail to pay all or any part of the Guaranteed Obligations as and when due and payable (whether by acceleration, declaration, demand, extension or otherwise), the Guarantors promise to pay immediately the same to Franchisor at 14504 Greenview Drive, Suite 200, Laurel, Maryland 20708, or such other place as Franchisor may designate from time to time by notice to Guarantors, plus interest thereon at the rate of 15% per annum from the date due until paid in full.

3. The Guarantors hereby consent and agree that at any time and from time to time and with or without consideration, Franchisor may, with notice to and without further consent of the Guarantors and without in any manner affecting, impairing, lessening and releasing the obligations of the Guarantors hereunder, renew, extend, change the manner, time, place and

terms of payment of, sell, exchange, release, surrender, realize upon, modify, amend, waive, grant indulgences with respect to and otherwise deal with in any manner: (a) all or any part of the Guaranteed Obligations; (b) the Agreement; (c) any note, security agreement, guaranty agreement and any other instrument or document previously, simultaneously and hereafter executed and delivered by the Franchisee and/or any other person singly or jointly with another person or persons evidencing, securing, guarantying or in connection with any of the Guaranteed Obligations (collectively, the "Documents"); (c) all or any part of any property at any time securing all or any part of the Guaranteed Obligations; and (d) any person other than the Guarantors at any time primarily or secondarily liable for all or any part of the Guaranteed Obligations and/or any collateral and security therefor.

4. The Guarantors hereby waive demand, presentment for payment, protest, notice of dishonor and of protest, notice of acceptance of this Guaranty, Guarantors do not waive notice of the making of any of the Guaranteed Obligations and notice of default under any of the Documents. Said notice shall be in writing as provided in paragraph 11.

5. As used herein, the singular number shall include the plural, the plural the singular and the use of the masculine, feminine or neuter gender shall include all genders, as the context may require, and the term "person" shall include an individual, a corporation, an association, a partnership, a trust and an organization.

6. The occurrence of any one or more of the following events shall constitute a default under this Guaranty: (a) the occurrence of a default under the Agreement and, (b) the failure of any one or more of the Guarantors to perform, observe or comply with any one or more of the provisions of this Guaranty.

7. Should the Franchisee file or have filed against it a proceeding for liquidation or reorganization under the United States Bankruptcy Code, the Guaranteed Obligations shall be deemed to have become accelerated and due and payable in full as of the time of such filing for the purposes of this Guaranty. In the event that such filing shall occur after payment in full of the Guaranteed Obligations and the discharge of this Guaranty, and a proceeding is filed against Franchisor claiming that any such payments are voidable under the Bankruptcy Code, then the discharge of this Guaranty shall be inoperative and this Guaranty shall be considered to be reinstated and in full force and effect; and any such sums which Franchisor is required to repay on account of such claim (or pay in settlement of such claim) and all costs and expenses incurred by Franchisor in defending and/or settling such claim shall be considered Guaranteed Obligations guaranteed hereunder.

8. Whenever there is a default under this Guaranty, an amount equal to the then unpaid balance of the Guaranteed Obligations (whether then due or not) shall be immediately due and payable by the Guarantors plus interest due and payable by the Guarantors as set forth above, all amounts due and payable by the Guarantors hereunder, costs of suit and an attorney's fee of 15% of such unpaid balance of the Guaranteed Obligations, hereby waiving and releasing, to the extent permitted by law, all errors and all rights of exemption, appeal, stay of execution, inquisition and extension upon any levy on real estate or personal property to which the Guarantors may otherwise be entitled under the laws of the United States or of any state or possession of the United States now in force or which may hereafter be passed.

9. The Guarantors agree to reimburse and pay to Franchisor, on demand, any and all costs and expenses (including, without limitation, liquidation costs, expense payments and

attorney's fees and expenses) incurred by and on behalf of Franchisor in connection with (a) the collection of any of the Guaranteed Obligations and the maintenance, sale and other disposition of any collateral therefor, and (b) the collection of any of the obligations of the Guarantors hereunder and the maintenance, sale and other disposition of any collateral therefor.

10. Franchisor shall have no duty to marshal security, to sue or otherwise attempt collection from Franchisee or any other person, to proceed against any collateral and security it may have, or to take action of any sort prior to enforcing payment against the Guarantors hereunder. After a default under this Guaranty, Franchisor, at its option and without notice, may apply to the payment of the obligations of the Guarantors hereunder any monies, credits and other property of any nature whatsoever of the Guarantors now or at any time hereafter in the possession of, in transit to or from, under the custody or control of, or on deposit with, Franchisor in any capacity whatsoever. Any payment received by Franchisor from Franchisee, or from any other source other than the Guarantors shall be applied to the Guaranteed Obligations in whatever order and manner Franchisor elects, and any payment received from the Guarantors shall be applied to any of the Guaranteed Obligations in whatever order and manner Franchisor elects.

11. Any notice hereunder shall be in writing and shall be deemed delivered if delivered in person or sent by registered or certified mail, postage prepaid, return receipt requested, as follows, unless such address is changed by written notice hereunder:

If to Franchisor: Cluck-U Corp.
14504 Greenview Drive
Suite 200
Laurel, Maryland 20708

If to the Guarantors: Anthony Tartaglia II
1173 Toledo Blade Blvd.
North port, FL 34288

12. If any of the Guaranteed Obligations should be assigned by Franchisor, Franchisor shall have the right to assign all or any part of this Guaranty to Franchisor's assignee with notice to the Guarantors, and this Guaranty will inure to the benefit of Franchisor's assignee to the extent of such assignment, provided that Franchisor shall continue to have the unimpaired right to enforce this Guaranty as to any of the Guaranteed Obligations not so assigned.

13. The obligations of the Guarantors hereunder shall not be affected, impaired, released or lessened by the invalidity, irregularity or unenforceability of all or any part of the Guaranteed Obligations or of all or any part of the documents evidencing or securing the same or by the delay or failure of Franchisor to exercise any of its rights and remedies against the Franchisee or against any collateral or security for the Guaranteed Obligations or against any collateral or security for this Guaranty.

14. No delay or failure on the part of Franchisor to exercise any of its options, powers, rights or remedies hereunder, under the Documents or now or hereafter existing at law or in equity or by statute or otherwise, or any partial or single exercise thereof, shall constitute a waiver thereof. All such options, powers, rights and remedies are cumulative and may be exercised singly or concurrently and the exercise of any one or more of them will not be a waiver of any other. No waiver of any of its rights hereunder, and no modification or amendment of this Guaranty, shall be deemed to be made by Franchisor unless the same shall be in writing, duly signed by Franchisor and each such waiver, if any, shall apply only with respect to the specific

instance involved and shall in no way impair the rights of Franchisor or the obligations of the Guarantors hereunder in any other respect at any other time. This Guaranty shall be binding upon the guardians, heirs, personal and legal representatives, successors and assigns of the Guarantors and shall inure to the benefit of the guardians, heirs, personal and legal representatives and assigns of Franchisor. This Guaranty shall be governed and construed in accordance with the laws of the State of Maryland and shall be deemed to be executed, delivered and accepted in the State of Maryland.

15. All rights of subrogation, reimbursement or indemnity, or rights of recourse to or with respect to any assets or property of the Franchisee, to which the Guarantors are entitled by reason of any payments made under this Guaranty, shall be subordinate to all claims of Franchisor against the Franchisee, and after the date hereof, the Guarantors shall not collect or endeavor to collect such claims until the Guaranteed Obligations are paid in full.

16. The Guarantors consent to being sued on this Guaranty in the state or federal courts of the State of Maryland and consent to the jurisdiction of such courts in any such action. The Guarantors hereby appoint Jean-Pierre Haddad as its agent for receiving service of process in any such action in the state or federal courts of Maryland; and the Guarantors agree that service of process may be made upon each of them in any such action either by certified mail transmitted to the Guarantors by Franchisor at the notice address herein set forth, or by service of process upon the Agent. If any action is brought by Franchisor against the Guarantors in the U.S. District Court for the District of Maryland, Southern Division, or is removed to such court from a state court, the Guarantors waive any right they may have to obtain a change of venue to any other federal court.

17. If any provision of this Guaranty is held to be invalid, illegal or unenforceable, such invalidity, illegality or unenforceability shall not affect any other provision of this Guaranty, and this Guaranty shall be construed as if such invalid, illegal or unenforceable provision had never been contained herein to the extent (but only to the extent) it is invalid, illegal or unenforceable.

18. All attorney fees or legal fees should be reasonable, verified and substantiated.

19. If there is a dispute concerning any amounts may become due under this Guaranty, Guarantor has the option to deposit the money due into an interest bearing trust account of Guarantor's attorney or the court where it shall be held until final decision or settlement is been made.

IN WITNESS WHEREOF, this agreement has been executed by the parties hereto the day and year first above written.

Anthony L. Tartaglia
Name

Signature

~~6/5/2013~~
May 21, 2013
Date

EXHIBIT C

FRANCHISE DISCLOSURE DOCUMENT

Cluck-U, Corp.
14504 Greenview Drive, Suite 200
Laurel, Maryland 20708
(301) 604-2535 **Phone**
(301) 604-2536 **Fax**
www.cluckuchicken.com

The Franchisee will organize, install and operate a fast food dine-in and carryout restaurant system, featuring chicken, ribs, sandwiches, and related food items, under the name "Cluck-U Chicken", and/or "Cluck University Chicken" and/or "Cluckster's" (collectively "Cluck-U Chicken").

(1) The total investment necessary to begin operation of a Cluck-U Chicken franchised business is between $250,000 and $350,000. This includes Sixteen Thousand Dollars ($16,000) that must be paid to the franchisor or its affiliate(s).

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

You may wish to receive your disclosure document in another format that is more convenient for you. To discuss the availability of disclosures in different formats, contact Cluck-U, Corp. at 14504 Greenview Drive, Suite 200, Laurel, MD 20708, ph: (301) 604-2535, jp.haddad@cluckuchicken.com

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

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

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

(6) Issuance Date: 10/05/2012

STATE COVER PAGE

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

Call the state franchise administrator listed in Exhibit B for information about the franchisor, about other franchisors, or about franchising in your state.

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

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

1. THE FRANCHISE AGREEMENT REQUIRES YOU TO RESOLVE DISPUTES WITH US BY MEDIATION AND/OR LITIGATION ONLY IN MARYLAND. OUT-OF-STATE MEDIATION AND/OR LITIGATION MAY FORCE YOU TO ACCEPT A LESS FAVORABLE SETTLEMENT FOR DISPUTES. IT MAY ALSO COST YOU MORE TO SUE AND/OR MEDIATION WITH US IN MARYLAND THAN IN YOUR OWN STATE.

2. THE FRANCHISE AGREEMENT STATES THAT MARYLAND LAW GOVERNS THE AGREEMENT, AND THIS LAW MAY NOT PROVIDE THE SAME PROTECTIONS AND BENEFITS AS LOCAL LAW. YOU MAY WANT TO COMPARE THESE LAWS

3. THE FRANCHISE AGREEMENT REQUIRES THAT THE FRANCHISEE AND HIS OR HER SPOUSE MUST PERSONALLY GUARANTEE THE OBLIGATIONS UNDER THE FRANCHISE AGREEMENT, AND BOTH THE FRANCHISEE AND HIS OR HER SPOUSE ARE JOINTLY AND SEVERALLY LIABLE FOR THESE OBLIGATIONS, AND PLACES THE FRANCHISEE'S AND HIS OR HER SPOUSE'S PERSONAL ASSETS AT RISK.

4. THERE MAY BE OTHER RISKS CONCERNING THIS FRANCHISE.

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

Effective Date: 10/10/2012

TABLE OF CONTENTS

	Page
(1) The Franchisor and any Parents, Predecessors, and Affiliates	1
(2) Business Experience	2
(3) Litigation	4
(4) Bankruptcy	6
(5) Initial Fees	6
(6) Other Fees	7
(7) Estimated Initial Investment	13
(8) Restriction on Sources of Products and Services	17
(9) Franchisee's Obligations	22
(10) Financing	24
(11) Franchisor's Assistance, Advertising, Computer Systems, and Training	24
(12) Territory	46
(13) Trademarks	50
(14) Patents, Copyrights, and other Proprietary Information	52
(15) Obligation to Participate in the Actual Operation of the Franchise Business	52
(16) Restrictions on What Franchisee May Sell	53
(17) Renewal, Termination, Transfer and Dispute Resolution	53
(18) Public Figures	55
(19) Financial Performance Representations	56
(20) Outlets and Franchisee Information	56
(21) Financial Statements	62

Page

(22) Contracts 62

(23) Receipts Last 2 pages after exhibits

Exhibits

Exhibit A *Franchise Agreement with Related Agreements*

Exhibit B *Agents for Service of Process and State Administrators*

Exhibit C *Financial Statements*

Exhibit D *Site Indemnification*

Exhibit E *Market and Site Criteria*

Exhibit F *Lease/Demographic Waiver*

Exhibit G *Training Certification Acknowledgment & Indemnification*

Exhibit H *Management/Personal Responsibility Acknowledgment*

Exhibit I *Computer Hardware and Software Specifications and Distributor Agreement*

Exhibit J *Guidelines for Outside Designer and/or Architect*

Exhibit K *Independent Counsel and Independent Investigation Acknowledgement*

Exhibit L *Confidentiality Agreements*

Exhibit M *Assignment and Consent to Assignment of Franchise Agreement*

Exhibit N *Guaranty Agreement and ACH Authorization Agreement*

Item 1. The Franchisor, and any Parents, Predecessors, and Affiliates.

To simplify the language of this Franchise Disclosure Document, "We" or "Us" means **Cluck-U, Corp.;** "You" means the buyer of the Franchise or the "Franchisee". If You are a corporation or other legal entity such as an LLC, the provisions relating to the Franchisee's personal involvement in the Franchise, both in this Disclosure Document and in the Franchise Agreement (Exhibit A) also apply to Your beneficial owner(s).

(1) We are **Cluck-U, Corp.** We are a Maryland corporation and our principal business address is 14504 Greenview Drive, Suite 200, Laurel Maryland 20708. www.cluckuchicken.com Phone: (301) 604-2535. We have no parent company. We have an affiliate, CUC Management, Inc. that had been used prior to December 31, 2007 to negotiate with producers, manufacturers and distributors and obtained rebate and other income. It no longer serves that function. CUC Management, Inc. was used for a few months in 2008 to operate the Cluck-U Chicken Restaurant on Security Blvd. in Baltimore, MD. Our affiliate, CUC Management, Inc. was dissolved in 2011 and no longer provides any type of services to Cluck-U, Corp. CUC Management, Inc. did not offer or sell franchise for Cluck-U, Corp.

(2) In May 2000 Cluck-U, Corp. bought the rights to the Cluck-U Chicken name and marks from Cluck-U-Chicken Inc. (a New Jersey Corporation), which created the Cluck-U Chicken concept in 1985. Cluck-U-Chicken Inc. had franchised and licensed units beginning in 1990. Cluck-U, Corp. does license use of the name and marks to Cluck-U-Chicken, Inc. but it is not an affiliate. The business address of Cluck-U-Chicken, Inc. is 261 Raymond Rd., Princeton, New Jersey 08540. Phone (732) 438-1900.

(3) The names under which We are currently doing and intend to do business are:

Cluck-U, Corp. and/or Cluck-U-Chicken and/or Cluck University Chicken and/or University Chicken and/or Cluck-U Express and/or Cluck-U and/or Cluck U and/or Cluckster's and/or cluckuchicken.com and/or Clucksters.com.

(4) Our agent for service of process in a state other than Maryland is stated in Exhibit B. In the State of Maryland our registered agent authorized to receive process is the Maryland Securities Commissioner, 200 St. Paul Place, Baltimore, Maryland 21202-2020.

(5) We are a corporation formed under the laws of the State of Maryland on February 29th, 2000.

(6) (i) As of September 30, 2012, We did not operate businesses of the type being franchised in the United States. We do own a Cluckster's restaurant in the Middle East. We may own and operate restaurants in the US in the future.

(ii) In addition to selling and servicing franchises, We offer and sell branded and non-branded products related to Cluck U Chicken and Cluckster's and license our name and marks to third parties.

(iii) Franchisees will operate a restaurant featuring fast food for dine-in and carryout according to Franchisor's system and plan. We franchise the right to organize, install and operate a system of fast food dine-in and carry-out restaurants, which feature chicken, ribs, sandwiches, salads

and related food products under a written Franchise Agreement (Exhibit A). The Cluck-U Chicken restaurants may be referred to as "units" in this document.

(iv) The general market for franchised operations of a fast food outlet is developed.

(v) The Industry is subject to federal, state and local regulations for food service establishments including health inspections and safe food handling requirements.

(vi) Competitors include fast food and chicken restaurants and chains such as KFC, Boston Market, Popeye's, and Chick-fil-A.

7. As of September 30, 2012, Cluck U, Corp. did not own or operate Cluck-U Chicken restaurants in the United States. In 2004 we opened a restaurant in the Republic of Lebanon under the name of "Cluckster's." Cluck U Corp.'s former affiliate, CUC of MD., Inc., formerly under common control with Cluck U Corp., was the owner of a Cluck U Chicken restaurant for 15 years, before selling it in 2005. CUC of MD, Inc. did not offer or sell franchise for Cluck-U, Corp. nor provided products or services to Cluck-U, Corp. CUC of MD, Inc.'s principal address is 7415-B Baltimore Ave. College Park, MD 20740 and it stayed operational and owned under another franchisee for Cluck-U, Corp. operating under the name Cluck-U Chicken until December 2010 when the landlord evicted the franchisee for nonpayment of rent; CUC of College Park, LLC affiliate to Cluck-U, Corp. under common control with Cluck-U, Corp. re-opened the College Park store under the name of "Cluckster's". Cluck-U, Corp. licensed CUC of College Park, LLC to operate its Cluck-U Chicken concept under the name "Cluckster's". This will serve as new Generation of the Cluck-U Chicken with new Menu items, offering, new look, design and prototype for Cluck-U, Corp. JP Haddad officer of Cluck-U, Corp. re-opened the College Park store thru the entity "CUC of College Park, LLC" doing business under Cluckster's. Currently CUC of College Park, LLC does not intend to offer Franchise(s) for Cluck-U, Corp. nor open or franchise additional units under Cluckster's. CUC of College Park, LLC does not offer franchise in any line of business.

Cluck U, Corp. has offered restaurant franchises since November 3, 2000. We do not offer franchises in other lines of business.

Cluck-U-Chicken, Inc. (NJ) does not currently own or operate Cluck-U Chicken restaurants. Cluck U Chicken, Inc.'s president and principal shareholder, Robert Ilvento, was the owner of a Cluck U Chicken restaurant from 1985 to 1998. Robert Ilvento owner of Cluck-U Chicken, Inc. and Cluck-U, Chicken, Inc. do provide services to Cluck-U, Corp. to include food development and inspection to franchise units, but does not provide products. Neither Robert Ilvento nor Cluck-U, Chicken sell franchise to Cluck-U, Corp. Robert Ilvento sold Cluck-U Chicken franchises from 1985 till 2000 in various states.

Cluck U Chicken, Inc., (NJ) the original owner of the Cluck U Chicken name and marks, offered Cluck U Chicken restaurant franchises from 1990 until May 2000, when it sold the rights. Fewer than ten Cluck U Chicken (NJ) restaurant franchises continue to operate claiming authority under licensing or franchise agreements with Cluck U Chicken, Inc., (NJ) dating prior to May 2000. Cluck U Chicken, Inc. does not offer franchises in other lines of business.

Under a licensing agreement with Cluck U, Corp., Cluck U Chicken, Inc., (NJ) does use the Cluck U name and marks to produce and sell Cluck U Chicken branded products, including frozen food and sauces. Cluck-U-Chicken Inc. (NJ) uses the Cluck-U Chicken name, including under the "Cluck-U Express" or "Cluck-U Frozen" brands. These products are sold to retailers, distributors and resellers, and may be sold ready to eat by "Express' units, but are not sold as part of a franchise system. There is no effective registration for express units in Maryland at this time and express units are not being offered in this offering. Cluck U Chicken, Inc. is not an affiliate of Cluck U, Corp.

Item 2. Business Experience:

Cluck-U, Corp. Officers:

Chief Executive Officer, President and Treasurer: Jean-Pierre Haddad (Feb, 2000 – Present)

Mr. Jean-Pierre Haddad has been the president and treasurer of the Franchisor, Cluck U, Corp., since its inception on February 29, 2000.

From February 1990 to April 2005, Jean-Pierre "JP" Haddad had been one of the beneficial owners of the Cluck-U Chicken restaurant in College Park, MD at 7415-B Baltimore Ave., College Park, MD 20740 . He owned and operated that unit before selling it in 2005. JP Haddad the sole owner of CUC of College Park, LLC, in August 2011 re-opened the college park store under Cluckster's. JP Haddad oversees the management of the Cluckster's unit.

Between April 2003 and December 2006, JP Haddad spent much of his time in Lebanon developing a version of Cluck U Chicken for overseas markets. In October 2004, JP Haddad opened "Cluckster's", a restaurant featuring the Cluck U System as developed for the overseas market. Cluck-U, Corp. owns the Cluckster's in Lebanon.

Vice President, Secretary and Director for Architectural and Interior Design: Roula Zoghby (Jan, 2007 – Preseut)

Ms. Roula Zoghby is the Vice President, Secretary, and Director for Architectural and Interior Design. Prior to joining Cluck U, Corp. Ms. Zoghby worked as a kitchen designer with the Snaidero Company, an Italian design firm located in Beirut, Lebanon from July 2000 to August 2004. From September 2004 to December 2006 Ms Zoghby worked as an independent design consultant. Ms. Zoghby joined the Franchisor in January 2007 as Architectural and Interior Designer. She supervises the design and development of prototypes for use in franchised restaurants.

In August 2007 Ms. Roula Zoghby was named Vice President and Secretary of Cluck U, Corp.

Director of Purchasing: Beatrice Maggio (Jan, 2008 – Present)

Ms. Beatrice Maggio is the Director of Purchasing.

Ms. Maggio worked for Performance Food Group (PFG) at 1333 Avondale Road, New Windsor, MD 21776 (800) 755-4223 from March 1995 to February 2005 as a contract supervisor.

She joined CUC Management, Inc., an affiliate of Cluck U, Corp., at 14504 Greenview Drive, Suite 200, Laurel, MD 20708, and telephone (301) 604 2535, as Purchasing Supervisor from March 2005 through end-2007.

Since January 2008 Ms Maggio has been the Director of Purchasing for Cluck U, Corp.

Independent Contractor: Robert Ilvento

Cluck-U, Corp. has retained the services of the **Robert Ilvento** ("Ilvento"), as an independent contractor to assist Cluck-U, Corp. perform certain training, managerial and administrative functions and to assist in developing the System and new prototypes. The duties of Ilvento have included inspecting operational units, training of managers and employees of new units, both prior to and following opening, and assisting in the supervision of construction of new units. Ilvento is not an affiliate, parent or subsidiary of Cluck-U, Corp. Ilvento is an independent contractor. Mr. Ilvento was the founder of the Cluck U Chicken concept and owned and operated the original Cluck-U Chicken restaurant formerly located at 53 Easton Ave. New Brunswick, NJ 08901. He operated the New Brunswick restaurant from 1985 to 1989. Beginning in 1989 Mr. Ilvento began to expand and develop the franchise system, which he eventually sold to JP Haddad and Cluck U Corp. in 2000. Mr. Ilvento is not currently a franchisee of the Cluck-U, Corp. System.

Item 3. Litigation:

A. Cluck-U, Corp.:

Cluck-U, Corp. is or was a party to the following actions:

1) *Geraldine Bond vs. Cluck-U Corporation, et. al.,* Dkt. No. MRS-L-1069-04, In the Superior Court of New Jersey, Law Division: Morris County. This was a personal injury lawsuit arising out of an automobile accident allegedly involving a delivery person employed by the Morristown, New Jersey franchisee. The Amended Complaint stated one count alleging negligence. Cluck-U, Corp. answered the suit denying liability. The franchisee's liability insurance carrier settled the case in 2006 with a payment of $5,000 to the plaintiff.

2) *George Cumpston, et. al., Plaintiffs vs. Matthew McShane and Cluck-U, Corp., et. al., Defendants,* is docketed as Case. No. 06C-11-051-JRJ in the Superior Court for the State of Delaware, New Castle County. This is a personal injury lawsuit arising out of an automobile accident allegedly involving a delivery person employed by a Delaware franchisee. The Amended Complaint states three counts for negligence and one count for loss of consortium. Cluck-U, Corp. has answered the suit. The liability insurance carrier is providing the defense. The Franchisor's liability insurance carrier settled the case on behalf of Cluck-U, Corp. in November 30, 2009 with a payment of $904,000 to the plaintiff(s) and a payment of $145,000 paid by McShane to plaintiff(s).

3) *In the Matter of Cluck-U Corp. and Simon Haddad, Respondents, an Administrative Proceeding before the Securities Commissioner of Maryland, Case No. 2007-0409.* The Maryland Division of Securities (the "Securities Division") investigated allegations that the named Respondents, Cluck U, Corp. and Simon Haddad, violated the registration, disclosure, and filing provisions of the Maryland Franchise Law. Without admission or denial of any violations of law, Cluck U, Corp. and Simon Haddad, Respondents, reached a settlement and entered into a Consent Order with the Securities Commissioner of Maryland ("Commissioner") dated September 24, 2007 (the "Consent Order"). Under the terms of the Consent Order, Cluck U, Corp. and Simon Haddad ("Respondents"): (1) agreed to follow Maryland Franchise law; (2) agreed to and did obtain approval for the 2007 Maryland Franchise Offering Circular ("Maryland UFOC"); (3) agreed to and did enroll a Cluck U, Corp. officer in a Franchise Sales and Disclosure Law Compliance Training Program approved by the Securities Division; (4) agreed to submit new compliance procedures designed to ensure Cluck U, Corp.'s future compliance with Maryland Franchise Law; (5) agreed that Simon Haddad will not be responsible for offers or sales of Cluck U, Corp. franchises nor for Cluck U, Corp.'s franchise registration or disclosures; (6) agreed to and did submit offers of rescission to the six Maryland franchisees that signed Cluck U, Corp. franchise agreements during the period when franchise registration was not effective in Maryland and (7) agreed that the Consent Order would be disclosed in this document.

After Cluck U, Corp. obtained registration of the Maryland UFOC, Cluck U, Corp. extended an offer to the six affected Maryland franchisees to rescind their Franchise Agreements. None of the six affected Maryland franchisees accepted the offer to withdraw from the Cluck U Chicken franchise system.

4) Cluck-U, Corp. v. CUC Dunkirk, Inc., et al., case number 8:08 cv 01815 RWT, United States District Court for the District of Maryland, Southern Division, filed July 11, 2008. The suit alleges causes of action including trademark infringement, trade dress infringement, violation of the Maryland Consumer Protection Act, trade secret misappropriation, breach of fiduciary duty, unfair competition, defamation, and breach of contract. The defendants, former franchisees, are alleged to have unilaterally abrogated their franchise agreement, infringed Cluck-U, Corp.'s rights and caused the Plaintiff damages. Defendants countersued alleging fraud and breach of contract and seeking rescission. The parties settled the case with a payment by the Defendants to the Plaintiff of $25,000 and an agreement by the Defendants to cease infringing on the Plaintiff's rights. The parties dismissed the case by stipulation on December 29th 2008.

5) The following four lawsuits were filed by Cluck-U, Corp. against units that were under contractual relationship with Cluck U Chicken, Inc. (NJ) and lost their license to use the Cluck U name and marks. They were sued for infringing Cluck U, Corp's rights and damages:

a. Cluck U, Corp. v. Hafez Enterprises, Inc., d/b/a Cluck U Chicken, Hassan M. Hafez, Rajesh Kumar, Kiran Bala, Case No 2:08-cv-00188-DMC-MF US District Court NJ, filed January 9, 2008 for trademark infringement and unjust enrichment due to royalty non-payment. The case was settled with the defendant paying $5,000 to the plaintiff and signing a franchise agreement to join the System on April 2, 2008. The plaintiff dismissed the case on June 17, 2008.

b. Cluck U, Corp. v. I & A Associates, Inc. t/a Cluck U Chicken, Badr Aly, Abraham Ahmed, Case No 3:08-cv-00123-FLW-TJB US District Court NJ, filed January 9, 2008 for trademark infringement and unjust enrichment due to royalty non-payment. The Plaintiff requested entry of judgment of $83,360 because the defendants failed to answer the complaint. The defendants agreed to join the system on October 25th 2008 and agreed to pay royalties. Plaintiff has not moved for entry of judgment.

c. Cluck U, Corp. v. Effat Incorporated t/a Cluck U Chicken, Amgad El-Hosseini, Fouad Elhosseiny, Ahmad Al-Hissen, Ahmed Elonhosane, Eman Mohamad, Case No 3:08-cv-00122-MLC-GGH US District Court NJ, filed January 9, 2008 for trademark infringement and unjust enrichment due to royalty non-payment. The Plaintiff obtained an injunction and judgment in the amount of $43, 200 on October 8, 2008. In March 2012 Defendant agreed to stop infringing on Cluck-U, Corp. and removed signage of the premises which were identifying defendant as part of the Cluck-U system. Defendant agreed to make certain modifications to its operation in order to not confuse the public as being part of the Cluck-U system.

d. *Cluck-U, Corp. v. C.U.C. of Columbus, Inc., et al.,* Case No. 2:07 CV 816, U.S. District Court, S.D. Ohio, Eastern Division, filed August 17, 2007. The suit alleges causes of action resulting from trademark infringement, unfair competition, deceptive practices, unauthorized use of marks, breach of contract and trade secrets violations. The defendants are alleged to be former licensees that continued to trade under the Cluck U Chicken name and concept despite having been terminated. The defendants defaulted. The Plaintiff obtained an injunction and judgment in the amount of $64,800 on September 10, 2008. Plaintiff in 2011 prevailed in shutting down the store and it is no longer operational.

6) Dieffenbach v. McKay, et al., Case No. CAL08-27285, Circuit Court Prince George's County, MD, filed October 14, 2008. The plaintiff alleges breach of contract, conversion and deceit, seeking $75,000 in damages plus punitive damages. Defendant Cluck U, Corp. filed cross claims, counter claims and third party claims seeking money damages and injunctive relief and alleging breach of contract, indemnity, contribution and unjust enrichment. The Plaintiff claims that Defendant John McKay sold the plaintiff his restaurant but the Plaintiff did not obtain it. In December 2009 Dieffenbach's attorney was granted his request from the court to withdraw his appearance as Dieffenbach attorney of record in the case; the Case was then dismissed without prejudice by both Parties.

7) A & E Partners, L.P. I v. Mori & Mroz, Inc., et al., Case No. 0804-0034784-2008 in the District Court of Maryland, Baltimore County MD, filed March 26, 2009. The Plaintiff, landlord in a shopping center, alleges breach of contract due to failure to pay rent and seeks payment of $22,234.84. Defendant Cluck-U, Corp. has denied the allegations. In January 2010, Defendant/Tenant settled the case with Plaintiff/Landlord and paid the Landlord $9,000.

8) Mart Franchise Venture, LLC v. Cluck-U, Corp., Case No. 0502-0031341-2008, District Court of Maryland for Prince George's County, filed September 9, 2008. Plaintiff's alleged breach of contract for failure to pay $2,675 plus fees for a franchise show. Defendant denied the allegations and answered. The case was dismissed with prejudice on December 5, 2008.

9) The following two lawsuits were filed by Cluck-U, Corp. against units in Maryland that were under default and breach of their Franchise agreement; they lost their license to use the Cluck U name and marks. They were sued for infringing Cluck U, Corp's rights and damages:

a. Cluck U, Corp. v. C.U.C. of Maryland, Inc., d/b/a Cluck U Chicken at College Park, Maryland, Ken & Jim C.U.C., Inc., Docson Consulting, LLC, Kenneth A. Brady and Michael Ghiglieri, Case No 8:10-cv-02105-DKC US District Court MD, filed August 13, 2010 for breach of contract, trademark infringement and unjust enrichment. On Feb 22,2011 US District Court of MD awarded Cluck-U, Corp. judgment in the amount of 769,087.54 against all defendants except Michael Ghiglieri which he later filled personal bankruptcy. Cluck-U, Corp. is attempting to collect the judgment against the remaining defendants.
b. Cluck U, Corp. v. CUC Buffalo, Inc., d/b/a Cluck U Chicken at Annapolis, Maryland, CUC Annapolis, Inc. Baba, Inc. and Rashad Asi, case No 02-C-10-155827 CN US District Court for Anne Arundel County, Maryland, filed October, 2010 for trademark infringement and unjust enrichment. Cluck-U, Corp. dismissed the case when franchisee rejoined the system and complied with its franchise terms including royalty payment. In September 2012, Cluck-U, Corp. has re-opened the case against the Cluck-U Chicken at Annapolis and Rashad Asi for trademark infringement and unjust enrichment due to failure of the franchisee complying with its franchise terms including nonpayment of royalties. Thus, Cluck-U, Corp. has terminated the franchise.

B. Cluck-U-Chicken Inc.:

Cluck-U-Chicken, Inc. was a party to the following civil action:

Cononie, et al. v. Cluck-U-Chicken Inc., (Superior Court of N.J., Law Division, Mercer County, Docket No. MER-L-308-98). James Cononie, Jr., Loretta Cononie and Cononie Incorporated, plaintiffs, sued Cluck-U Chicken, Inc. for breach of contract and unjust enrichment based on non-payment of a promissory note in an action filed January 20, 1998. The plaintiffs' lawsuit sought damages in the amount of approximately $191,000, plus interest. Cluck-U-Chicken Inc. counterclaimed, alleging fraud and breach of contract, based on misrepresentation of financial information. The lawsuit has been settled by the defendant with a payment of $170,000 to the plaintiff.

In January 1999, the Maryland Office of the Attorney General, Securities Division, advised, by letter to Cluck-U-Chicken Inc., that the Securities Division was investigating whether Cluck-U-Chicken Inc., had offered franchises within Maryland while not registered as a franchisor under the Maryland Franchise Law. The letter referred to *Cluck-U Chicken Co./Maryland File No. 98-1166.* The Securities Division requested that Cluck-U-Chicken Inc. refrain from offering franchises within Maryland until registration for a license to Franchise was filed and approved by the state of Maryland. Cluck-U-Chicken Inc. responded that it did not offer franchises in Maryland, but in any case would not so offer franchises in Maryland until authority to franchise was granted by the State of Maryland.

C. Jean-Pierre Haddad:

In April 1999, Simon Haddad and Jean-Pierre Haddad ("JP") were asked to respond to a letter from the Maryland Office of the Attorney General, Securities Division, inquiring as to their role in the matter referred to as Cluck-U Chicken Co./Maryland File No. 98-1166. The Securities Division requested that, pending its inquiry, Simon and JP Haddad refrain from offering franchises within Maryland. Simon and JP Haddad agreed that they would not offer franchises in Maryland unless and until the right to establish franchises was obtained.

Other than the above actions no litigation is required to be disclosed in this Item .

Item 4. Bankruptcy:

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

Item 5. Initial Franchise Fee:

The initial franchise fee is Fifteen Thousand Dollars ($15,000) payable in a lump sum to Us on the date You sign the Franchise Agreement. No initial franchise fees are refundable after execution of the Franchise Agreement (Franchise Agreement, Section 10-1). The franchise fee for a second and subsequent unit (unit number 2, 3 etc.) is in the amount of Ten Thousand Dollars ($10,000), or two thirds (2/3) of the then current franchise fee, whichever amount is greater. The initial franchisee must own at least fifty one percent (51%) of the shares of unit number 2, 3 etc. to be eligible for reduction. If You are a Maryland resident or are opening a franchise to be located in Maryland, All initial fees and payments shall be deferred until such time as the Franchisor completes its initial obligations under the franchise Agreement.

During the previous fiscal year ending December 31, 2008, all sales of new franchises to new franchisees were for an initial franchise fee of $35,000. Two existing franchisees opened their second unit in New Jersey and paid an initial franchisee fee of $25,000 each. During the fiscal year 2012 thru September 30, 2012, (2) new units in New Jersey paid $15,000 as Initial Franchise Fees (Woodbridge, Union) and (1) paid $10,000 as Initial Franchise Fees Wall Township as its second unit), There were two units in New Jersey that had once been under contract with Cluck U Chicken, Inc. (NJ) who joined the Cluck U, Corp. System. Due to their status as former licensees and in consideration of settlement of lawsuits initiated by Cluck-U, Corp., one unit paid $5,000 and the other paid nothing to join the system. During the same time, all transfers of franchise agreements were charged a transfer fee of $11,666. One unit in Maryland paid the $11,666. A second unit failed to pay the transfer fee, and the transfer was voided. The original owners reclaimed the store and continue to operate it in Maryland. During the fiscal year 2010 one existing Franchisee in the state of Pennsylvania opened his second unit in Pennsylvania and paid $20,000 in initial franchise fee under a multiple units development agreement with set schedule of opening the multiple units. The royalty was reduced under its multiple-units development agreement.

In addition to the initial Franchise Fee, You will be required to pay One Thousand Dollars ($1,000) for Our review of Your architect's or designer's plans. The total amount to be paid to the Franchisor or its affiliate prior to opening is $16,000.

Franchisee will not obtain franchisor's approval to open for business or use its marks until all initial fees are paid by Franchisee.

No franchise fee identified in this item 5 is refundable, except at the direction of the state administrator.

Item 6. Other Fees:

Name of Fee	Amount	Due Date	Remarks
Royalty (1)	5 % of total Gross Sales*	Monthly by electronic transfer ("ACH") by the 10th of the next month.	You must have insurance coverage against theft and employee dishonesty.
National / Regional Advertising (1)	2 % of total Gross Sales*	Same as Royalty	Paid into Advertising fund; Benefits directed regionally (See Note 11)
Local Advertising (2)	2 % of total Gross Sales*	Paid directly by You	For local advertising to be spent by You
Optional Additional Training (3)	$500 Fee per day plus travel and other costs to Franchisor	Fee due at time of training; Costs due Within 15 days of receipt of invoice	We provide training for four (4) persons included in the initial Franchise fee. If Franchise Agreement is transferred, Transferee may request and pay for optional training. We may offer Franchisor-developed materials for an agreed fee (e.g. video training).
Optional Additional On-site Support	$500 Fee per day plus travel and other costs to Franchisor	Fee due at time of training; Costs due Within 15 days of receipt of invoice	Upon Your request
Inspection (4)	Our costs for inspecting books and unit	Within 15 days of invoice	Penalty for under reporting
Accounting Expenses (5)	Your cost of accounting review by independent auditor	As arranged between You and Your independent auditor	An annual accounting review is required in the franchise agreement
Name of Fee	**Amount**	**Due Date**	**Remarks**
Insurance Default Costs	Our costs to cure	As incurred	We have the right to cure Your insurance defaults and to recover the costs of curing from You
Default Costs (6)	Cost to Franchisor	As incurred	At Our discretion, We may cure failure to de-identify Your restaurant upon termination or expiration of the franchise

Dress code compliance (7)	cost of uniforms	Upon inspection or request from You	While We are inspecting Your store You must pay for any uniform to be given by Us to Your employees who are not wearing the Cluck-U approved uniform
Testing and Inspection Expenses for Non-approved brand or Item (8)	Our cost of inspection and testing of non-approved brand or item.	As incurred	If You request to use a non-approved brand or item, We have the right to require that samples from supplier be delivered to Us and have sole discretion in determining whether the item meets Our standards
Interest on Late payment	18% or the highest rate allowed by Maryland law. plus $200 / month administrative fee	As incurred	Payable on all overdue amounts
Liquidated Damages	10% or previous year's sales, or $50,000, whichever is greater	Upon breach of non-competition clause (see footnote 10)	Only due if You breach non-competition clause
Transfer (9)	Greater of $10,000 or 2/3 of current franchise fee	Prior to Franchisor's consent to transfer	If transfer to Franchisor-controlled corporation, no fee
Renewal	$200,000	After expiry of current term and upon renewal for ten year term.	Franchisee does not have the right to renew unless renewal option is required by law.

THE FOLLOWING NOTES ARE AN INTEGRAL PART OF THIS SCHEDULE.

* Gross Sales = all sales revenue collected excluding sales or use tax.

Note: All fees are non-refundable.

At its sole and absolute discretion, Cluck-U, Corp. may reduce or partially refund royalty fees for any Franchise Restaurant, temporarily or permanently, merely as an accommodation, if, in Our sole opinion, circumstances warrant a reduction or partial refund, including, but not limited to, the opening of additional units by the same franchisee, unusually low revenues, or other hardship, provided, however, that any reduction or refund may be terminated at any time and at Our sole discretion, and such royalty reduction or refund shall not create any expectation by You that it is an entitlement, regardless of the amount or duration of the reduction or refund, nor shall it operate as a waiver by Us of Our right to reinstate the full royalty fee or advertising fee.

1. These are nonrefundable fees imposed by and payable to Us. They are payable on the first business day of the following month by electronic deposit, but We will grant You a grace period until the 10th. We will withdraw the amount due by ACH on the tenth (10th) calendar day of the month following sales, unless paid in full sooner. We do not finance any fee. If You do not pay these fees by the due date (10th), You agree to pay interest on any unpaid fees. If you underreport sales this also applies to underreported fees. You agree to pay the interest on unpaid fees and on underreported fees at the lesser of eighteen percent (18%) per annum or the highest rate Maryland permits beginning on the

date when first due. You agree to pay a late charge of Two Hundred Dollars ($200) each month the royalty fee or advertising fee is unpaid by the due date.

2. You must spend 2% of Your gross sales on Local Advertising. Local Advertising is spent directly by you. You have the discretion to negotiate contracts with local advertising agencies. You must obtain Our prior approval for all advertising and promotional campaigns. You must regularly provide evidence of spending 2% on Local Advertising.

3. If after initial training is completed our inspection reveals that your managers and/or employees are unable to perform all required tasks according to the Cluck U System, you will be required to obtain and pay for additional training. You may also request optional additional training for your managers and/or employees, including upon turnover of key managers or upon approved transfer of the Franchise. If we provide additional training you will be charged the stated fee and all costs. We may develop audio-visual training materials for use by Franchisees in training managers and employees. If we do, You agree to pay a reasonable fee to cover the cost of the materials, including development and production costs. If the materials are distributed to multiple units, the fee will not exceed the total cost to produce the material divided by the total number of franchisees who obtain the material during the first thirty days of distribution.

4. You are required to reimburse Us for the costs of audits or inspections, including, but not limited to, reasonable accounting and legal fees and the travel expenses, room and board and compensation of Our accountants, attorneys and employees if (1) We conduct an inspection or audit of Your business as a result of Your failure to furnish reports, other information required by the franchise agreement, or to furnish such reports, records or information on a timely basis, or (2) an understatement of gross receipts for any period of not less than four (4) weeks is determined by an audit or inspection to be greater than two percent (2%). This remedy is in addition to and not in lieu of any other remedies and rights that We may have. All audit fees are paid to Us, but We may forward a portion of them to an accounting firm that We retain to perform the audit.

5. You are required to produce and provide to Us at Your own expense an annual review by an independent certified public accountant showing the results of operations for each fiscal year during the term of the Franchise Agreement.

6. We have the right to change or remove all restaurant signs, sign faces, emblems, building and other items identifying the restaurant at Cluck-U Chicken restaurant, if You fail to do so after ten (10) calendar days written notice, and to recover Our costs in doing so.

7. Upon scheduled or non-scheduled inspection at Your restaurant conducted by Us or Our agent, if any employee at Your restaurant is not wearing the approved Cluck-U uniform as outlined in the Operating Manual, then the person conducting the inspection may give that employee a uniform, and We will charge You the same cost that You would pay for the uniform from the approved supplier. You may also request that We provide uniforms, and if available, and We will charge You the same cost that You would pay for the uniform from the approved supplier.

8. See Item 8 of this Disclosure Document for more details regarding restriction on sources of products and services.

9. Transfer fees are nonrefundable fees payable to Us. We do not finance any fee. The Franchise Agreement is not transferable without payment of a Transfer Fee. The transfer fee does not include the cost of training the proposed transferee or its managers. The Franchise Agreement cannot be extended without a separate written agreement. If the proposed transferee requires training prior to or after the transfer, the transferee must pay Us our usual daily rate for training all necessary staff. Assuming the transferee hires reasonably experienced managers, it should cost less than Four Thousand Dollars ($4,000) for requested training by Us for four (4) of the transferee's new managers.

10. If Your franchise agreement is terminated by either party before it expires of its own terms (in twenty (20) years), You agree not to sell, lease or otherwise convey the premises to, or open, acquire, or become affiliated with, a competing business at the same location (e.g., Wings-To-Go, KFC, Popeye's, or any other chicken or fast food restaurant). If, by law, this clause is unenforceable, then You agree to pay Cluck-U, Corp., as liquidated damages, ten percent (10%) of the last calendar year sales or fifty-thousand dollars ($50,000), whichever is greater, for the goodwill generated by the Cluck-U Chicken concept to that Location.

11. One or more advertising cooperative(s) may be established (See Section 11) to advise Us on the national/regional advertising fund, but the advertising cooperative's recommendations will be advisory only. Company owned units will have no vote in these cooperatives, if any are formed. You will be required to contribute 2% of Your monthly gross sales to the national/regional advertising fund, and these fees will be collected monthly on the same terms as the royalty payments. They are payable on the first business day of the following month by electronic deposit, but We will grant You a grace period until the 10th. We will withdraw the amount due by ACH on the tenth (10th) calendar day of the month following sales, unless paid in full sooner. As stated below in Section 11, We may temporarily or permanently waive Your requirement to contribute to the national/regional advertising fund, or refund to You part or all of Your unspent contributions to the fund. The national/regional advertising fund will be audited annually and You may obtain a copy of the annual audited statement by submitting a written request to Our corporate office.

12. The Franchisee does not have the right to renew the Franchise Agreement following termination or expiration, unless by law the Franchisee must be granted that right. If applicable law requires that We, the Franchisor, must grant to the Franchisee the right to renew the Franchise Agreement, the renewal fee will be the then current asking Initial Franchise Fees at the time of the renewal for a period of ten years term. You may request that We offer to You the opportunity to enter into a new Franchise Agreement with Us for a new term after your initial term expires, but we reserve the right to refuse to so offer for any reason not prohibited by law or for no reason. If we do offer You a new Franchise Agreement it will be under new and different terms from the current Franchise Agreement, including a new initial franchise fee and other terms in effect at that time. The then current asking Initial Franchise Fees at the time of the renewal with only 10 years term is only imposed if we are required by law to offer a renewal of the current Franchise Agreement following termination or expiration of your Franchise Agreement.

A. <u>Monthly Royalty Fee:</u>

The Franchise Agreement requires that the Franchise owner pay the company a monthly royalty fee. During the life of the agreement, the fee will be Five percent (5%) of the total gross sales payable monthly. The term "gross sales" is defined in the Franchise Agreement to

include the total of all cash or other payments for the sale of food, alcoholic or non-alcoholic beverage, merchandise, or other service or goods at or from the franchise restaurant premises, or any revenues derived from off-premises sales, such as catering, private parties, on-line internet orders, fax orders, business functions or the like excluding sales and use taxes (Franchise Agreement Section IX). The royalty fee is payable on the first business day of the following month by electronic deposit, but We will grant You a grace period until the 10th. You agree that We will withdraw the amount due by ACH on the tenth (10th) calendar day of the month following sales, unless paid in full sooner. If We are unable to withdraw by ACH the full royalty payment from Your account by the 10th because of any reason not our fault, including insufficient funds, You agree to pay a late payment charge of Two Hundred Dollars ($200.00) for each occurrence plus 18% interest on the unpaid amount. Repeated late payments can result in termination of the Franchise Agreement. Any prior forbearance or failure by Us to collect monthly royalty or advertising fees shall not constitute a waiver with respect to the collection of any fees or the enforcement of the franchise agreement.

B. Monthly Advertising Fees:

You must pay a total of four percent (4%) monthly for advertising fees as follows:

(1) You shall pay two percent (2%) of "gross sales" to Our National/Regional advertising fund. The advertising fund shall be used for advertising that benefits the franchisees within your region or nationally. The advertising fund shall not be used to promote the sale of new franchises. The contribution to the advertising fund is to be made monthly upon determination of "gross sales" for the month. This fee must be paid by wire transfer and received on or before the tenth (10th) of the next month following the calendar month in which the sales were made. This advertising fund is non-refundable (Franchise Agreement Section X). See Section 11(B)(3) of this Disclosure Document.

Monthly fees that are not paid when due shall bear interest from and after their due date at a rate of eighteen percent (18%) per annum, or the highest rate permitted by Maryland law, whichever is less. If We receive any advertising fund payment from You one day or more late, You agree to pay a late payment charge of Two Hundred Dollars ($200.00) for each occurrence plus 18% interest on the unpaid amount. (Franchise Agreement, Section X).

(2) You must spend an additional two percent (2%) for local advertising (Franchise Agreement Section X). Upon request by Us, You must provide Us with documentation and receipts evidencing Your advertising expenses totaling two percent (2%) of Your monthly gross sales spent on Your local advertising. If you do not spend 2% on local advertising, you may be penalized.

(3) We reserve the right to temporarily or permanently waive Your obligation to pay two percent (2%) of your gross sales to the National/Regional advertising fund until, in Our sole opinion, there are sufficient franchisees in the System to warrant the operation of the National/Regional advertising fund. In that event, We may either decline to collect all or a portion of the National/Regional advertising fund fees, or collect the fees and return all or a portion of them to You at the end of the fiscal year or at any other time. Should We elect to temporarily or permanently waive the National/Regional advertising fund, You will still be obligated to spend two percent (2%) of Your gross sales on Your local advertising. Any prior forbearance or failure by Us to collect monthly

royalty or advertising fees shall not constitute a waiver with respect to the collection of any fees or the enforcement of the franchise agreement.

(4) All new Cluck-U Chicken franchise restaurants within the Cluck-U, Corp. System are required to contribute to the National/Regional Advertising Fund if and when implemented.

C. Transfer:

To sell, assign or transfer the franchise, You must obtain Our written approval and pay Us the transfer fee. The amount of the transfer fee will increase from time to time at Our absolute discretion. The Transfer fee will be two-third (2/3) of the franchise fee in effect for Your region at the time of the proposed transfer. To obtain approval You must pay Our transfer fee of no less than Ten Thousand Dollars ($10,000.00) or one third (2/3) of the Franchise fee in effect at the time of the transfer, whichever is greater, prior to the transfer (Franchise Agreement Section XV). Prior to any transfer, the existing unit must be brought up to the then current operating standards and prototype including equipment package and store image. The transfer fee may be paid by the new Franchisee directly or may be collected by You and passed on to Us prior to making the transfer. We reserve the right to waive or reduce the transfer fee if, in our sole opinion, the situation calls for it.

The proposed transferee must submit to Us the financial and other references required by Us, along with a two-page essay on the reasons why the proposed transferee expects to be successful as a Cluck-U Chicken Franchisee. After having adequately met these requirements, then the proposed transferee must personally attend and satisfactorily complete Our training program and We will be paid for the cost of training per our standard rate of $500 per day, not to exceed Four Thousand Dollars ($4,000). A minimum of four (4) persons must be "certified" for the unit's operation prior to any transfer (Franchise Agreement Section XV). The proposed transferee shall assume your Franchise Agreement subject to any amendments and without any discounts for a term equal to the remaining term of the original Franchise Agreement.

Upon the expiration or early termination and non-transfer of the Franchise Agreement for any reason, You must alter and repaint the restaurant so as to remove all signs and distinctive decor that would otherwise identify the restaurant as a Cluck-U Chicken unit, whether the restaurant is owned by You or leased form a third party. If You fail to do so, We have the right to make such alterations and repainting at Your expense, and You must pay the cost of the alterations to Us upon demand (Franchise Agreement Section XVI). Further, upon expiration, termination, transfer or non-transfer of the Franchise Agreement for any reason, We will have the sole rights to the telephone number(s) of the unit.

D. Additional Training and Support:

(1) We may develop material that may be used in Your operations and for which We may pass on the cost to the franchise owner. For instance, We may develop in-store-audio visual training materials, which You will be able to purchase. We will charge You an amount that We agree in writing but which will be the cost to create the materials divided by the number of franchisees who request the materials initially.

(2) You may request additional on-site support. You agree to pay our usual daily fee of no less than Five Hundred Dollars ($500) per day and the cost of travel and lodging, for this additional support, payable as agreed upon between us in writing before the furnishing of the additional support.

E. Inspection:

The Franchise Agreement gives Us the right to inspect Your books, records and tax returns. If any such inspection shows that the gross sales reported are less than the actual gross sales, then You must immediately pay Us the additional amount of fees owing, together with interest from the due date at a rate of eighteen percent (18%) per annum or the highest rate permitted by Maryland law. If the inspection reveals a variance of more than two percent (2%) from that reported to Us by You, then You, in addition to making the payment of fees and interest as provided in this subsection, shall also pay all expenses incurred in connection with such inspection (Franchisee Agreement, Section XI). We also have the right to inspect the premises of Your franchise, to ensure that You are complying with all aspects of the Franchise Agreement.

Item 7. Estimated Initial Investment

Item 7 Table
YOUR ESTIMATED INITIAL INVESTMENT

Type of Expenditure	Amount	Method of Payment	When Due	To whom payment is to be made
Initial Franchise fee	$15,000	Cash	Agreement Signing*	Franchisor
Store decor and other Cluck-U materials (1)	$7,000 - $10,000	Cash	Prior To opening	Approved manufactures and/or Franchisor
Plans review (2)	$1,000	Cash	Reviewing plans	Franchisor
Opening Inventory (3)	$10,000 - $13,000	Cash or credit from vendor	Prior To Opening	Vendors
Lease Negotiation Fees	$3,000 to $5,000	Cash	Prior To Opening	Your Attorney
Rental First Month Rent & Deposit (4)	$8,000 - $10,000	Cash	Prior To Opening (at lease signing)	Landlord/Lessor
Type of Expenditure	**Amount**	**Method of Payment**	**When Due**	**To whom payment is to he made**
Preparation and cost of the building (5)	$65,000 - $80,000	Cash	Prior To Opening	Landlord /Contractor
Equipment/Plans/ Fixtures/Misc. (6)	$105,000 - $125,000	Cash	Prior To Opening	Vendors/Architect etc.

Training Expenses	$5,000 - $10,000	Cash	Prior To Opening	Travel/Meals/ Lodging/ Vendors
Insurance Down Payment/services	$4,000 - $7,000	Cash	Prior To Opening	Your Insurance Carrier/service provider
Additional Funds First 3 months (7)	$20,000 - $35,000	Cash	Prior To and after Opening	Payroll/Vendors
Local Advertising (8)	$10,000 - $15,000	Cash	Prior To Opening	Advertisers
Deposits, services and Licenses (9)	$2,000 - $4,000	Cash	Prior To Opening	Licensing Authorities, Service providers
Total	$250,000 - $350,000			

*If You are a Maryland resident or are opening a franchise to be located in Maryland, All initial fees and payments shall be deferred until such time as the Franchisor completes its initial obligations under the franchise Agreement.

Note: All these fees are non-refundahle, except at the direction of the state franchise administrator as described in item 5.

All dollar estimates in this table and anywhere in this document are subject to adjustment for inflation from the date of this document.

The initial franchise fee and plan review fee paid hy Franchisees who are known to Us to he Maryland residents or for franchises located in Maryland shall he deferred until We have performed our initial ohligations under the Franchise Agreement. The Franchisee will deliver to Franchisor a written certification from the franchisee acknowledging that the franchisor has completely performed its ohligations nnder the franchise agreement to provide real estate, improvements, equipment, inventory, training, or other items, along with the initial franchise fee. You must pay all initial fees prior to opening for husiness or using Our marks or system.

1. Your inside decor materials such as posters, franchise display materials, neon signs, etc. will cost You about seven to ten thousand dollars ($7,000 - $10,000), depending on the size of Your unit. You will also be required to purchase Cluck-U uniforms.

These materials will be purchased from approved suppliers; a Cluck-U Merchandise Catalog will be provided to You along with cost of these materials, prior to signing the Franchise Agreement. If available, You may also purchase some items from Us, but are not obligated to do so. At Our sole and absolute discretion, We may provide some décor materials free of charge, in which event the supplied materials will be installed immediately by You at your own cost. If Franchisor should so supply materials to one or more franchisees, We will be under no obligation to supply to You or any other franchisee the same or similar items in type, quantity, value or amount.

2. You must pay Us one thousand dollars ($1,000) for Our review of Your plans made by Your designer / architect. Any outside architect / designer whom You hire must follow the architectural design We provide (Franchise Agreement, section VI and Exhibit "J"). You remain responsible for ensuring that Your architectural designs meet all applicable safety and other regulations, and You must obtain all necessary inspections and certificates of occupancy from any governmental regulatory agencies. Our review of Your architectural plans will not relieve You from Your liability nor will We be subject to any additional liability on account of Our review of Your design or architectural plans.

3. Startup inventory products such as food and paper, which You must purchase from approved distributors. Prices may vary but price lists from approved distributors are available to You.

4. These amounts assume You lease the property. The space required for operation of the franchise will range from 1,700 to 2,000 square feet. Other sized units may be considered. The cost of leasing usually varies from approximately twenty dollars to forty-five dollars per square foot ($20 to $45/ sq. ft.), depending upon location. If the property is purchased rather than leased, You will incur additional capital or financing costs the extent of which will be determined by location, market conditions and other factors.

5. Your preparation, construction and buildup expenses of the restaurant are estimated to cost approximately sixty-five to eighty thousand dollars ($65,000 - $80,000). The cost of site preparation may vary significantly depending on factors including the condition of the premises to be improved, its size and construction costs prevailing in the area. You will make payments for these expenses directly to contractors and/or the architect and/or landlord. You must conform to Our building criteria as outlined in the Operating Manual (e.g., ceiling tile, floor tile, wall paint, outside signage, lighting and floor lay-out.)

6. Your purchase of equipment, fixtures, signs, plans, awnings, computer and miscellaneous items is estimated to cost approximately one-hundred five thousand to one hundred twenty thousand dollars ($105,000 to $125,000). You will make payments for these items directly to contractors and/or the architect and/or landlord and/or service providers. Your purchases must conform to Our selected equipment list, including manufacturer, brand and type as found in the operating manual.

You may be able to finance up to seventy-five percent (75%) of your initial investment in equipment through restaurant and kitchen equipment suppliers or independent financing sources at the prevailing interest rate. We will not provide financing for equipment or for any other capital expenditure.

You must purchase the computer system from an approved source at a cost of approximately nineteen thousand dollars ($19,000). Computer training must start reasonably soon after the Franchise Agreement is executed and before other training. You must be fully trained on computer functions before the unit becomes operational and must pass the computer certification program. If You open without finishing and obtaining computer certification then You must release us from any liability related to that inadequacy, including problems with Your financial reports, inventory, labor and cost of goods information. (Franchise Agreement, section IV). You must purchase a computer monitored surveillance system. A computer monitored surveillance system approved by Franchisor is estimated to cost approximately five thousand dollars ($5,000).

You may select your source for Your computer hardware needs, but We must first approve such other company, and You will be responsible for paying Our time and expenses in reviewing and approving the other computer company and its system. You must use only approved POS software and service packages from supplier(s) approved by us. There is currently only one approved supplier of POS software and service.

7. Additional funds will be required to pay operating expenses until the restaurant generates sufficient cash flow from operations to cover the operating and other expenses of the restaurant. This item includes payroll costs, food products, general administrative costs and promotional advertising materials and programs, plus working capital. You should have approximately $20,000 to $35,000 in additional funds available for these expenses in your operating account. This assumes little or no revenues for the initial three (3) months of operation.

The additional funds estimate includes working capital of at least $10,000 to $15,000, depending on the projected business volume. Savings over projected expenditures on other items should be added to working capital. Some expenses such as Your telephone bill will be higher than normal during the training period. In estimating the amount of additional funds, we considered the typical monthly expenses of an average sized unit.

8. The expenses of "Grand Opening" advertising and monthly advertising expenditures during the initial three (3) month period of operations. These expenses are included in your local advertising requirement. You will control the local advertising expenditures, provided You follow Our minimum marketing requirements contained in the Franchise Operating Manual which We provide to You. You may incur additional expenses during the Grand Opening including the cost of promotional Cluck-U materials and product samplings.

9. You will arrange for a separate dedicated high speed DSL, cable or other internet connection to be installed and maintained by You for computer modem information transfers and software maintenance. The line must be accessible for communication between Us and You at all times (Franchise Agreement, section IV). If You do not maintain at all times a dedicated high speed cable, DSL or other dedicated internet connection, then You will be charged a reasonable additional fee to cover the additional costs and administrative expenses associated with accessing Your computer system.

This fee may include other service providers, including the gas company, electric company, cleaning services, alarm system and grease pick-up.

You must pay quarterly for the cost of a toll free (800) complaint line and/or internet complaint website to receive complaints regarding products or service at Your unit others. The cost of this number and/or website service will be borne evenly by the franchise units within the Cluck-U, Corp. System and under contractual obligation to so participate, but should not exceed $50 per month, adjusted for inflation. The toll free number and/or internet complaint website service will be used to document and respond to complaints by customers about the Franchise. You and We will each be given a report of any complaints about You.

If after reviewing the complaint We believe that an apology is warranted, We may, in Our sole and absolute discretion, offer to give the complaining customer a gift certificate to be used at any Cluck-U Chicken unit within the Cluck-U, Corp. System, up to a value of Twenty Five Dollars ($25.00) per

complaint or the value of the food and beverage purchase about which the customer complained, whichever is greater. If such a gift certificate is issued by Us, then You agree to reimburse Us for the value of the gift certificate. If We believe that the situation warrants it, You will contact the complaining customer personally to address his or her concerns, and take whatever actions are appropriate, including having an additional gift certificate issued, if warranted under the circumstances, at Your expense.

You will always use your best efforts to see that all customers are always satisfied with the services and products offered by You. You acknowledge that failure to do so impairs Our name and goodwill, and may result in a notice of violation and default of the Franchise Agreement under Section XVI of the Agreement, resulting in termination of franchise rights.

10. There are no other direct or indirect payments in the purchase of the Franchise.

The figures in the preceding table are estimates. We cannot guarantee that You will not have additional expenses in starting the business. Your cost will depend on factors such as how closely You follow Our methods and procedures; Your management skills, experience and business acumen; local economic conditions; the local market for the product and services; the prevailing wage rate; competition; and the sales level reached during the initial period. We have relied on Our combined years of experience and management in the fast food business (or the experience of Our officers) to compile these estimates. (See section 2) You should review these figures carefully and consult with a business advisor before making a decision to purchase the franchise.

Item 8. Restriction on Sources of Products and Services:

A. We have agreements with Our selected vendors or suppliers to produce and distribute products to our franchisees. Our agreements with vendors may require that all franchisees, including You, in a geographic area buy all products from a particular distributor. We try to use our purchasing power to negotiate favorable pricing and distribution terms for Our benefit and that of our franchisees. You may obtain recent price lists from an approved vendor. We may change the list of Our selected vendors and suppliers from time to time with at least two weeks advance notice. We may change Our approved supplier list for any reason or for no reason. No officer of the Franchisor owns any interest or financial interest in any of our approved suppliers. Neither the franchisor nor persons affiliated with the franchisor are currently approved suppliers.

Although We do not currently directly sell food and non-food products, including paper products, supplies and equipment, We may at a later date offer to sell them to You. You must purchase all food, beverages and non-food products including paper products and any item bearing the Cluck-U name, mark or logo, from selected vendors or suppliers approved by Us. Such suppliers and/or distributors of goods and services purchased by You issue rebates either directly or indirectly to Cluck-U, Corp. We have total discretion to use the funds in any manner. See item 8R, below

Cluck-U, Corp. will not be liable for the failure for any reason of approved suppliers of goods or services to provide You with such goods or services as You may request or require, or for other reasons beyond the control of Cluck-U, Corp. You may not obtain the same pricing as other buyers from the same distributor due to geographic differences or other variables.

B. You must purchase all food and non-food products and all items bearing Our trademarks, service marks and trade names only from Our approved suppliers or from Us for use or sale under

Your Franchise Agreement. A list of approved distributors is available to You. If You fail to purchase all goods and services from approved distributors and suppliers You are breaching Your Agreement and could be penalized or terminated. (See Franchise Agreement, including Section XVI). You may also receive less favorable pricing and delivery on purchases if you do not buy all goods and services from your approved distributor or supplier.

C. You must purchase packaging supplies, including paper bags, food containers, beverage containers and other miscellaneous packaging supplies that have Our logo(s) and/or trade name(s) imprinted on them. You may only purchase such items from Our approved suppliers or from Us, if and when We offer them for sale directly. We may modify this list of approved suppliers from time to time.

D. You are required to use only food and beverage products which comply with specifications We establish. If a required purchase is not available from an approved distributor, We will assist You in locating sources of supply for products and services which are satisfactory as to quality and price. Quality inspection and a regular program of testing of food samples will be conducted periodically to maintain standards.

E. We issue to You in our confidential Operating Manual specifications and standards for products you are required to purchase and procedures for preparing and serving your customers, however, some of the required purchases are confidential or proprietary products, the recipe for which is not available to you. You are responsible for implementing and applying the approved specifications for food and beverage products used in Cluck-U-Chicken restaurants. All such specifications are based upon tests by us and other procedures conducted for such purposes.

F. We conduct approval of suppliers and may grant or revoke such approval based upon Our review of relevant criteria applicable to the particular type of supplier involved, including such criteria as ability to supply goods and services in type, quality and price as required by us, conformity of products supplied to required specifications, financial integrity, recommendations or complaints of third parties, Our favorable or unfavorable experiences with such suppliers and their general operating history, and their failure or refusal to provide to Us requested rebates on purchases made by the franchisees. We may revoke approval of any suppliers based on the factors in this paragraph. Cluck-U Corp. is not currently an approved supplier. Current affiliates are not the only approved suppliers. In order to utilize volume discounts and/or to purchase directly from manufacturers, Cluck-U, Corp. may, from time to time, offer to purchase some goods and/or services from approved manufacturers or suppliers, and resell them to You or to other units, for which Cluck-U, Corp. will charge reasonable costs associated with shipping, handling, storage and financing. Except for actual shipping charges, these added costs should not exceed thirty percent (30%) of the cost to Cluck-U, Corp. of such goods or services. Our criteria for supplier approval are not available to franchisees. Proposed suppliers will generally be approved or disapproved within one month after receiving a request for approval, including samples of the products, if applicable. You may not contract with alternative suppliers who are not approved by Us. If you request that a proposed supplier be reviewed by us for consideration as an approved supplier, you must supply all requested information and samples, if applicable, to us at your expense. We do not charge a fee to conduct our analysis for approval. We will review a proposed supplier within thirty (30) days, but it may take an additional thirty to sixty days or longer to reach agreement, if at all, with that supplier on the terms of a potential contract. We reserve the right to accept, reject or revoke approval of any supplier of required purchases by You for any reason identified above, including failure to provide requested prices and rebates to Us.

G. We may at a later date offer to sell beverages and food products and non-food products directly to You. If and when We do, You will be obligated to purchase those products either from Us or from approved distributors and suppliers. Our list of "approved suppliers" of food and non-food products, including paper products and other packaging goods with Our logo, are the only persons who are "approved suppliers" from whom You may purchase.

H. We require You to purchase and use a computer point-of-sale system. The computer system consists of hardware and software packages (See Exhibit I). You must purchase Your hardware from an approved supplier. You may request that another supplier of hardware be approved by us, however, if You seek to obtain your hardware from another source, the hardware must meet Our specifications and be fully compatible with our system. We may require You to provide samples of proposed hardware and will review any requested supplier of computer hardware within thirty (30) days of your request based on the factors identified in letter "F", above. Our review of your proposed hardware supplier may delay your opening date. You must purchase your POS software system from our approved supplier. There is only one approved POS supplier.

(1) You must upgrade hardware components and/or software programs as required by Us throughout the term of the franchise at Your expense. We anticipate that upgrades will be required approximately every five years, and at an approximate cost of ten thousand dollars ($10,000) for each upgrade.

(2) The software system will be used in Your business for order entry, pick-up, inventory control, sales analysis, general ledger, and accounts payable.

We must have independent access to all the information in the computer system (Franchise Agreement, see all cross-references.)

I. Cluck-U, Corp. may derive income and material benefit from the required purchases or leases of goods and services made by franchisees. Periodic rebates will be made to Cluck-U, Corp. by some distributors and/or suppliers of goods which You purchase or for services rendered to You. Based on the year 2011 audited financial statements, Cluck-U, Corp.'s total revenue was $$ 1,154,946 . The total revenue for the same period made form required purchases by franchisees was $ 438,601, equivalent to 37.97% of Franchisor's total revenue. None of Franchisor's affiliate have derived any revenue, rebates or any material consideration due to purchases or leases made by Franchisees in the year 2011. None of the Franchisor's affiliate is currently an approved suppliers for the Franchisees. Neither Franchisor nor affiliates to Franchisor own any interest in supplier(s) for the Franchisees.

J. We estimate that less than twenty percent (20%) of Your initial investment will be for required purchases and leases in establishing the business. We estimate that You will be required to purchase one hundred percent (100%) of operating purchases of goods including all or nearly all of the food and paper products from approved suppliers. We estimate that less than ten percent (10%) of services needed to operate the business will be from required service providers.

K. You are required to procure and maintain in full force and effect, during the entire term of the Franchise Agreement, insurance policies acceptable to Us, as follows:

Insurance Type	Minimum Required Coverage
Workman's compensation, unemployment insurance, social security, disability insurance	As required by law
Business Personal Property, Fire, Casualty	Actual Replacement
Outdoor Signs	$5,000
Employee Dishonesty / Robbery	$10,000
Business Income and Extra Expenses	Actual business loss sustained not exceeding twelve (12) consecutive months
Comprehensive General Liability	$1,000,000 / $2,000,000

Your property owner may require additional coverage. If You purchase the unit premises, additional coverage will be required. If You do not procure and maintain the required insurance coverage, We may procure the insurance coverage and charge the cost of the required insurance coverage to You (Franchise Agreement Section XIII). Cluck-U, Corp. must be named on all policies as an additional insured and shall contain a clause that the insurer will not cancel or materially change the insurance without first giving Us thirty (30) days prior written notice. You must notify Us annually of Your actual level of insurance coverage. You must deliver a certificate of insurance to Us annually or upon request.

L. You must obtain the necessary permits and approvals prior to commencing with construction. You pay for all construction and remodeling work and for review by Us of all architectural designs proposed by You. The typical length of time between the signing of the Franchise Agreement or the first payment of any consideration for the franchise and opening of Your business is approximately four to six months. Some of the factors affecting the time period will include: ability to obtain a lease, financing or permits, zoning and local ordinances, weather conditions, shortages, or delayed equipment, fixtures or signs.

M. You must at all times during the term of the Franchise Agreement maintain, at Your sole expense, the interior and exterior of the franchised unit and the entire franchise location, including the parking lot, in first class condition and repair, and in compliance with all applicable laws. Except to the extent We may otherwise expressly agree in writing, You shall maintain the confidentiality of the operation manuals.

Every five (5) years from the first initial business day, following an on site inspection by Us, You may be required to: Paint where needed, upgrade or replace Your signage, menu boards, menus and Your furniture. Replace or add kitchen equipments, upgrade or renew computer software or hardware, upgrade or replace any decorative materials. All upgrades or changes will be Your responsibility and at Your own expense and must meet Cluck-U, Corp.'s written approval. All upgrades or changes usually should not exceed thirty thousand dollars ($30,000); however it may be more depending on the extent of the repair of the premises. You must complete any repair, remodeling and upgrade as expeditiously as possible, but in any event within thirty (30) days after commencing the

work. We may, on one or more occasions waive or defer for such period of time as We may deem appropriate, Your obligation to repair, remodel and improve a Cluck-U Chicken Restaurant.

N. You must allow Us or Our agent to access Your unit from time to time during normal operating hours for the purpose of conducting food quality inspection, and to ensure compliance with Our guidelines as defined in the operating manual. Upon inspection by Us, any non-approved products such as food and paper must be removed from the store.

O. If, during an inspection of Your unit, We find that any of Your employees are not wearing a Cluck-U approved uniform, We may give to Your employee(s) a proper uniform to wear, and You must pay Us the usual cost of the uniform(s).

P. We do not warrant or guaranty the price, quality, or availability of any goods, services, or supplies from any approved distributor or supplier.

Q. Cluck-U, Corp. uses the services of brokerage, distributor, manufacturer, grower and other producer companies to develop and produce goods that bear the Cluck-U Chicken name or are marketed under other brands or labels for use in Cluck-U Chicken units, including "Clucksters". Under agreements with these companies, Cluck-U, Corp. receives license fees and rebates from companies on sales for required, non-required or any purchases of goods made by You. Cluck-U, Corp. derives revenue from the required purchases and leases of products and services, including from rebates, as identified in the attached financial statements.

R. As reflected in Cluck-U, Corp.'s financial statements, until end 2007, Cluck-U, Corp. used CUC Management, Inc., an affiliate, to negotiate with producers, manufacturers and distributors to obtain products and pricing for goods and services used in Cluck-U-Chicken restaurants and other venues, including goods and services sold to franchisees that the franchisees are required to purchase. CUC Management, Inc. received revenue in the form of rebates and licensing fees ("rebates") from such activity. CUC Management, Inc. also engaged in other business.

JP Haddad, the beneficial owner of Cluck U, Corp., was one of the beneficial owners of CUC Management, Inc. In 2007, JP Haddad purchased all shares of CUC Management, Inc. not already owned by him.

By the end of 2007, CUC Management, Inc. ceased collecting rebates, royalty income or management fees for work on behalf of Cluck-U, Corp.. Cluck-U, Corp. assumed CUC Management, Inc.'s contractual obligations and future revenues. Cluck-U, Corp. directly assumed the responsibility for negotiating with producers, manufacturers and distributors to obtain products and pricing for goods and services used in Cluck-U-Chicken restaurants and other venues, including goods and services sold to franchisees that the franchisees are required to purchase. During most of 2007 CUC Management, Inc. derived revenues from rebates including from the sale of required goods and purchases to franchisees. Beginning in late 2007, Cluck U, Corp. directly received revenues from rebates including from the sale of required goods and purchases to franchisees.

In the year ending December 31, 2011, Cluck-U, Corp. earned a total of $438,601in rebate revenue from required purchases of goods and service by Franchisees, The total rebate revenue from required

purchases of goods and service by Franchisees during 2011 represents approximately 10.02*% out 4,376,744.*worth of purchases of required goods and services by Cluck-U, Corp. franchisees.

Cluck-U, Corp. earned total revenue during the year ending December 31, 2011 of $1,154,946 based on the most recent audited financial statements. Cluck-U, Corp. earned a total of $438,601 in revenues from all required purchases and leases. Approximately 38% of Cluck-U, Corp.'s revenues in 2011 was from required purchases or leases.

Cluck-U, Corp.'s earnings figures are reflected in the Independent Auditor's Report for the fiscal years ending 2009, 2010 and 2011 and the Independent un-audited Report for the first 3 quarters of the year 2012, dated October 5, 2012 The required purchases from approved sources will represent 100% of your overall purchases in operating the restaurant. The precise basis of such rebates varies as to each producer, manufacturer and distributor and is not a set formula but is negotiated on a case by case basis. Total revenues from rebates are estimated to be less than 15% of total purchases made by franchisees of required goods and services.

S. There currently are no purchasing or distribution cooperatives. We negotiate purchase arrangements with suppliers, including price terms, for Our benefit and that of our franchisees. We require all Your purchases to be from approved suppliers. Your repeated Failure to do so may result in Your termination and/or our refusal to renew your Agreement, but otherwise We do not provide You with material benefits based on your purchase of required goods or services or for using particular suppliers.

Item 9. Franchisee's Ohligations:

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

OBLIGATION	SECTION IN AGREEMENT	DISCLOSURE DOCUMENT ITEM
a. Site selection and acquisition/ lease	section II, III, IV, XVI exhibit F	item 7, 11
b. Pre-opening purchases/ leases	section I, III, IV, VI XI	item 11
c. Site development and other pre-opening requirements	section III, IV, V VI, exhibit E, J	item 7, 11
d. Initial and ongoing training	section IV, V, XV, exhibit G	item 6, 11
e. Opening	section III, IV, V, XV	item 11
f. Fees	section I, III, IX, X, XI, XV, XVI	item 5,6, 11
g. Compliance with standards and policies operating manual	section I, III, IV, V, VI, VII, IX, X, XI, XVI	item 8, 9, 11 15, 16
h. Trademarks and proprietary information	section I, V	item 13
i.. Restrictions on products/ services offered	section I, IV	item 8,16
j. Warranty and customer service requirements	section IV	item 7
k. Territorial development and sales quotas	section I, III	item 12

l. Ongoing product/ service purchases	section I, IV	item 8
m. Maintenance, appearance remodeling requirements	section IV, VI, VII, XV	item 8,11
n. Insurance	section III, IV, XIII	item 8
o. Advertising	section IV, V, X	item 6, 11
p. Indemnification	section III, IV, V, VI, XII, XIII, XXVI, exhibit E, F, G, K, L	item 11, 12
q. Owner's participation/ management/ staffing	section III, IV, V	item 15
r. Records and reports	section I, IV, VI, XI	item 11
s. Inspections and audits	section I, IV, V, VI, VII, XI, XVI	item 6
t. Transfer	section IV, XV	item 6,12, 17
u. Renewal	section XV	item 6, 17
v. Post-termination obligations	section XV, XVI, XVIII	item 17
w. Non-competition covenants	section XV, XVIII, exhibit L	item 17
x. Dispute resolution	section XVII	item 17
y. Computer Point of Sale System	section IV, VI, exhibit I	item 11

Item 10. Financing Arrangements:

We do not offer direct or indirect financing. We do not guarantee Your lease or any other obligations. You must obtain Your own financing.

Item 11. Franchisor's Assistance, Advertising, Computer Systems, and Training.

Except as listed below, Cluck-U, Corp. is not required to provide You with any assistance.

A. Before You open a Cluck-U-Chicken unit:

(1) We will designate Your exclusive territory (Franchise Agreement Section III). You must obtain a site within the territory. We do not generally own premises for lease to You.

(2) You must locate your own site and negotiate the purchase or lease of the site. We do not locate Your site or negotiate for You. We will provide you with market parameters to assist in selecting a site. Once you locate a potential site, We will approve or disapprove the selected site in a timely manner after receiving notice of location and demographic and market analysis from You. You will usually lease the site from independent third parties. You must provide market and demographic statistics to Us prior to signing a lease (Franchise Agreement, section III and exhibit E, F). Your site must be at least one thousand seven hundred (1,700) square feet in area unless We approve a lesser area. We must approve or disapprove the site in a timely manner after receiving notice of location. These are the methods used in determining locations for Your business: We will supply the market criteria; You must conduct market and demographic research (a) to determine the flow of traffic in Your proposed area, the reasonability and availability of a lease in Your selected area, and the financial stability of the businesses established in that area, and (b) to select the location of the unit within the area. You must conduct traffic and market research and submit a complete market criteria packet with

demographic statistics to Us before signing a lease. You must select the proposed location for Your franchise restaurant, and We will approve or disapprove of Your chosen site, but We will not unreasonably withhold Our approval. We may disapprove of your chosen site if it does not meet our market criteria. We believe market selection to be a critical component for success. You agree to sign the following statement:

> "As the Prospective Franchisee, I understand and acknowledge that I must complete **Cluck-U, Corp.'s** (Franchisor's) site and market criteria sheets and demographic ratio sheets supplied by Franchisor before entering into a lease for the unit, and this information is critical to the success of the unit and is valuable in the determination of its location. If I enter into a lease without submitting all the information Franchisor requires and without receiving Franchisor's written approval, I agree to indemnify and hold **Cluck-U, Corp.** harmless from all claims arising from my selection of the site and market."

(3) We will use our best efforts to advise You in locating and selecting a suitable business site, which conforms to Our requirements. In evaluating the site, which You select, We consider the following factors: general location, neighborhood, traffic patterns, parking, size, physical characteristics of the building and lease terms. You must present potential locations with relevant market data. You must locate a site that meets all relevant market and site criteria. You should not sign a lease, enter into the Franchise Agreement or pay the initial franchise fee until We approve the location.

The initial franchise fee represents a small portion of the benefits we hope to obtain from developing a Cluck U Chicken franchise in any given territory. Benefits we obtain from ongoing sales at a Cluck U Chicken franchise over 20 years far exceed the initial franchise fee. If You cannot or will not obtain a suitable location in the territory, we do not want to keep Your initial franchise fee or prevent or delay the territory from being developed. If you do not enter a commercial lease or purchase contract for an approved site within six (6) months of signing the Franchise Agreement, Franchisor will terminate Your Franchise Agreement and refund Your initial franchise fee. You must proceed with construction promptly after signing the lease. If We and You cannot agree on an approved site within the territory within six (6) months of the execution of the Franchise Agreement, the Franchise Agreement will terminate and We will refund Your initial franchise fee. If (1) Franchisee has not paid a non-refundable initial franchise fee *and* (2) Franchisee has not signed a commercial lease or purchase contract with a third party for the location to be used for the franchised restaurant, then Franchisor may also terminate the Franchise Agreement with thirty (30) days written notice. If the Franchise Agreement is terminated, Your rights to use our System and marks, including any rights to the territory, will terminate. Post termination obligations contained in the Franchise Agreement, including confidentiality provisions, will still apply.

Once you have signed a lease or purchase contract for the site and have signed the Franchise Agreement and paid the initial franchise fee, Your initial franchise fee is non-refundable, except at the direction of the state administrator. You may lose Your initial franchise fee if you do not follow the development schedule. You are advised not to enter into a Franchise Agreement or pay the initial franchise fee until you have located an approved site and are prepared to negotiate and enter into a commercial lease or purchase contract. You must negotiate and sign a lease within six months and begin construction promptly after signing. Until You have paid a non-refundable initial franchise fee You may not open the restaurant or use our marks.

Any requirement of indemnification is not intended to nor shall it act as a release, estoppel or waiver of any liability incurred under the Maryland Registration and Disclosure Law or similar law in Your state, if applicable.

You must complete construction of the franchise location within nine (9) months of the date that the lease is executed or the property is purchased. If You shall fail to complete construction within nine (9) months, despite diligently pursuing construction and for reasons beyond your control, We may extend the deadline for completion by a reasonable amount of time, at Our discretion. If You fail to complete construction within nine (9) months, plus any reasonable extension(s) granted by Us, then You will forfeit Your initial franchise fee and the Agreement will be terminated and You must comply with any post-termination obligations, including Section XVI(3). **You are encouraged, hut not required, to select a suitable site for the location of Your franchise restaurant before signing the Franchise Agreement and paying the initial franchise fee.** If you provide all requested demographic material before signing the Franchise Agreement, we will review the site location, but not including the lease terms, and advise whether the site is conditionally acceptable, assuming all other requirements are met and the lease terms are acceptable. We do not agree to review your proposed lease terms until after receiving your initial franchise fee. You must obtain Your own legal counsel to evaluate Your lease. We will review Your proposed lease terms and provide you with our opinion about whether the terms are generally suitable for a franchise location; however, all real estate is unique and lease terms are specific to Your proposed location. Our review does not imply Our endorsement of Your lease, merely that the general terms such as price fall within historic parameters. We also review to ensure inclusion of mandatory language in the lease. You are responsible for determining the advisability of entering into the proposed lease.

(4) We will advise You generally as to what type of government permits You must obtain, but You are responsible for obtaining Your own legal counsel and obtaining your own permits. We will not assist you in obtaining all local and necessary permits and approvals for opening the restaurant (Franchise Agreement Section IV). We will not advise you about conforming the premises to local ordinances and building codes or obtaining any required building permits.

(5) Upon Your signing of the Franchise Agreement, We will advise You in Your lease negotiations with your proposed landlord (Franchise Agreement Section IV). You may and should obtain Your own advisers, including legal counsel, knowledgeable about local leases and laws.

(6) Upon Your signing of the Franchise Agreement, payment of a non-refundable initial franchise fee and signing of Your lease, We will furnish You with architectural designs, specifications, plans and an outline for the premises and for the equipment layout. You must obtain Your own architect who may modify the plans as necessary but must follow the architectural designs and outline furnished by Us (Franchise Agreement Section VI). Our review of Your architectural design does not release You of Your obligation to ensure that the design meets all applicable safety and other regulations, and We do not assume any liability for the failure of Your architectural design to meet all applicable architectural, safety or other regulations.

(7) We will advise you in the coordination of any construction for the store premises in accordance with Our plans, specifications and designs, including constructing, remodeling, or decorating the premises (Franchise Agreement Section IV). You are responsible for hiring competent construction personnel to undertake the build-out as required.

(8) We are responsible for determining, issuing and modifying the approved specifications for supplies, fixtures and equipment used in Cluck-U, Corp.'s restaurants, but do not assume, and will not be liable for, any resulting liability or damages. All such specifications are based upon tests and other procedures conducted for such purposes.

(9) We will advise you how to obtain services, equipment, signs and fixtures from Our approved suppliers or from Us, but We will not deliver or install them. We will identify suppliers and products or provide written specifications for these items (Franchise Agreement Section IV). We may provide some promotional items such as signs and menu boards at our cost or as part of an advertising program in which your unit participates. If we do you must obtain them from us and install them.

(10) We will provide to You a copy of Our Operating Manual which describes the selection, purchase, preparation, and packaging for sale of all foods and beverage products and operations and procedures, including the general maintenance of the unit, accounting/ bookkeeping/ record keeping system, and employee uniforms. We may, at Our discretion, elect to provide future revisions of the Operating Manual to You in electronic media form via Our internet website. In that event, We will notify You of the existence of the revised Operating Manual. You are responsible for complying with all procedures contained in the latest version of the Operating Manual. We will not be liable for typographical errors contained in any version of the Operating Manual, whether printed or in electronic media form. In the event that the terms in the printed or electronic media versions do not agree, the terms of the current printed "master copy" kept at Our office shall prevail. The Operating Manual will remain Our property, and must be returned to Us upon expiration of the term of the franchise agreement, whether by its own terms or due to default or revocation of the franchise agreement. You may make a limited number of copies of the Operating Manual for Your own use, but must return all copies of the manual to Us when the term of Your agreement expires or is revoked for any reason. You must agree to keep the contents of the Operating Manual confidential, including any modifications to the Operating Manual or any revised manuals that may be issued. All employees having access to the Operating Manual must agree and sign the confidentiality agreement in order to maintain the confidentiality of the manual(s). All information contained in the operating manual is subject to modification by state or local laws, and You are responsible for consulting local and state health departments or other governmental authorities and complying with all applicable state and local laws.

We are not obligated to resolve any disputes between You and approved distributors of goods and service providers and We shall not be liable with respect to any such disputes. Should We use Our good offices to assist in the resolution of such disputes, it is merely an accommodation, and any failure to do so shall not be construed as a failure on the part of Us to honor Our obligations to You. We may assist You in obtaining goods and/or services used in connection with starting up the Franchised Restaurant, but shall not be responsible for any actions or failure to act beyond Our immediate control. Should We offer or provide any additional assistance beyond that required by Section 11, to You or any other Franchised Restaurant, it is merely an accommodation and We shall not be obligated to do so.

We do not set prices, but we do recommend suggested retail prices. Prices may vary, and you may establish your own prices.

Table 1

The operating manual consists of approximately 100 pages of material, including text, tables, charts, drawings, and other pages. Including cover pages and tables of contents, there are a total of 116 pages in the operating manual. The Operating Manual may change.

The approximate number of pages for each section (including partial pages, charts and drawings) is as follows:

1. Introduction - 5 pages
2. Staffing and Training - 10 pages
3. Day to Day Operations - 5 pages
4. Food Preparation Instructions - 44 pages
5. Marketing - 20 pages
6. Inventory - 3 pages
7. Accounting - 8 pages
8. Equipment and Facilities Maintenance - 5 pages

The total number of pages in the Operating Manual is 116 pages.

The table of contents for the operating manual is as follows:

Operating Manual

Table of Contents

1. **Introduction - Page 4**
   a. Introduction
   b. A Brief History of Cluck-U Chicken
   c. Mission Statement
   d. Company Policies and Business Principles
2. **Staffing and Training - Page 9**

a. Introduction
b. Hiring
c. Interviewing
d. Employee File:
    i. Application
    ii. W-2
    iii. I-9
    iv. Handbook
        1. Rules
        2. Sexual Harassment Policy
        3. Disciplinary Procedures
    v. Cashier's Agreement (if applicable)
    vi. Drivers Agreement (if applicable)
e. Training
    i. Videos
    ii. Position exams or certifications
f. Scheduling
    i. How to set up your schedule
    ii. Example schedule
g. Staff / Position Responsibilities
    i. Managers
    ii. Preps
    iii. Cooks
    iv. Cashiers
    v. Drivers
h. Payroll
    i. Overview
    ii. Processing payroll

3. Day to Day Operations - Page 21

a. Introduction
b. Opening Procedures
    i. Opening procedure
    ii. Opening Report
c. Closing Procedures
    i. Closing Report
    ii. Waste Report
    iii. Attendance Report
    iv. Cash Drawer Report
d. Recipes
e. Cook Times
f. Food Holding and Storage
    i. FIFO – Stock Rotation
g. Sanitation
    i. Cross Contamination
    ii. HAACP

4. **Food Preparation Instructions - Page 26**
    a. Microwave Button Setup
    b. Wet Batter Mix
    c. Wings
    d. Brest Bites
    e. Nibblers
    f. Cutlets
    g. Sauces
    h. Side Orders
    i. Pulled BBQ Chicken, Salads, Sandwiches and Wraps

5. **Marketing - Page 73**
    a. Evaluations and Surveys
    b. "Own your Mile"
    c. Print Advertising
    d. The Cluck U Chicken Mascot
    e. Flyering
    f. Email and Direct Mail
    g. Cluck U Chicken Catering
    h. Basic Marketing Strategy
    i. More Marketing Ideas
    j. The "No Sales Guarantee"
    k. Conclusion

6. **Inventory - Page 95**
    a. Introduction
    b. Step-by-step Instructions

7. **Accounting - Page 99**
    a. Introduction
    b. When and how to pay the bills
    c. Profit and Loss Statement
    d. Monthly Analysis

8. **Equipment and Facilities Maintenance - Page 108**
    a. Approved Equipment List
    b. Required Maintenance Schedule
    c. Suggested Maintenance

The total number of pages in the Operating Manual is 116 pages.

Table 2

The table of contents for the Pre-Opening and Construction manual is as follows:

Pre-Opening and Construction Manual
Table of Contents

1. **Introduction**

2. **Chronology of Steps to a New Store Opening**

3. **Site Selection**
    a. Introduction
    b. Potential locations – Site Criteria
    c. Competitor Evaluation
    d. Demographics
    e. Size (square footage) Requirements
    f. Negotiating a Lease
        i. Example lease
        ii. Lease Negotiation Checklist
    g. Buying an Existing Business

4. **Store Layout and Design**
    a. Introduction
    b. Typical Store Floor Plans
    c. Architectural Requirements

5. **Construction**
    a. Introduction
    b. Contractor Selection
        i. Approved/Recommended Contractors
            1. Electricians
            2. Plumbers
            3. General Contractors
            4. Flooring Installers
        ii. Sample Construction Contracts
        iii. Estimated Costs
    c. Materials and Finishes:
        i. Paint Colors
        ii. Wall coverings
        iii. Ceilings
        iv. Flooring
        v. Furniture
        vi. Lighting
        vii. Electrical Specifications
        viii. Plumbing Specifications
        ix. Natural Gas Specifications
        x. HVAC Specifications
        xi. Service Counters and Cabinetry Specs
        xii. P.O.S. system rough-in specs.
    d. Construction Timeline
    e. Construction Checklist

6. **Setting yonr Company and Accounts**
    a. Forming a Corporation

i. Partnership Agreement (where applicable)

b. Setting up Accounts
   i. Food Vendors
      1. PFG
      2. Pepsi
   ii. Payroll Processing
   iii. Banking
      1. Main Checking Account
      2. Payroll Account (where applicable)
   iv. Credit Card Processing
   v. Insurance
      1. Workers Compensation
      2. Business Owner's Umbrella
   vi. Utilities
      1. Electricity
      2. Natural Gas
      3. Water
      4. CO_2
      5. Phone Service
      6. Internet Access
      7. Cable TV / Satellite / Music Service
   vii. Other Accounts
      1. Linen Service
      2. Trash Pick-up
      3. Equipment/HVAC Service Contracts
      4. Exhaust Hood Cleaning / Grease Trap Cleaning
      5. Fry-Oil Extender
   viii. Account Setup Checklist

7. Kitchen Equipment, Small wares and Supplies
   a. Introduction
   b. Approved Equipment List
   c. Approved Equipment Suppliers List
   d. Exhaust Hood
      i. Sample Design
      ii. Design Specifications
   e. Fire Suppression System
   f. Grease Abatement System
   g. Soft Drink Dispensing System – Soda Fountain

8. Setting Up the Office
   a. Furniture and Supplies List
   b. Office Checklist

9. Point of Sale Computer System (P.O.S. System)
   a. Introduction
   b. Approved Systems/Vendors

c. Estimated Costs

10. Signage

a. Outdoor/Main Sign
    i. Sample Designs
b. Neon signage
c. Menu Boards
d. Temporary/Movable Signs
e. Car-Top Delivery Sign
    i. Sample Car-Top Signs
f. Awnings
    i. Sample Awnings
g. Approved/Recommended Sign Manufacturers

11. Miscellaneous Restaurant Supplies

a. Delivery Bags
b. Employee Lockers
c. Hooks, Hangers, Etc.

12. Pre-Opening Checklist

a. Introduction
b. Pre-Opening Inventory List
c. Store Data Checklist
d. Training Posters / Instructions Checklist
e. Corporate Signage Checklist

13. Pre-Opening Training

a. All Owners and 3 Managers Must Complete Corporate Training
b. Training Checklists
c. HAACP Certifications
d. Payroll
e. Accounting

14. Inspections

a. Construction
b. Fire Department
c. Health Department
d. Use and Occupancy

15. Opening the Store

a. Soft Opening
    i. Local "meet and greet / sample the menu" invitation only event
b. Grand Opening
    i. Supplies
        1. Balloons
        2. Helium
        3. Pennants

4. Chicken Suit
5. Flyers
6. Streamers

Note -- The manuals may be modified from time to time. Headings and section numbers of the operating manual may be changed without further notice.

(11) Training:

You must hire your own employees. We do not hire Your employees. We will train four managers, including You.

The Franchisee and three (3) additional persons of Your choosing must attend all training. These four (4) people will be responsible for training your other employees. You may have as many additional staff onsite at your unit as you wish during pre-opening and post-opening training to learn the System. The Franchisee and at least three (3) other people must complete all training to the Franchisor's satisfaction. If Franchisee and 3 others do not complete all training to Our satisfaction, You may still operate only if you agree to indemnify Us. You may not unilaterally terminate the Franchise Agreement, including non-compete and confidentiality provisions. The indemnification will take the following form, or similar words:

TRAINING CERTIFICATION ACKNOWLEDGEMENT & INDEMNIFICATION

The undersigned Prospective Franchisee acknowledges: that a minimum of four (4) persons must be certified by **Cluck-U, Corp.** as having completed the **Cluck-U, Corp.** corporate training program before the unit which is the subject of this Franchise Agreement may be opened for business; that training is to commence no later than four weeks prior to the scheduled or expected opening of the unit; that training will consist of a minimum of twenty (20) hours per week for four (4) weeks for each of the four (4) trainees, either in a restaurant unit, including kitchen, counter and overall operations, or a classroom setting, including computer training; and that opening of the unit may be delayed until all four (4) trainees have completed this certification program.

If the unit opens without **Cluck-U, Corp.**'s written certification of four (4) trainees prior to the scheduled opening, the undersigned agrees to indemnify and hold **Cluck-U, Corp.** harmless from any and all claims, including poor food quality, service, excess waste, injury, etc. that may arise against **Cluck-U, Corp.** as a consequence of that opening.

After You open to the public, You agree to allow other potential franchisees and their managers to observe all facets of Your franchised restaurant at any time, including hands on training with our representative. Training of potential franchisees and others at your unit will be conducted at reasonable times.

Training will consist of "off-site training," including practical training and classroom training, and "on-site training". Off site practical training will be at an existing Cluck-U restaurant of Our choosing, not Your unit. Classroom training will be at Our corporate office or another designated location. On-site training will be at Your unit. As used in the table below, "on the job training" means "off-site training (training in a restaurant other than Your unit.) You must successfully complete the

training to our satisfaction. If You do not complete all training to our satisfaction We anticipate that You will fail. Your opening will be delayed until training is completed to our satisfaction. If fewer than four managers have completed training to our satisfaction but in all other respects the restaurant is ready and fully staffed with trained personnel, We may, at our discretion, allow You to open if You agree to indemnify us for any damages resulting from Your failure to complete training. If Your four trainees do not successfully complete training Your Franchise Agreement will not for that reason alone be terminated, but You will likely begin to receive notices of default that may lead to termination after repeated violations.

Off site training:

Upon Your signing of the Franchise Agreement, We will furnish the training program to You. Off site training for a minimum of four (4) employees (including Franchisee) for a minimum period of four (4) weeks, twenty (20) hours per week, per employee is mandatory. This training will be at a training site designated by Us for a minimum period of eighty (80) hours, per employee, at no expense to You, except for travel expenses for food and lodging during the attendance of Your employees at pre-opening training (Franchise Agreement, Section V). You are responsible for paying the trainees' wages and expenses, if required. It is a mandatory program for all Franchisees. Four (4) people must be certified before the opening of any unit. The completion of these requirements is Your responsibility. If You do not complete the training requirements, You will indemnify Us against all claims arising out of that deficiency.

The training program consists of complete model and procedures relative to prices, service, products, employees, merchandising, purchase of supplies, pricing of products, bookkeeping, sanitation, compliance with permits, advertising, and trade secrets relating to products and their preparation. The off-site training program starts at least four weeks prior to the scheduled opening of the restaurant. This training will include classroom instruction and on-the-job experience in all aspects of the franchising program, including cooking, supply ordering, personnel training, accounting and maintenance. (Franchise Agreement Section V). You are responsible for paying the trainees' wages and expenses, if required.

Onsite training:

We will provide onsite training at Your restaurant location for two (2) weeks, for a minimum of thirty (30) hours per week, at no additional cost to You. Onsite training begins following Our inspection of Your premises but before You open Your restaurant to the public. Usually after 3 to 5 days of training in all aspects of operations, You will become certified to open Your restaurant to the public. Training will continue while open until two weeks from the beginning of onsite training.

Additional training:

You may request additional training during the course of ownership of the franchise, for which You will pay Us Five Hundred dollars ($500) per day, plus travel expenses, food and lodging. After the initial training period is concluded (following two weeks after opening Your unit), You will be solely responsible for training all Your employees. Should You request Our assistance in training Your employees, You will be charged Our daily rate for such additional training as You may request. These rates may go up without further notice, but You will be advised of the new rates prior to engaging Our services.

You will hire and train Your own employees. If You would like Your employee(s) to obtain certification from Us as a "certified manager", and believe he or she is fully trained in all aspects of the

restaurant operation, You may apply for a certification test. We will charge our usual daily rate for one day of training to test Your candidate(s) in Your unit or another agreed location. There may also be a written or computer test that may be held in our office or elsewhere, for which there is no additional charge. If Your candidate shows a thorough understanding of all aspects of restaurant operation, we will certify him or her. We charge a minimum of one day ($500) for the test, but You may have more than one candidate apply at one time, and you will only be charged for each instructor per day spent (whether or not it takes a full day). The test could be completed within one day, but may not, depending on Your candidate(s) ability and the number of candidates. If your candidate does not pass our test, he or she must obtain additional training from you or from us, including optional "additional training" as stated above, and reapply for the test, with a new $500 per day test fee to be paid by You.

TRAINING PROGRAM

At least four weeks prior of the opening of the restaurant, four persons designated by You will be trained as follows:

Subject	Hours of Classroom Training	Hours of On-the-Job Training	Location
Cooking	2	15	The franchise unit at either Clinton, MD or Largo, MD or College Park, MD.
Prepping	2	15	The franchise unit at either Clinton, MD or Largo, MD or College Park, MD.
Cleaning	2	5	The franchise unit at either Clinton, MD or Largo, MD or College Park, MD.
Use of Equipment	2	2	The franchise unit at either Clinton, MD or Largo, MD or College Park, MD.
Computer /POS	4	6	Our Corporate office in Laurel, MD or the POS provider (Drexel Managemt) in Havertown, PA.
Ordering/ Stocking	1	2	The franchise unit at either Clinton, MD or Largo, MD o College Park, MD.
Inventory	1	2	The franchise unit at either Clinton, MD or Largo, MD or College Park, MD.
Staffing/ Hiring	2	2	The franchise unit at either Clinton, MD or Largo, MD or College Park, MD.
Total	16	49	

The Hours of On-The-Job training will take place in an existing Cluck-U-Chicken restaurant, not Your new unit. Training may be conducted at any designated Cluck-U Chicken location, including at one of the following units: Clinton, at 7706 Old Branch Ave., Clinton, MD 20735; Largo, at 10426 Campus Way, So. Largo, MD 20749; 7415-B Baltimore Avenue College Park, MD 20740. Computer training, will be conducted at our office at 14504 Greenview Drive, Suite 200, Laurel Maryland 20708. www.cluckuchicken.com Phone: (301) 604-2535, or the POS' provider, currently Drexel Management in Havertown, PA (610) 924-9290.
The training will cover cooking, prepping, cleaning, use of equipment, ordering products and stocking, inventory, staffing and hiring, and use of the point of sale computer system.

The off-site practical training currently will be conducted by JP Haddad. JP Haddad began working in the first Cluck U Chicken restaurant near Rutgers University in New Brunswick, New Jersey in 1980. JP Haddad opened the first Cluck U Chicken restaurant in College Park, Maryland in 1990 and was an owner and operator from 1990 to 2005, when it was sold. JP Haddad created Cluck U, Corp. in 2000 and has been its CEO and President since then. Mr. Haddad has had over fifteen years of managing experience in all aspects of operation of a Cluck-U Chicken restaurant.

We may also use the services of Robert Ilvento, whom Cluck-U, Corp. has retained to perform certain functions on behalf of Cluck-U, Corp. The duties of Robert Ilvento may include inspecting operational units, training of managers and employees of new units, both prior to and following opening, and assisting in the supervision of construction of new units. Robert Ilvento is independent contractor. Robert Ilvento is the founder of the Cluck U Chicken concept and has been involved since 1985. Robert Ilvento is not a Cluck-U franchisee and has approximately twenty-five years of experience working in Cluck-U Chicken restaurants.

Robert Ilvento has experience in all aspects of operation of a Cluck U Chicken restaurant, including hiring and training managers and employees. He has experience in purchase order placement, stocking, use of equipment, cleaning, order entry, prepping, cooking, staffing and payroll.

At Our discretion We may designate or substitute other training personnel who are experienced in the operation of Cluck U Chicken restaurants. You are responsible for all travel and living expenses incurred by You and Your enrollees in the training program, including salary, if any. Upon attendance and completion of the training, trainees will be issued a certification of training completion. There must be a certified manager on site at your location at all times. Certification can also be obtained as stated above in this item 11 of this disclosure document, (under "additional training").

The on-site training will be conducted at Your restaurant location, and may be conducted by any or all of the above individuals, or other persons who We may designate for that purpose.

The training must begin at least four (4) weeks before the opening of the restaurant. At least four individuals who will oversee the day-to-day operation of the new restaurant must attend. There are no training charges to You except for Your travel and living expenses. Classroom and computer training may be held at our office or another agreed location and must be begun before

practical on the job training begins. Training is mandatory for You. There may be additional seminar courses to be conducted at no cost to You except for Your travel and living expenses.

Trainees will not be compensated by Us for time spent training; You will be responsible for their compensation, travel and living expenses, if necessary.

At all times of the store's operation hours, Your unit will have on its scheduled staff a manager who has successfully completed Our training program or whom We certify in writing as being capable of running an entire shift.

You may be required to attend additional training programs during the course of ownership of the franchise. There will be periodic visits by Us at Your business, at least once every six (6) months.

Attendance by a minimum of one (1) representative is mandatory for the Franchise meetings as may be required by Franchisor; where personal attendance is not possible, arrangements for attendance by teleconference may be made under certain circumstances. There will be quarterly managers' meetings that must be attended by one or more managers from each unit, to review and refresh various management issues. Owner/operators need not attend these quarterly managers meetings.

You or at least (1) one of Your representatives will be required to attend Our Yearly Corporate Conference, the location, date and time of which will be announced at least two (2) months in advance. You will be responsible for all of Your charges and expenses incurred at that Yearly Corporate Conference including travel, lodging and meals. This meeting need not occur every year.

(12) We will aid You in obtaining sources of supply (Franchise Agreement Section IV).

(13) You and three of your managers must complete the pre-opening portion of Our training program to our satisfaction before opening your restaurant to the public. The final portion of the training program is conducted during the first two weeks of operation of Your restaurant, both before and after opening to the public, successful completion of which will result in certification of You and your managers.

B. <u>During the operation of the franchised business:</u>

(1) We will aid in obtaining sources of supply (Franchise Agreement Section IV)

(2) We will provide regular reports of improvement in business methods (Franchise Agreement Section IV).

(3) We will assist You in planning local advertising (Franchise Agreement Section IV) You must pay a total of four percent (4%) of Your monthly gross sales for advertising fees as follows:

a. Local advertising:

You must spend two percent (2%) of Your monthly gross sales on Your local advertising, and must provide to Us upon request receipts or other documentation showing that you spent this amount. You may spend Your local advertising budget on advertisements disseminated by print, radio, television, internet or other reasonable means, including the cost of developing television or radio commercials, print or other advertising copy. You may also spend part of Your advertising budget on reasonable giveaways, gift certificates, raffles, or other promotional expenses. You may not establish your own web page or other electronic advertising without first obtaining our approval of its content to assure it comports with our advertising. Your POS system is for order entry and operation of the franchise restaurant. If you or your employees or customers use the computer system for any purpose, including internet use, you must maintain the security of the POS system. Computer problems due to internet use or other reasons beyond the control of Franchisor or your POS provider, including viruses or other malicious programming, are solely the responsibility of the Franchisee.

The source of Your local advertising may be a national, regional or local advertising agency, or You may use our preexisting advertising or develop Your own advertising, provided all advertising is approved by Us in advance.

b. National/Regional Advertising Fund:

You must pay two percent (2%) of gross sales to Our national/regional advertising fund. The national/regional advertising fund will be used for advertising that benefits all the franchisees on a national or regional scope, and the fund will not be used to promote the sale of new franchises. Advertising may be disseminated by print, radio, television, internet or other reasonable means. Coverage may be local, regional or national in scope. The source of National/Regional Advertising may be a national, regional or local advertising agency, or other independent contractors. We may also develop our own advertising copy in-house. All advertising must be approved by Us in advance.

We administer the fund and have the discretion to negotiate with advertising agencies. The fund is audited annually and accounting statements of the fund will be available for review by You at Our corporate office in Laurel Park, MD. You may obtain a copy of the most recent annual accounting of the National/Regional Advertising Fund by sending a stamped, self-addressed envelope to: JP Haddad, Cluck-U, Corp., 14504 Greenview Drive, Suite 200, Laurel, Maryland, 20708, attention: Advertising Fund Accounting Request. We do not receive payment for providing goods or services to the advertising fund. Part of the national/regional advertising fund may be spent on auditing and record keeping for the fund by independent auditors and/or record keepers. The national/regional advertising fund will also pay for the cost of developing television, radio and internet commercials, print or other advertising copy. Part of the national/regional advertising fund may also be used for giveaways, gift certificates, raffles, or other promotional expenses. Any advertising fund moneys accrued and not spent during the fiscal year are applied to the following year's advertising fund. As stated in this document and the Agreement, in Our sole and absolute discretion, We may also refund to You the unspent advertising fund moneys that You contributed, in whole or in part.

There were twenty one (21) Cluck-U Chicken restaurants that were operating under licensing, franchise or other agreements with Cluck-U-Chicken, Inc. prior to the founding of Cluck-U, Corp. These units were not and are not contractually required to participate in advertising funds. Five of the previously existing Cluck-U-Chicken units are located in Maryland. As of December 31, 2008, there were thirteen (13) units that were previously operating under agreements with Cluck U Chicken, Inc. that joined the Cluck-U, Corp. System. Some of these units may be in Your region (but not in Your exclusive territory). We may offer some or all of these units to join in the

Regional/National advertising fund, upon the same terms as Your involvement (2% of gross sales), but they are not required to join.

The contribution to the advertising fund is to be made monthly upon determination of "gross sales" for the month. You must send 2% of Your previous month's gross sales to Us for the advertising fund. This fee is due and payable on the first business day following the month in which sales are made, but we grant you a grace period until the 5th calendar day of the month, when We will withdraw from Your bank account by ACH the amount due. This advertising fund is non-refundable (ref. Franchise Agreement).

We reserve the right to temporarily or permanently reduce or waive Your obligation to pay two percent (2%) of its gross sales to the National/Regional advertising fund until or unless, in Our sole opinion, there are sufficient franchisees in the System to warrant the operation of the National/Regional advertising fund. In that event, We may either decline to collect all or part of the National/Regional advertising fund fees, or collect the fees and return all or a portion of them to You at the end of the fiscal year or at any other time, or We may charge You and other franchisees a fixed monthly fee instead of a percentage, provided that the monthly fee is always below 2% of Your sales. Should We elect to temporarily or permanently waive the National/Regional advertising fund, You will still be obligated to spend 2% of Your gross sales on Your local advertising. As of September 30, 2012, there were twenty (20) franchisees in the Cluck-U, Corp. System, plus one "Cluckster's" in Lebanon, which is wholly owned by Cluck U Corp. and not a franchise and does not contribute to an advertising fund. Only new Cluck-U, Corp.'s franchisees will be required to pay into the National/Regional advertising fund, if and when We elect to proceed with the fund. Existing units which were under licensing agreement with Cluck-U Chicken, Inc. or franchisees under agreement directly with Cluck-U Chicken, Inc. are not required to pay into the National/Regional advertising fund. Of the 20 U.S. Cluck U Corp. franchisees existing at the end of September 30, 2012, all are required to contribute to the Regional/National Advertising fund on the same terms as You are with the exception of the College Park, MD unit under Cluckster's which does not contribute to the marketing fund nor get any benefit from any of the marketing programs nor receive any marketing materials made for the rest of the units. These terms will either be (a) 2% or a lower percentage of gross sales, or (b) a fixed fee not to exceed 2% of the unit's gross sales, at our discretion. Should We temporarily waive Your obligation to pay into the National/Regional advertising fund, We may at any time require that You begin paying into the National/Regional advertising fund, in Our sole and absolute discretion. We may change the fixed monthly fee or the percentage, as the case may be, provided that it never exceeds 2% of your sales. In that event, We will provide You with one month advance notice.

The national/regional advertising funds will be spent on advertisements disseminated by print, radio, television, internet or other reasonable means. The coverage may be local, regional or national in scope. Part of the national/regional advertising fund may be spent on auditing and record keeping by independent auditors and/or record keepers. The national/regional advertising fund will pay to advertising agencies and other independent contractors the cost of developing television or radio commercials, print or other advertising copy, and administrative costs. Part of the national/regional advertising fund may also be used for giveaways, gift certificates, raffles, or other promotional expenses. An annual accounting statement will be available for Your review at Our Corporate Office. The cost of the annual accounting statement will be paid for by the advertising fund. You must schedule two weeks ahead to arrange to have You review the statement. You may also request a copy of the latest annual accounting statement by sending a written request to Our corporate offices.

(4) We will make available an optional training program for Your employees upon Your request and for an agreed fee (Franchise Agreement Section V). We will make periodic visits for inspection and other purposes at Your place of business. You must schedule optional training in advance.

(5) We will provide an advertising program of the products and services offered by You with the following parameters:

a. Advertising may be disseminated by print, radio, television, internet or other reasonable means. Coverage may be local, regional or national in scope.

b. We are not obligated to conduct advertising in or outside your territory or pay for advertising from our own funds. The cost of all advertising is paid by the franchisees. We may provide advertising materials in any media but are not obligated to do so.

c. Our advertising department or the national/regional advertising fund will provide art and copy; however, You may use Your own advertising materials as long as they are reviewed and approved in writing by Us. We permit You to use Our advertising materials in Your locality.

d. We may organize an advertising council composed of franchisees who may advise Us on advertising policies, consisting of three (3) or more franchisees ("members") selected by Us. We select members who express an interest in investing time into advertising and who have demonstrated a history of successful operations and purposeful advertising. You may request in writing to be appointed to the advertising council. If space allows, You may attend meetings with advance notice even if you are not selected as a member. The advertising council serves in an advisory capacity only and has no operational or decision making power. We have the power to require the advertising council to form, change, merge or dissolve. The advertising council need not operate from written governing documents. As of September 30, 2012, there was no advertising council.

e. We may organize an advertising cooperative. The membership of the cooperative, if any, will be all the Cluck-U, Corp. franchised and owned units in Your state. We will only establish an advertising cooperative in Your state if a majority of the independent franchisees in Your state vote to establish an advertising cooperative. The vote will take place at a meeting of franchisees in Your state held with at least one month's notice. If created, the cooperative will be tasked with developing advertising campaigns for local or regional use and advising Cluck-U, Corp. and member franchisees within the state or region about advertising opportunities. Cooperatives may administer part or all of Your local advertising expenditures. The cooperative will not administer or control the National/Regional Advertising Fund. The cooperative may create its own fund for local or regional advertising, or it may remain advisory only. If a majority of the members of the cooperative agree to establish mandatory contributions, You must contribute to the cooperative's local advertising fund on the same terms as all other members of the cooperative, either a fixed fee, percentage of sales, or other agreed terms. If the advertising cooperative establishes a local advertising fund it must prepare annual or periodic financial statements for review by franchisees at its own expense. If the cooperative creates a local advertising fund, any contributions you make to the local advertising fund will be credited toward only your local advertising requirement and will never, without your consent, exceed two

percent of your average monthly sales. You are encouraged, but not required, to spend more than 2% of sales on local advertising.

If an advertising cooperative is created, all franchisees and all Cluck U, Corp. owned restaurants in the state must join the cooperative on the same terms. The cooperative may make assessments on its members of a uniform fixed fee or percentage of gross sales, but never to exceed two percent of Your sales (Your local advertising requirement) without your consent. You must promptly notify Cluck-U, Corp. and tbe cooperative if Your contributions to the cooperative's fund ever exceeds 2 % of your sales without Your consent. The cooperative will consist of all units within the state and may elect members to an executive board consisting of three (3) or more Franchisees or Cluck-U, Corp. representatives selected by a majority of units in the state or region. Each unit, whether a franchisee or a company owned unit, will have one vote in selecting members to an executive board. Executive board members will not be compensated for their time unless approved by a majority of the independent franchisees in the cooperative. If compensated, board members will receive equal treatment. The cooperative may hire advertising agencies or other personnel to administer the cooperative; otherwise, franchisees will administer the cooperative. Each franchised unit and each Cluck U, Corp. owned unit within the cooperative will have one vote on all spending proposals put before the cooperative's members as a whole. The cooperative may develop plans for local and/or regional advertising.

The cooperative may develop its own rules and procedures for administering the cooperative, assessing fees on members and spending its funds on advertising and administration, provided that (1) decisions are made by a majority of members, with each franchise and company owned unit in the cooperative having one vote; (2) any advertising must be approved in advance by Cluck-U, Corp. (3) assessments by the cooperative on members may never exceed 2% of each unit's sales (their mandatory minimum for local advertising) without that unit's consent; (4) all expenses, costs and outside fees, including expenses of administering and operating the cooperative, shall be paid by the cooperative and its members; and (5) all franchisees and Cluck-U, Corp. owned units in Your state must contribute on the same terms, either as a uniform fixed fee, as an equal percentage of sales, per quantity of promotional items obtained, or some other agreed method (the cooperative may decide which).

If created, the advertising cooperative is designed to maximize the combined purchasing power of multiple franchisees and use broader media markets and resources than would otherwise be available to individual franchisees. If You contribute part of Your local advertising expenditures to programs developed by the cooperative, You are still responsible for spending the remainder of Your local advertising requirement (totaling 2% of gross sales). All franchisees and Cluck-U, Corp. owned units in Your state must contribute on the same terms to the cooperative, if established.

The advertising cooperative may advise Us and franchisees in the state or region and may also develop local and regional advertising campaigns. The cooperative's executive board serves in an advisory capacity only and has no operational or decision making power unless given it by a majority of the membership of the cooperative. We have the power to require the advertising cooperative's executive board or the cooperative itself to form, change, merge or dissolve, subject to the restrictions in this section but We will not change, merge or dissolve it without the agreement a majority of the independently-owned franchised units in the cooperative. If the advertising cooperative is dissolved, any unspent contributions will be refunded. The cooperative need not operate from written governing documents. As of September 30, 2012, there was no advertising cooperative.

f. Whether or not there is an advertising council or cooperative, You must contribute 2 % of Your sales to the National/Regional Advertising Fund and spend an additional 2% of Your sales on Your local advertising. Your contribution to the National /Regional Advertising Fund is two percent (2%) of Your monthly gross sales, or a lesser fixed monthly fee or percentage set by Us. We will be responsible for the administration of the National /Regional Advertising Fund or we may hire an advertising agency or other independent contractor to administer the National /Regional Advertising Fund. The National /Regional Advertising Fund will pay the costs to administer and operate the Fund, including reasonable charges by an advertising agency, independent contractors, independent auditors, accountants, or professional service providers, but We will not be paid by the Fund. You may participate in the advertising cooperative where not prohibited by law. Other than as stated, all the funds will be spent on advertisements disseminated by print, radio, television, internet or other reasonable means. The coverage may be local, regional or national in scope. The Advertising Fund will prepare an annual accounting statement available for You to review at Our office. You may review the most recent statement with two weeks' notice.

During the year ending December 31, 2011, $66,855was collected from franchisees for the National/Regional Advertising Fund (the "Fund"). The Fund had a starting balance on January 1, 2011, of $14,594.84 carried over from the previous year; on December 31, 2011, $5,189.32was left in the account and was carried over to year 2012. The Fund spent a total of $76,260.52 in marketing related expense. None of the Fund was used to solicit new franchise sales. Expenditures of the Fund were: Administrative Expenses of $1,329 (bank charges $79.00 and IRS filing fees $1,250) or about 1.74% of total expenditures; The remainder of $74,931.52 (about 98.26%) was spent on printing, distributing and displaying visual media (uniform, chicken suit, promotional material $37,500.00; posters, banners $13,962.56; printing material, retail packaging, menu flyers, coupons and Scratch Cards Promo $23,468.96) . The amount collected from franchisees in 2011 for the Fund represented less than one percent of the aggregate sales of all franchisees in 2011 (about 0.51%). The maximum amount the Fund may collect is 2% of Your total sales.

g. Whether or not there is an advertising council or advertising cooperative:

(i) All Cluck-U Corp.'s franchisees who were not licensees or franchisees before 2000 and joined the Cluck-U, Corp. system after 2000, must contribute two percent (2%) of their gross sales to the national/regional advertising fund, as applicable (see, subsection (B)(3)), or a lesser fixed fee or percentage, as determined by Us. If a fixed fee, the fee is the same for each unit; if a percentage, the percentage is the same for eacb unit.

(ii) We administer the fund and have the discretion to negotiate with advertising agencies. We may also hire an accountant, advertising agency or other independent contractor to administer the fund. The fund is audited annually following year end and accounting statements of the fund will be available for review by You at Our Corporate Office. Please allow for two (2) weeks appointment notice.

(iii) We do not receive payment for providing goods or services to the advertising fund. We cbarge Our actual cost for goods or services purchased for the advertising fund.

(iv) You will be responsible for spending at least two percent (2%) of Your gross sales for Your local advertising.

(v) Part of the national/regional advertising fund may be spent on auditing and record keeping by independent auditors and/or record keepers and for administrative and operational expenses. The national/regional advertising fund will also pay advertising agencies and other independent contractors for the cost of developing television, radio or internet commercials, print or other advertising copy and for administrative costs. Part of the national/regional advertising fund may also be used for giveaways, gift certificates, raffles, or other promotional expenses.

Any advertising fund moneys accrued and not spent during the fiscal year are applied to the following year's advertising fund. In Our sole and absolute discretion, We may also refund to You all or part of the unspent portion of advertising fund moneys that You contributed.

h. We do not use any advertising funds from You to advertise or solicit sales of new franchises.

i. We may issue gift certificates valid for use at any Cluck-U Corp franchise, for promotional or other purposes. If a customer seeks to redeem a gift certificate at Your location, You must redeem the gift at face value for food and beverages (no cash refunds), and then submit the gift certificate to Us for cash payment of the amount actually redeemed. You must take reasonable precautions to ensure that the gift certificate is valid and genuine, but may reasonably expect that it will be reimbursed if it follows the guidelines established by Us, as modified from time to time, for testing the genuineness and validity of the certificates.

j. In addition to any other advertising obligations under the Agreement, including the national/regional advertising, local advertising and the advertising cooperative, if You agree to participate in any promotion or advertising project, then You will pay for Your proportional share of the costs incurred, either directly to the advertising service provider or through Us. You may opt to not participate in such promotions if You make Your intentions known at the time that the decision is made to undertake the advertising project.

(6) You will be required to purchase a computer point of sale system for use with computerized cash registers from an approved source. You must purchase the approved computer software package; however, You may buy the hardware from any source, so long they meet our established parameters and are compatible with Our approved POS system (see Exhibit I). We will have independent access to the information that is electronically collected. You must pay for the computer point of sale system. as stated above. Because even well maintained computer systems are capable of not functioning or malfunctioning, You must also, at Your sole expense, maintain a manual system of order-taking and record keeping. You agree to be continuously ready for a computer shutdown and be equipped with the necessary supplies, including, but not limited to, preprinted order pads and guest receipts, and have the ability and all the techniques necessary in order to engage in the manual placing and relaying of orders without relying on the computer based system to place orders or perform other functions that would otherwise be performed with the Point of Sales system, until the system is fully restored and operational. You agree to back up and/or print hard copies of all essential data and analysis contained in the POS system on a daily, weekly and monthly basis to preserve such information in the event of system failure. We will not be liable for any deficiency or damage due to the failure of the computer system. You must upgrade hardware components and/or software programs as required by Us throughout the term of the franchise at Your expense. We anticipate that upgrades will be required approximately every five years, and at an approximate cost of ten thousand dollars ($10,000) for each

upgrade. You must maintain adequate safeguards to ensure that the system remains functional at all times for sales and polling.

You must purchase the computer system from an approved source at a cost of approximately nineteen thousand dollars ($19,000) or more, depending on how many terminals You require. You must purchase a computer monitored surveillance system. A computer monitored surveillance system approved by Franchisor is estimated to cost approximately five thousand dollars ($5,000).

The computer system consists of hardware and software:

The software consists of two parts:

a. An operating system such as Windows Vista Business or Windows XP Professional.

b. Our approved Point of Sales (POS) Software System designed for fast food operation, which handles order entry, accounting, sales and payroll analysis, credit card processing.

The hardware consists of several main parts each with many components:

a. Industrial File Server: Back office computer system includes a PC configured with Intel Pentium IV 3 or higher processor at 1.5Ghz or faster and 1000 MB DRAM 512 MB Cache, 64 MB Video Card, 7200 RPM HDD, Serial/USB Parallel Port, CDRW Drive, modem, and a 20Gb or larger hard drive, plus other components including, external USB Backup, 17" color SVGA Monitor, Hewlett Packard Report Printer (19 PPM Black/ 14 PPM Color) and Server Series Power VAR/ Server Series UPS. Network Components, Hardware: 10/100 BT Router with Firewall, Virus Scan and Spyware Scan; Whozz Calling 4 line Caller ID Box.

b. Two or more (usually 3) POS Terminals, each with NCR 15" Flat LCD touch screen, industry standard computer terminal, Pentium class or higher CPU, Hard Drive, Video, Serial Ports, 1 parallel port, 6 USB, high speed 10/100/1000 network card; all steel 5 Bill/5 Coin Cash drawer, black or beige. High speed thermal check printer for each POS Terminal. UPS Battery backup for unit for POS Terminals.

c. Three (3) color dot matrix or Thermal prep printers.

d. Depending on Your needs, Your unit may require additional terminals, wireless handheld devices and printers, including for user entry and credit card payment.

e. Credit card module, inventory/ recipe module; Caller ID interface.

f. You are encouraged on occasion to remotely monitor Your unit while you are away. You may need an additional computer, such as a laptop, to do so.

Hardware is used in conjunction with software for data entry, storage, retrieval and calculations. Your computer hardware and software transmits data within Your unit, such as order

entry to the kitchen, and between Your unit and outside recipients, such as Your vendors, Your remote monitoring site, if any, and Cluck-U, Corp.

You will be required to periodically replace and upgrade Your computer hardware and software. You can expect to spend $10,000, on average, every five years assuming normal wear.

The brand of the products may vary depending on the availability of products, changes in future requirements and technology, pricing and other market conditions. The specifications of products may be adjusted due to the advances in computer technology. You must install all cable or CAT5e lines, and install or hire technicians to install Your POS computer system.

You must obtain a software and service package from our approved POS service provider. For further details on brands and prices, refer to the Exhibit I of this Document. Our current approved POS service supplier is Drexel Management; the approved POS supplier may change upon reasonable notice. In 2011 the annual cost of a computer POS software service contract was $1,500.

Computer training must start shortly after the Franchise Agreement is executed and before practical training begins. You must be fully trained on computer functions before the unit becomes operational and must pass the computer certification program. If You elect to open without finishing and obtaining computer certification we believe You will very likely fail. You are solely responsible for problems arising from inadequate computer training including Your financial reports, inventory, labor and cost of goods information.

(7) Any representations requiring the signing of indemnification waivers are not intended to nor shall they act as a release, estoppel or waiver of any liability incurred under the Maryland Registration and Disclosure Law.

The estimated time between signing the franchise agreement and the opening of Your business is four to six months. The time period may increase depending on Your ability to obtain a lease, financing, or building permits, zoning or local ordinances, weather conditions, shortages, or delayed installation of equipment, fixtures and signs, or other factors beyond Our control.

You are required to use our approve Point of Sale System and use Our established administrative, bookkeeping, accounting, and inventory control procedures. These procedures require daily input of all relevant functions into the POS system.
You are required to provide at all times Franchisor with an independent access remotely to all information generated and stored in your systems.

Item 12. <u>Territory:</u>

A. Your Territory

You will receive the right to operate a Cluck-U Chicken restaurant in your territory, which will be identified in the Franchise Agreement. Your territory will not normally exceed a two (2) mile radius from (1) the original location of the unit or (2) another designated landmark or location, and subject to exceptions contained in this section and in the Franchise agreement, section III. The territory may be larger or smaller, depending on certain factors, but will be clearly defined in the Franchise Agreement. The territory may also be defined by other street or map coordinates. You must obtain Our approval before relocating. Any relocation must meet the conditions stated Section IV of the Franchise Agreement, including payment of a transfer fee of the greater of $10,000 or 2/3 of the initial franchise fee in effect at the time of the proposed transfer. You will also have to design the architectural elements of the new location to conform to standards current at the time of transfer. Prior to any transfer, the proposed location must meet all criteria for new restaurants and pass Our inspection, including training and certification of employees and managers. Any transfer will be for no longer than the remaining term of the Franchise Agreement. During any transfer period, the old location must be closed for no longer than ten (10) days before the new location is opened, to allow for movement of equipment and no longer. We do not normally approve relocations.

The territory granted to You means that another Cluck-U Chicken restaurant will not be established within that territory. You will not receive an exclusive territory. You may face competition from other franchisees, from outlets that we own, or from other channels of distribution or competitive brands that we control.

Other than "Cluck-U Chicken", "Cluck University Chicken" and/or "Cluckster's" as of September 30, 2012, neither We nor any affiliate operated or planned to operate or franchise restaurants under a different trademark serving similar goods and services the franchisee will sell. We have trademarked the name "Clucksters" for use in addition to or instead of the "Cluck U Chicken" name in some restaurants, including overseas. We own a Clucksters' restaurant in Lebanon. We promote under our own name the trademarked name "Cluckster's" for owned or franchised restaurants serving the same or similar menu offerings and service, including for use overseas and elsewhere outside Your territory. As of December 31, 2010 there were no Cluck-U, Corp. owned or franchised restaurants operating under the name "Cluckster's" in the US. In August 2011, CUC of College Park, LLC affiliate to Cluck-U, Corp. under common control with Cluck-U, Corp. re-opened the College Park store under the name of "Cluckster's". Cluck-U, Corp. licensed CUC of College Park, LLC to operate its Cluck-U Chicken concept under the name "Cluckster's". This will serve as new Generation of the Cluck-U Chicken with new Menu items, offering, new look, design and prototype for Cluck-U, Corp. . We will not own or franchise others to operate "Cluckster's'" restaurants within your territory. Clucksters' or Cluck U Chicken restaurants may be located anywhere outside your territory, and may compete with you generally. We also use the Cluckster's name for branded and prepackaged items sold in our franchises and at other retail establishments, including sauces and merchandise. We reserve the right to develop new brands and names for similar and different products and to own, operate or franchise restaurants under different names and trademarks outside of Your territory.

You will have a defined territory usually in a section of a city or town or other area. With respect to such city or town, however, You will not have the right of first refusal to acquire additional franchises within that area.

Continuation of Your defined Territory is not dependent upon achievement of a certain sales volume or market penetration, but it is contingent upon You opening in a timely fashion and honoring all Your obligations under this Agreement, including remaining open for business every day except Thanksgiving, Christmas and Easter. Your Territory will not be altered without Your consent. The Franchise Agreement gives You the right to open only one (1) unit in Your territory. The Franchise Agreement does not give You any options, rights of first refusal or similar rights to acquire additional franchises within Your territory or outside Your territory, either in contiguous areas or elsewhere, unless You reach a separate agreement with Us. Absent such a separate agreement, We may decline to allow You to open another unit for any reason or for no reason. If We do allow You to open any additional units under separate franchise agreements, You may be entitled to a reduced initial franchise fee amount for additional units.

Restrictions on Franchisee

You may not sell products for delivery outside Your Delivery Territory, if any, without our approval, by any means. Your delivery territory, if any, will normally be about half the size of Your Territory. You may be granted temporary permission to deliver outside Your Delivery Territory only until another unit begins to compete in Your general area, at which time you will be required to reduce your Delivery territory to the original area. You may obtain internet orders only for sale on premises or delivery to within Your Delivery Territory. You may not use other channels of distribution, such as the Internet, catalog sales, telemarketing, or other direct marketing, to make sales outside of Your territory.

Indemnification Waiver, and Limitation of Liability:

You will agree that We will not be liable for Your damages unless they result from Our gross negligence or intentional acts, and You have notified Us, in writing, within thirty days of discovery of the damages. To the extent that the damages are more than thirty (30) days prior to Your written notification to Us, You will waive them and Our liability will be so limited.

We will not grant another Franchise for a similar business within Your Territory. We do retain certain rights to conduct business within Your Territory, (as more fully described in subsection 2), below), including licensing or selling, or authorizing others to license or sell, within Your Territory, Express units, Frozen Products, Open Coded sales, and Internet Sales.

B. Rights Retained By Us:

(1) We retain the right to license, directly or through third parties, within or outside Your Territory units serving an abbreviated menu, located within a larger food or non-food facility such as bowling alleys, taverns, arenas, gas stations, cafeterias, pizzerias, delis, truck stops, convenience stores, department stores, stadiums, parks, amusement parks, malls, train stations and airports (referred to as "Express unit"), and selling food products under the name "Cluck-U", "Cluck-U Express", "Cluckster's" or "Cluck-U Chicken" or other similar name. Express unit shall sufficiently distinguish itself from Your Franchise Restaurant. Express units shall not occupy separate storefronts as do Franchise Restaurants. We do not operate or franchise "Cluck-U Express" units and as of December 31, 2011 had no plans to do so.

(2) We retain the right to license, directly or through third parties, food stores, major food chains, clubs, super markets and /or food warehouses within or outside Your Territory to sell prepared or pre-packaged dry and/or Refrigerated and/or frozen food products bearing Our trade name or logo (referred to as "Frozen products"). These food products will be distributed to wholesalers and/or retailers for the purpose of resale to End-User consumers only.

(3) We retain the right to sell, or to license others to sell, Cluck-U branded food and non-food products within or outside Your Territory directly through distributors to non-Cluck-U buyers ("Open Coded sales") We reserve the right to license or otherwise authorize the sale of Cluck-U brand products, by approved suppliers or by Us, to purchasers who are not Cluck-U franchisees, for resale as ready to eat products or otherwise. The purchasers of such products will not be permitted to sell those products within Your Territory, unless the purchaser was buying Cluck-U products prior to Your acquisition of the franchise. In the event that such a purchaser exists within Your proposed Territory, You will be advised of that fact, in writing, before We enter into a franchise agreement with You.

(4) We retain the right to sell, or to license others to sell, Cluck-U branded food and non-food products in Your Territory via the Internet and catalogue sales, or other means, to individual End-Users ("Internet Sales"). Internet Sales shall be any sale of Cluck-U products solicited through advertising on the Internet, either through the Internet or from telephone, mail, or other orders arising from or related to Internet advertising. Cluck-U-Chicken products may be sold by either Us or Cluck-U-Chicken, Inc. over the Internet.

(5) You understand and agree that We and Our affiliates may operate, license or franchise restaurants or food establishments other than a restaurant, and You agree that We and Our affiliates may do so at any location, including within Your Territory, provided that such restaurants and food establishments are not (i) operated under the names "Cluck-U Chicken", or similar trade names, and (ii) are not Fast Food Chicken Restaurants ("Chicken Restaurant" is defined as a self service restaurant where the majority of sales revenue is derived from the sale of grilled or fried chicken or chicken products).

(6) Except as otherwise provided in this Section and in the Franchise Agreement, neither We nor Our Affiliate(s) shall own or operate a Restaurant or any other "Chicken Restaurant" (as defined above) or franchise others to do so, at any location within the territory described in the Agreement (the "Territory"); however, (i) We or our affiliate may own or operate, or franchise others to own or operate, Restaurants or other Chicken Restaurants within the Territory at locations which are or may later be on present or future rights-of-way of any present or future limited access highways or toll roads, or at campus or food service institutions or military installations, or at expositions, fairs or similar events, provided that You shall have declined, or be unable to do so (such limitation to included that multiple locations are required by a third party to be developed as a group including locations outside of Your Territory or exclusive development area); and (ii) nothing contained in this Disclosure Document or the Agreement shall limit the Our right or that of Our Affiliates to sell directly or through third parties products which are the same as, or similar to, those sold in Restaurants, using brand names the same as, or similar to, the Proprietary Marks designated for use with the system, provided that the items sold are either packaged or bottled and are sold for preparation and/or consumption off the selling premises. We sell some products under the Cluckster's trademark, including bottled sauces for sale in grocery and other stores.

(7) We may own, directly or through an affiliate, Cluck-U Chicken restaurants, and may license or grant additional franchises for Cluck-U Chicken restaurants, in Your general area, but will not do so in Your Territory.

(8) We currently own and operate Cluckster's Restaurant in Lebanon. As of September 30, 2012 We did not own or operate any other restaurants, but we reserve the right to do so later, either under the "Cluck U" name or "Cluckster's" and to franchise others to do so. In August 2011, CUC of College Park, LLC affiliate to Cluck-U, Corp. under common control with Cluck-U, Corp. re-opened the College Park store under the name of "Cluckster's". Cluck-U, Corp. licensed CUC of College Park, LLC to operate its Cluck-U Chicken concept under the name "Cluckster's". This will serve as new Generation of the Cluck-U Chicken with new Menu items and offering and new look, design and prototype for Cluck-U, Corp. We will not open or franchise others to open fast food Chicken Restaurants using separate storefronts under the "Cluck U" name or "Cluckster's" name within Your territory during the term of Your Franchise Agreement. Cluckster's restaurants will sell products similar or identical to those products You will sell. Neither Cluck U nor Cluckster's restaurants will deliver within your Delivery Territory, if any.

(9) We will resolve conflicts between You and Us regarding territory, customers and franchise support, by mediation. If mediation fails, then either party may avail itself of the courts. You Agree to submit to the jurisdiction of Prince George's County, Maryland. We do not expect conflicts with regard to territory or customers because we will not put another restaurant, either Cluck U or Cluckster's, in Your territory. If you and another franchisee have a conflict, We will try to resolve the conflict, and, if not, you may resolve it as You decide.

You will receive no compensation for any solicitation or sales of any kind within Your territory except at Your restaurant.

Item 13. Trademarks:

Our trademarks include the trade name and service mark, **"Cluck-U-Chicken**," the logo appearing on the first page of this Franchise disclosure document, slogans in use, and the trade dress of Our System.

A. The trade name **Cluck-U-Chicken** was registered as a service mark with the principal register of the United States Patent and Trademark Office, on December 9, 1986 and its number is 1,420,603. We have filed all required affidavits. The trade name was registered in the State of New Jersey on June 6, 1985. We have common law rights in its other trade names, logos, and slogans in use and trade dress.

In May 2000, Cluck-U-Chicken Inc., the originator of the trade name and service mark, sold all rights to the trade name "CLUCK-U-CHICKEN" to Cluck-U, Corp. The trademark registration "Cluck-U Chicken" was renewed on July 8, 3008 under a serial # 3,461,042 owned by Cluck-U, Corp. Other names, logos, and slogans in which We have common law or other rights.. In 2004 the trade names "CLUCK-U-CHICKEN" under a serial # 3,461,042and "IT'S AN ADDICTION" under a serial # 75637764 were transferred from Cluck-U-Chicken, Inc. to Cluck-U, Corp. at the US Patent and Trademark Office

The United States Patent and Trademark Office registered the trade and service mark "Cluckster's." on May 20th, 2008, and it's number is 3,432,595 owned by Cluck-U, Corp.

All required affidavits of the use and applications for renewal have been filed and accepted on all our trademarks.

B. Other than as disclosed in this Document, there have been no determinations of the Patent Office or any court, and there are no pending interference, oppositions or cancellation proceedings and no pending material litigation involving this trademark, service marks and trade name or other commercial symbols of Franchisor which is relevant to their use in the states in which the franchise unit is to be located.

C. There exists a trademark agreement between Cluck-U-Chicken Inc. and Pluck University Wings, Inc. in which Cluck-U-Chicken Inc. granted Pluck University Wings, Inc., the right to use the mark of "Pluck-U" and "Pluck University" in the five boroughs of New York City, Nassau, Westchester and Suffolk Counties. The agreement also provides that Pluck University Wings, Inc. has exclusive rights to develop this area as outlined in their development schedule or Cluck-U-Chicken Inc. has the right of first refusal, if Pluck University Wings, Inc. does not maintain its development schedule. There are no other agreements currently in effect which significantly limit Our rights to use or license the use of such trademarks, service marks, trade names, logotypes or other commercial symbols in any manner material to You.

D. There currently exist an agreement between Cluck-U, Corp. and Cluck-U-Chicken Inc. granting to Cluck-U-Chicken Inc. the right to use the marks, trade name(s), logo(s) and other commercial symbol(s) in the context of express units and frozen product as defined in item twelve, above.

E. We are not obligated by Franchise Agreement or otherwise to protect Your right to use the principal trademarks listed in this section and We are not obligated to protect you against claims of infringement or unfair competition arising out of your use of the trademarks. You are required to notify the Us, the franchisor, of the use of, or claims of rights to, a trademark identical to or confusingly similar to a trademark licensed to the You, the franchisee. The franchise agreement does not require the We take affirmative action when notified of these uses or claims. We have the right to control any administrative proceedings or litigation involving a trademark licensed by Us to You. We may prosecute, defend or settle claims of trademark infringement. If We agree to defend trademark litigation against You, We will defend and settle only our rightful ownership of the Proprietary Marks and no other claims. If there are other claims you are responsible for the cost of defending them. Because not all potentially infringing action warrants the costs of litigation, We have the right, but not the obligation, to prosecute trademark infringement as We find appropriate. The franchise agreement does not require Us to participate in Your defense and/or indemnify You for expenses or damages if the You are a party to an administrative or judicial proceeding involving a trademark licensed by Us to You, or if the proceeding is resolved unfavorably to You. We may but need not participate in Your defense of trademark infringement claims.

If We require You to modify or discontinue using a trademark , We agree only to pay You for the immediate cost to remove or replace the discontinued or modified mark with another similar approved trademark, including the cost of signage, menus and displays within Your restaurant. You must implement changes promptly after approval by Us.

F. Except as identified in this Item 13 and in Item 3 of this document, there are no infringement uses known to Us which could materially affect Your use of the mark, trade names, or other commercial symbols, as provided in the Franchise Agreement.

G. You must modify or discontinue the use of a trademark if We modify or discontinue it. If this happens other than because your right to operate as a Cluck U Chicken franchisee has been terminated, We will reimburse You for Your tangible costs of compliance (for example, changing signs). You must not directly or indirectly contest Our right to Our trademarks, trade secrets or business techniques that are part of Our business. If Your Franchise Agreement is terminated, You have obligations and restrictions identified in item 17, below.

Cluck U, Corp. has initiated the following litigation related to trademark infringement:

Cluck-U, Corp. v. Chicken Holiday, Inc., et al., Civil Action No. 4002, U.S. District Court, E.D. NY, filed Sept. 25, 2007. The suit alleged causes of action resulting from trademark infringement, unfair competition, deceptive practices, unauthorized use of marks, and tortuous interference with contracts. The defendants, including a food distributor, were alleged to have registered an infringing trademark and traded under that name. The case resulted in a settlement in which the defendants promised to cease infringing, surrendered the infringing registration and paid $5,000 to Cluck-U, Corp.

Cluck-U, Corp. v. Cluck University Chicken of Palo Alto, LP, et al., case number C07-04986 CW, United States District Court, Northern District of California filed Sept. 26, 2007. The suit alleges causes of action including trademark infringement, trade dress infringement, copyright infringement, trade secret misappropriation unfair competition, unfair business practices, promissory estoppel, unjust enrichment, intentional interference with prospective business advantage, concealment and constructive fraud (the "Action"). The parties reached a settlement of the Action in which the Defendants agreed to pay to Cluck-U, Corp. $105,000, and Defendants agreed to discontinue and refrain from certain allegedly infringing practices. The Plaintiff, Cluck-U, Corp., agreed to grant to the Defendants a license to use certain proprietary recipes for sauces under a defined territory and other conditions. The case was settled as stated in September 2008.

Item 14. Patents, Copyrights and other Proprietary Information:

There are no other patents or copyrights, which are material to You. We have developed trade secrets, information, recipes, procedures and systems including the Operating Manual. They are provided or revealed to You in trust and confidence. You may use the information in Franchisor's Operating Manual, which is Our property. You must inform Us promptly when You learn about any unauthorized use of this proprietary information. We are not obligated to take any action and will respond to this information as appropriate.

Item 15. Obligation to Participate in the Actual Operation of the Franchise Business:

You shall personally manage the franchise for twelve (12) months after opening and shall continue to manage the unit personally thereafter, unless an employee of Yours is certified by Us in writing to act as manager. The business must be directly supervised "on premises" by You, a certified manager, or by an agent of Yours who has completed Our "training certification" program to Our satisfaction. You may not have a travel time of over thirty (30) Minutes to Your unit from Your dwelling.

The requirement of personal management must entail Your best personal efforts and dedication to the success of the franchised unit consistent with the spirit of the Franchise Agreement. "On premises" management shall include presence at the franchised unit during all peak hours of operation and certified management at all non-peak times, constant inspection of facilities to insure the highest standards of cleanliness and general pleasant appearance, frequent inspection of food processing operations to ensure compliance with approved methods, and preservation of order on the premises.

It takes eighteen (18) to twenty four (24) months to build the business foundation and to establish a stable business. You are required not to be in any way an absentee owner even if certified management is operating the franchised unit.

You and Your Manager(s) and any individual who owns a five percent (5%) or greater interest in the franchise entity must sign a written agreement to maintain confidentiality of Your trade secrets (Exhibit L).

You shall personally manage the unit for twelve (12) months after opening and shall continue to personally manage the unit thereafter, unless an employee of You acts as Manager, and such manager has satisfactorily completed Our training program and received a certification of training; however, We are not responsible for the performance of such manager and his certification is not an indication that he/she is or will be ready to act as responsibly as an owner would. It is in the owner's discretion to make such decisions. The certification is an indication that the manager has attended and satisfactorily completed the training program only. If Franchisee(s) is/are an individual(s), then all Franchisee(s) will be required to sign the Franchise Agreement and the Guarantee Agreement in exhibit N. If the Franchisee is a corporation or other entity, the use of the term "Franchisee" or "You" includes the beneficial owner of the legal entity, and such beneficial or equitable owner and their spouses will be guarantors of the agreement and all beneficial of the corporation or entity will be required to sign the Franchise Agreement and the Guarantee Agreement in exhibit N as well.

Item 16. Restrictions on What Franchisee May Sell:

You are required to sell only goods approved by Us. You are required to sell all goods authorized by Us for sale in Your geographic area. You are restricted to the sale of chicken, ribs and other related items, e.g., sandwiches and salads, as approved by Us. Additional products may be sold only with Our written consent, subject to lease restrictions or restrictions of law, and only for so long as You maintain the highest standards of quality in preparing and serving these additional products. We reserve the right to control the use of any state lottery machines and the use of coin operated music devices, vending machine and games at the unit. We have the right to change the types of authorized goods and services without limit.

Upon inspection by Us, any non-approved products such as food and paper must be removed from the store. We have the right to add additional product(s) that You are required to offer.

We reserve the right to change the types of authorized goods and services. There are no limits to Our right to make changes. However, any changes will be made with at least one month's notice to You. If We decide to make changes to the types of goods or services offered by You, We will use Our best efforts to ensure that the changes will benefit the Cluck-U-Chicken system as a whole.

You may only sell our approved proprietary, private label and designated products.

Item 17. Renewal, Termination, Transfer and Dispute Resolution:

THE FRANCHISE RELATIONSHIP

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

Provision	Section in Franchise Agreement	Summary
(A) Length of the Franchise Term	Section II	Term is equal to lesser of lease term or twenty (20) years
(B) Renewal or extension of the term	Section XV	Term may not be renewed or extended. If new term is desired by Franchisee, You must apply and, if approved, pay new franchise fee and sign new agreement with materially different terms and conditions than Your original contract.
(C) Requirements for Franchisee to renew or extend	Section XV	Term may not be renewed or extended. If new term is desired by Franchisee, You must apply and, if approved, pay new franchise fee and sign new agreement with materially different terms and conditions than Your original contract.
(D) Termination by Franchisee	Section XV	Non-competition (§XVIII) and confidentiality agreements apply.
(E) Termination by Franchisor without cause	Not Applicable	
(F) Termination by Franchisor with "cause"	Section XVI	Franchisor can terminate upon Franchisee's non-compliance with any part of Sections I, IV, VII, IX, X or XI; filing of petition in bankruptcy;* arrangement to benefit creditors; petition for reorganization; loss of possession of premises; misrepresentation of information relating to franchise application; conviction of felony or crime of moral turpitude; continuous conduct of business outside territory in violation of Franchise Agreement; failure to submit required records. Upon three (3) similar or five (5) different repeated defaults within twelve (12) month period.

(G) "Cause" defined - curable defaults	Section XVI	Thirty (30) days for Franchisee to cure curable defaults. Repeated defaults even if cured may result in termination.
(H) "Cause" defined - non-curable defaults	Section XVI	Defaults not curable by Franchisee include, . Sections I, IV, VII, IX, X or XI; filing of petition in bankruptcy;* arrangement to benefit creditors; petition for reorganization; loss of possession of premises; misrepresentation of information relating to franchise application; conviction of felony or crime of moral turpitude; continuous conduct of business outside territory in violation of Franchise Agreement; unapproved transfers; repeated failure to submit required records. abandonment or misuse of trademarks; and upon three (3) similar or five (5) different repeated defaults within any twelve (12) month period.
(I) Franchisee's obligations on termination/non-renewal	Section XVI	Include payment of amounts due and complete de-identification (see item (R) below), also, non-compete and confidentiality provisions.

* May not be enforceable under federal bankruptcy law (11 U.S.C. section 101, et seq.)

(J) Assignment of contract by Franchisor	Not Applicable	No restrictions
(K) "Transfer" by Franchisee - defined	Section XV	Includes transfer of contract or assets, or ownership change
(L) Franchisors approval of transfer of Franchisee	Section XV	Franchisor has rights to approve all transfers but will not unreasonably withhold approval
(M) Conditions for Franchisor approval of transfer	Section XV	Franchisee qualifications, transfer fee paid, purchase agreement approved, training arranged and current Franchise Agreement signed by new Franchisee (see item (R) below)
(N) Franchisor's right of first refusal to acquire business	Section XV, XVI	Franchisor can match any offer for Franchisee's business
(O) Franchisor's option to purchase Franchisee's business	Section XV, XVI	If Franchisee leaves the System for any reason, We can assume the lease.
(P) Franchisee's death or disability	Not Applicable	
(Q) Non-competition covenants during term of franchise	Section IV	No involvement in any restaurant within five (5) miles. No involvement in competing business within twenty five (25) miles
(R) Non-competition covenants after termination or expiration	Section XVIII	No involvement in any restaurant within five (5) miles for two (2) years. No competing business for two (2) years within twenty five (25) miles without agreement with Franchisor
(S) Modification of Franchise Agreement	Not Applicable	No modifications generally but Operating Manual subject to change.

(T) Integration/merger clause	Section XXIII	Only the terms of the Franchise Agreement are binding (subject to state law). Any representations or promises outside the disclosure document and Franchise Agreement may not be enforceable.
(U) Fees Dispute resolution by mediation or litigation	Section XVII	Non-Binding mediation of any fee dispute in Prince George's County, Maryland. If unresolved, litigation in Prince George's County, Maryland.
(V) Choice of forum	Section XVII	Prince George's County, Maryland
(W) Choice of law	Section XXI	Maryland law applies along with rules of American Arbitration Association (AAA)
(X) Computer Point of Sale System	Section IV	Required to be purchased and used

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

Item 18. Public Figures:

As of September 30, 2012, there were no arrangements with public figures for promotions of this Franchise.

Item 19. Financial Performance Representations:

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

We do not make any representations about a franchisee's future financial performance or the past financial performance of company-owned or franchised outlets. We also do not authorize our employees or representatives to make any such representations either orally or in writing. If you are purchasing an existing outlet, however, we may provide you with the actual records of that outlet. If you receive any other financial performance information or projections of your future income, you should report it to the franchisor's management by contacting JP Haddad, Cluck-U, Corp. at 14504 Greenview Drive, Suite 200, Laurel, MD 20708, and telephone (301) 604-2535, the Federal Trade Commission, and the appropriate state regulatory agencies.

Item 20. USA Outlets and Franchisee Information:

Table No. 1. **USA Outlet Summary for years 2009 to 2011.**

Outlet type	Year	Outlets at the start	Outlets at the end	Net Change

		of the Year	of the Year	
Franchised	2009	23	23	(0)
	2010	23	20	(3)
	2011	20	23	(3)
Company Owned	2009	0	0	0
	2010	0	0	0
	2011	0	0	0
Total Outlets	2009	23	23	(0)
	2010	23	20	(-3)
	2011	20	23	3

Table No. 2. USA Transfers of Outlets from Franchisees to New Owners (other than the Franchisor)

State	Year	Number of Transfers
Maryland	2009	0
	2010	1
	2011	0
North Carolina	2008	0
	2009	0
	2010	0
New Jersey	2009	1
	2010	1
	2011	0
Pennsylvania	2009	0
	2010	0
	2011	0
Total	2009	1
	2010	2
	2011	0

Table No. 3. Status of Franchised Outlets in the USA for Years 2009 to 2011

State	Year	Outlets at Start of the Year	Outlets Opened	Termina tions	Non-renewals	Reacquired by Franchisor	Ceased Operations Other Reasons	Outlets at End of the Year
Maryland	2009	12	0	0	0	0	3	9
	2010	9	0	2	0	0	1	6
	2011	6	2	0	0	0	0	8
North	2009	1	0	0	0	0	1	0

Carolina	2010	0	0	0	0	0	0	0
	2011	0	0	0	0	0	0	0
New Jersey	2009	9	3	0	0	0	0	12
	2010	12	0	0	0	0	0	12
	2011	12	2	0	0	0	1	13
Pennsylvania	2009	1	0	0	0	0	0	1
	2010	1	1	0	0	0	0	2
	2011	2	0	0	0	0	0	2
Total	2009	23	3	0	0	0	4	22
	2010	22	1	2	0	0	1	20
	2011	20	4	0	0	0	1	23

Table No. 4. Status of Company Owned Outlets in USA for Years 2009 to 2011

Country	Year	Outlets at Start of the Year	Outlets Opened	Outlets Reacquired From Franchisee	Outlets Closed	Outlets Sold to Franchisee	Outlets at End of the Year
USA	2009	0	0	0	0	0	0
	2010	0	0	0	0	0	0
	2011	0	0	0	0	0	0
Total	2009	0	0	0	0	0	0
	2010	0	0	0	0	0	0
	2011	0	0	0	0	0	0

Table No. 5. USA Projected Openings as of December 31, 2012

State	Franchise Agreement Signed but Outlet not Opened	Projected New Franchised Outlets in the Next Fiscal Year	Projected New Company Owned Outlets in the Next Fiscal Year
Maryland	0	0	0
New Jersey	0	3	0

Pennsylvania	0	0	0
Total	0	3	0

List of USA Units as of 09/30/2012:

Maryland					
Store Location	**Store Code #**	**Corporation Name**	**Store Telephone #**	**Year Opened**	**Franchisee Contact Name**
1690 B Route 175 Fort Meade, MD 21113	MD04-07	CUC of Odenton, Inc.	(410) 519-1000	B 1996	Marc Morris
9426 Lanham-Severn Rd. Lanham, MD 20706	MD08-13	CK Management, LLC	(301) 459-0089	B 2002	Chip Klosek
10426 Campus Way, So. Largo, MD 20749	MD11-17	CUC Largo, LLC	(301) 333-5636	B 2003	John Scott Craig Winters
7706 Old Branch Ave. Clinton, MD 20735	MD06-11	CUC Andrews, Inc.	(301) 877-7888	B 2002	Craig Winters John Scott
7415-B Baltimore Avenue College Park, MD 20740	MD01-01	CUC of College Park, LLC DBA "Cluckster's"	(301) 864-0852	B 2011	JP Haddad
New Jersey					
Store Location	**Store Code #**	**Corporation Name**	**Store Telephone #**	**Year Opened**	**Franchisee Contact Name**
15 Highway 36 West Eatontown, NJ 07724	NJ01-05	Pro Source Enterprises	(732) 389-2888	B 1994	Susan & Billy Ellsworth
197 North Ave. Dunellen, NJ 08812	NJ03-29	Rizk Restaurant Corp	(732) 529-6068	B 2006	Mohammad Rizk Magdy Rizk
66 Morris Ave. Morristown, NJ 07960	NJ02-10	C.N.R. Enterprise, Inc.	(973) 540-0186	B 1994	Richard, Sheila & Neil Goldrosen
50 Water St. Red Bank, NJ 07701	NJ04-34	CUC of Red Bank, LLC	(732) 530-2000	B 1997	Andrew Ilvento
319 South Orange St. South Orange, NJ 07079	NJ05-35	CUC of South Orange, Inc.	(973) 275-1234	B1996	Sung Lee
2224 Route 130 North Brunswick, NJ 08901	NJ10-40	CUC of North Brunswick, LLC	(732) 348-8260	B 2008	Lap M. Shu
146 Center Grove Rd. A&P Shopping Center Randolph, NJ 07869	NJ06-36	CUC of Randolph, LLC	(862) 244-4248	B 2008	Vincent Egan & Lawrence Pucillo
586 West Side Ave. Jersey City, NJ 07304	NJ08-38	Heaven & Ria, Inc.	(201) 946-2222	B 2008	Rajesh Kumar
112 Washington Street Hoboken, NJ 07030	NJ09-39	CUC Hoboken, LLC	(201) 683-9307	B 2009	Iran Walipour

1090 Route 46-West Parsippany, NJ 07054	NJ07-37	Salam CUC Parsippany, LLC	(973) 794-3848	B 2009	Mohamed Salam
1195 St Georges Street Colonia, NJ 07067	NJ 14-44	CUC Woodbridge, Inc.	(732) 634-7400	B 2011	Thomas Fitterer
2241 Hwy. 35 Wall Township, NJ 08736	NJ15-45	CM Restaurant, LLC	(732) 722-8500	B 2012	Christopher Murison Andrew Ilvento
1178 Morris Avenue Union, NJ 07067	NJ16-46	Cluck-U Union, Corp.	(908) 686-8339	B 2012	Jeffery Pella Michael DiNadi
Pennsylvania					
Store Location	**Store Code #**	**Corporation Name**	**Store Telephone #**	**Year Opened**	**Franchisee Contact Name**
107 Brown Street # 200 E. Stroudsburg, PA 18301	PA01-32	Cluck-U Stroudsburg, LLC	(973) 769 0667	B 2007	Robert O'Hara
293 Frantz Road Bartonsville, PA 18302	PA02-43	CUC of Bartonsville, LLC	(570) 420-1209	B 2010	Robert O' Hara

International Outlets and Franchisee Information:

Table No. 1. **International Outlet Summary for years 2009 to 2011.**

Outlet type	Year	Outlets at the start of the Year	Outlets at the end of the Year	Net Change
Franchised	2009	0	0	(0)
	2010	0	0	(0)
	2011	0	0	(0)
Company Owned	2009	1	1	0
	2010	1	1	0
	2011	1	1	0
Total Outlets	2009	1	1	0
	2010	1	1	0
	2011	1	1	0

Table No. 2. International Transfers of Outlets from Franchisees to New Owners (other than the Franchisor)

State	Year	Number of Transfers
Lebanon	2009	0
	2010	0
	2011	0
Total	2009	0
	2010	0
	2011	0

Table No. 3. Status of Franchised International Outlets for Years 2009 to 2011

State	Year	Outlets at Start of the Year	Outlets Opened	Terminations	Non-renewals	Reacquired by Franchisor	Ceased Operations Other Reasons	Outlets at End of the Year
Republic of Lebanon	2009	1	0	0	0	0	0	1
	2010	1	0	0	0	0	0	1
	2011	1	0	0	0	0	0	1
Total	2009	1	0	0	0	0	0	1
	2010	1	0	0	0	0	0	1
	2011	1	0	0	0	0	0	1

Table No. 5. International Projected Openings as of December 31, 2012

State	Franchise Agreement Signed but Outlet not Opened	Projected New Franchised Outlets in the Next Fiscal Year	Projected New Company Owned Outlets in the Next Fiscal Year
Republic of Lebanon	0	0	0
Kuwait	0	1	0

List of International Units as of 12/31/11:

International (Lebanon)					
Store Location	**Store Code #**	**Corporation Name**	**Store Telephone #**	**Year Opened**	**Franchisee Contact Name**
Facing Espace 2000 Center ZOUK, KESROUAN, Lebanon	LB01-24	Cluckster's	011-961-9-212255	B 2004	Cluck-U, Corp.

As of September 30, 2012, (6)Franchisees have left the system:

1) "HAS of NJ, LLC" from Hamilton, NJ location owned by Abraham Ahmed, phone # (609) 989-1414 has left the system during the year 2011.

2) "CUC of Central NJ, Inc. from Somerville, NJ location owned by Michael Zieman, Neil Goldrosen and Gordon Hecht, Neil #: (973)540-0186 has left the system due to lease ended.

3) "Ria Monga, Inc." from Jersey City at Kennedy Blv location owned by Rajesh Kumar # (201) 946-2222 has left the system.

4) "CUC Buffalo, Inc." from Annapolis, MD location owned by Rashad Asi # (410) 295-3300 has left the system due to termination by Franchisor for various default under their franchise agreement.

5) "CUC Glen Burnie, Inc." from Glen Burnie, MD location owned by Amjid Asi # (410) 863-1666 has left the system due to lease ended.

6) "CUC of Crofton, Inc." from Crofton, MD owned by Kuldip Singh # (410) 541-3302 has left the system.

During the year 2010 (2) Franchisees have transferred their franchises to new franchisee:

-Thomas Fitterer phone # (732) 634-7400 owner of Franchise at South Orange, NJ (CUC of South Orange, Inc.) assigned the franchise to Sung Lee.

-John McKay phone # (301) 448-8535 owner of the Franchise at Lanham, MD (CUC of Lanham , Inc.) assigned the franchise to Chip Klosek.

As of September 30, 2012 (3) new units in NJ joined the system (Woodbridge, Wall Township and Union).

Other than the above and as of September 30, 2012, there has not been any franchisee that has not communicated with Us within ten weeks of the application.

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

As of September 30, 2012, there were no company owned outlets in the USA.

In October 2004, Cluck-U, Corp. opened "Cluckster's" restaurant in the Republic of Lebanon in an effort to expand the brand into the Middle East. Cluck U Chicken proprietary food products and materials are shipped directly from United States sources in order to maintain the quality and standards that are evident in U.S. locations.

Our Fiscal Year ends 12/31.

All Franchisees during the last three years signed confidentiality agreements as part of their Franchise Agreement. In some instances, current and former franchisees sign provisions restricting their ability to speak openly about their experience with the Cluck-U, Corp. System. You may wish to speak with current and former franchisees, but be aware that not all such franchisees will be able to communicate with you.

Item 21. Financial Statements:

Cluck-U, Corp. was incorporated on February 29, 2000. Cluck-U, Corp.'s audited financial statements for the fiscal years ending December 31, of 2009 & 2010 & 2011 and un-audited financial statement for the first three quarters of year 2012, the financials are included as Exhibit C. Cluck-U,

Corp.'s audited financial statements are prepared in accordance with U.S. generally accepted accounting principles (U.S. GAAP) and the audit is conducted in accordance with U.S. generally accepted auditing standards (U.S. GAAS).

Item 22. Contracts:

Copies of the Franchise Agreement and related agreements proposed for use or in use in this state are attached to this Disclosure Document: Exhibit A, Exhibit B, Exhibit C, Exhibit D, Exhibit E, Exhibit F, Exhibit G, Exhibit H, Exhibit I, Exhibit J, Exhibit K, Exhibit L, Exhibit M, Exhibit N and Receipt.

CBL Clapp Business Law, LLC

EXHIBIT D

July 10, 2015
Via UPS Overnight and Email
Jp.haddad@cluckuchicken.com
UPS Tracking No. 1ZR901400191213507

Jean-Pierre Haddad
Cluck-U, Corp.
14504 Greenview Drive, Suite 200
Laurel, MD 20708

Re: Anthony Tartaglia and Cluck-U Chicken, Inc.
Franchise Agreement Dated May 21, 2013
Demand for Rescission
Demand for Mediation

Dear Mr. Haddad:

Please be advised that I represent Anthony Tartaglia ("Mr. Tartaglia") and Cluck-U Chicken, Inc. ("Franchisee"), a franchisee of Cluck-U Corp. ("Franchisor"). As you know, the Franchisee's Florida franchise location has suffered significant and crippling losses as a direct and proximate result of the Franchisor's failures. We have determined that you have sold an unlawful franchise to Mr. Tartaglia and the Franchisee. In addition, you have violated the FTC Rule, the Florida Franchise Act, Florida's Sale of Business Opportunities Act, and the Maryland Franchise Law, have committed fraud, have engaged in deceptive trade practices, and have breached the franchise agreement, all of which have caused substantial injury to Mr. Tartaglia and the Franchisee. Therefore, Mr. Tartaglia and the Franchisee demand that the franchise agreement be rescinded and that the Franchisor reimburse them no less than one hundred sixty-eight thousand ($168,000), as described more fully below. As required by Section XVII of the Franchise Agreement, Mr. Tartaglia and the Franchisee also hereby demand mediation. We hope that this matter can be resolved without our clients having to resort to more formal actions to vindicate their rights but should this matter not be resolved, they reserve the right to pursue their claims in more formal proceedings.

FACTS

On May 21, 2013, Mr. Tartaglia and the Franchisee purchased a Cluck-U Franchise to be operated in the Northport, Florida territory. The franchise disclosure document ("FDD")

Mary M. Clapp, Esq. **mary@clappbusinesslaw.com** **www. clappbusinesslaw.com**	**MO Office** 2518 S. Campbell Ave. Springfield, MO 65807 MO ☎: 417-851-5386	**FL Office** 9040 Town Center Pkwy. Lakewood Ranch, FL 34202 FL ☎: 941-567-1607

provided to Mr. Tartaglia and the Franchisee in advance of their purchase was outdated and made several material misrepresentations including but not limited to the following:

At the time the Franchisor entered into the franchise agreement with Mr. Tartaglia and the Franchisee, you had actual knowledge that the Item 7 Initial Investment Disclosures provided to Mr. Tartaglia and the Franchisee were not accurate. Indeed, the actual startup costs for Mr. Tartaglia and the Franchisee ended up being double the costs represented. Had Mr. Tartaglia and the Franchisee known that the initial investment required to open this franchise was so much more, Mr. Tartaglia and the Franchisee would not have entered into the franchise agreement.

In violation of the FTC rule and both Florida and Maryland Franchise laws, you failed to provide Mr. Tartaglia and the Franchisee with updated financial disclosures, Item 20 unit disclosures, projected growth disclosures, and other material updates.

Although you represented that you would provide Mr. Tartaglia and the Franchisee with the Franchisor's site and market criteria, you failed and refused to do so, despite repeated requests from Mr. Tartaglia and the Franchisee.

Although you represented that you would provide Mr. Tartaglia and the Franchisee with a list of equipment necessary to open the business, you failed to do so. Due to your failure, Mr. Tartaglia and the Franchisee had to determine the equipment for themselves. Then, just prior to opening, you required Mr. Tartaglia and the Franchisee to make significant and costly changes. Instead of contributing to the success of the restaurant, these costly and significant changes have actually hindered the ability of the franchise location to succeed, as they cause inefficiencies. Indeed, the costly POS system you required Mr. Tartaglia and the Franchisee to purchase is outdated and ineffectual. You also required Mr. Tartaglia and the Franchisee to spend approximately $30,000 on opening inventory that cannot be used and is still sitting unopened today.

Although you represented and agreed that you would provide off-site training for a minimum of four (4) weeks and on-site training for two (2) weeks, there was no formal training program. While you visited the Florida franchise location, you actually provided less than an hour of actual training to Mr. Tartaglia and the Franchisee. As a direct and proximate result of your failure to train Mr. Tartaglia and the Franchisee, the unit's opening was a disaster, and many customers were dissatisfied, never to return. This was a gross misrepresentation. If Mr. Tartaglia and the Franchisee had known that there was no formal training program, they would not have entered into this franchise.

Although you represented you would provide my clients with assistance in advertising, you have failed and refused to provide any assistance.

Mary M. Clapp, Esq. **mary@clappbusinesslaw.com** **www. clappbusinesslaw.com**	**MO Office** 2518 S. Campbell Ave. Springfield, MO 65807 MO ☎: 417-851-5386	**FL Office** 9040 Town Center Pkwy. Lakewood Ranch, FL 34202 FL ☎: 941-567-1607

Although you represented that you would use the franchise system purchasing power to negotiate favorable pricing of food and supplies for franchisees, you have failed and refused to do so. Instead, you have required franchisees to purchase commonly available products at inflated prices, receiving unfair kickbacks to the detriment of franchisees when these products are readily available at significantly reduced prices. With some products there is approximately a 20% price differential from the prices franchisees are required to pay compared to the prices readily available to a single unit restaurant, non-negotiated. Your actions are a breach of the covenant of good faith and fair dealing.

As set forth above, you have made serious and material misrepresentations to Mr. Tartaglia and the Franchisee in violation of the FTC Franchise Rule. A misrepresentation is a false statement of fact, a promise of future performance made with intent not to perform as promised, or a failure to disclose when there was a duty to disclose. The FTC regulations are admissible with regard to showing a defendant's duty to disclose when the plaintiff raises allegations of fraud. *Rodopoulos v. Sam Piki Enterprises, Inc.,* 570 So.2d 661 (Ala. 1990). The Franchisor made the above described misrepresentations to Mr. Tartaglia and the Franchisee recklessly, without caring whether the representations were true or false. Franchisor made the representations with the intent to induce Mr. Tartaglia and the Franchisee to act upon them and entered her into the franchise relationship. Mr. Tartaglia and the Franchisee believed the representations to be accurate and relied upon them to their detriment. Thus, in violating the FTC franchise rules disclosure requirements as discussed above, the Franchisor committed fraud.

It is unlawful and a violation of the Florida Franchise Act, Fla. Stat. § 817.416 and the Florida Sale of Business Opportunities Act, F.S. §§ 559.80 – 559.815 (the "FSBOA"), for a franchisor to misrepresent, by failure to disclose or otherwise, the known required total investment for a franchise, distributorship or business opportunity. By misrepresenting the start-up costs for the franchise, the Franchisor has violated the Florida Franchise Act and the FSBOA. The violations of the FTC regulations, the FSBOA, and the Florida Franchise Act, Fla. Stat. § 817.416, as detailed above, are also unfair and deceptive trade practices in violation of FDUTPA, Florida Statute § 501.201, *et seq*.

As a direct and proximate result of these misrepresentations and breaches, Mr. Tartaglia and the Franchisee have suffered serious damages. They paid initial fees to the Franchisor in the amount of $16,000, have paid franchise royalties and other fees to the Franchisor in the approximate amount of $21,000, were required to purchase unusable start-up inventory of approximately $30,000, were required to make unwarranted and arbitrary changes resulting in restaurant inefficiencies costing approximately $80,000, and were required to purchase an ineffective, outdated point of sale system for approximately $21,000. Mr. Tartaglia and the Franchisee have also sustained additional lost business damages. As a result of the Franchisor's fraudulent misrepresentations, Mr. Tartaglia and the Franchisee are entitled to rescission of the franchise agreement, as well as damages of no less than one hundred sixty-eight thousand ($168,000), not including lost business damages.

We hope that this matter can be resolved without having to resort to more formal legal action to vindicate our clients' rights, but should the Franchisor be unwilling to meet the demands laid out, this letter is sent without prejudice to our clients' rights to pursue their claims in a more formal legal proceeding. My clients remain willing to engage in productive dialog and negotiate a resolution to this dispute. As required by the Franchise Agreement, my clients are hereby demanding mediation. Nothing in this correspondence shall be construed as a waiver or limitation of any rights or damages of Mr. Tartaglia and the Franchisee. We look forward to your response to this correspondence within ten (10) days within the date of this letter.

Sincerely,

Mary M. Clapp

Mary M. Clapp

Mary M. Clapp, Esq. **mary@clappbusinesslaw.com** **www. clappbusinesslaw.com**	**MO Office** 2518 S. Campbell Ave. Springfield, MO 65807 MO ☎: 417-851-5386	**FL Office** 9040 Town Center Pkwy. Lakewood Ranch, FL 34202 FL ☎: 941-567-1607